



A Letter from Tortoise's CEO Kevin Birzer



To our valued partners,

I am pleased to share our inaugural annual letter. I hope to provide helpful updates about our progress in 2019 and our vision for 2020 and beyond. More than that, I want to provide an update on how we continue to deliver on our firm's core values – Entrepreneurial Spirit, Perseverance and Humility. We deliver on these values with a focus on what's most important – taking care of our clients with great performance and service, while also taking care of our team by providing a great place to work.

With a name like Tortoise, perseverance is a must, and our tagline, "Steady Wins", further illustrates our commitment to this value. During the prolonged energy sector downturn, it has proven to be more important than ever. With humility, we have recognized our failures and learned from them. Using our entrepreneurial spirit, we have sought new opportunities that we believe will lead to success for our clients in the future.

A Focus on Essential Assets

Over the last five years, we have experienced a challenging energy market. While this environment has created some challenges, it has also provided opportunities.

Throughout this period, Tortoise has expanded our focus to include what we refer to as **essential assets** – those assets and services that are essential to society and the economy, including midstream energy, sustainable infrastructure (e.g., renewables, water, etc.) and social infrastructure. In addition to expanding our portfolio beyond traditional energy into renewables, as part of the Teal Energy Deal described in more detail later, we have also sought investment into social infrastructure, where we provide capital to project finance initiatives focused on energy efficiency as well as organizations that educate our children and take care of our seniors. We have expanded our footprint both domestically and globally, creating a best-in-class firm that makes a positive impact on society, our clients and our employees.

In 2019, we launched the Tortoise Essential Assets Income Term Fund (NYSE: TEAF), which combines this expertise and provides investors access to a combination of public and direct investments in essential assets that are making an impact on clients and communities. This is a prime example of a multi-strategy product, leveraging investment capabilities across Tortoise to provide differentiated investment solutions to our clients. While the fund's short-term performance has been disappointing, we continue to have strong conviction in the fund and investing in essential assets for the long term.

Responsible Investing

Underscoring our commitment to responsible investing, Tortoise became a signatory to the United Nations Principles for Responsible Investment (UNPRI). We also produced our inaugural [Impact Report](#), which provides additional details regarding how we are making an impact on communities through our investments and our people. We continue to build a framework of sustainable investment practices that further enhances our investment approach to deliver competitive returns for our clients while, in addition, seeking socially responsible investments with Environmental, Social and Governance (ESG) parameters.

Firm Updates

We believe that continuing to develop products to surround our core business of investing in midstream energy makes us smarter and allows us to provide a more robust suite of products for our clients. It also provides growth opportunities for employees that help retain and attract first-class talent. In 2019, we completed firm acquisitions, gained new hires to support the build-out of our operational infrastructure and new platforms, were honored with industry recognition and moved into our new firm headquarters. Here are some of our most exciting updates:

- We acquired Ecofin Limited in November 2018 and spent 2019 integrating the people and processes. Ecofin (now Tortoise UK) is located in London and brings a long history of investing in global infrastructure, sustainability and energy transition. We believe the solution to cleaner energy is the combination of natural gas and renewables. Tortoise is already a leading investor in natural gas. This acquisition enhances our ability to invest in renewables and sustainable global infrastructure.
- In September, we completed the acquisition of the midstream energy team at Advisory Research Inc. led by talented individuals with decades of experience and a long track record of midstream energy infrastructure investing. We have clear conviction in the midstream business and the important role it plays meeting global energy demand. This acquisition broadens our midstream energy offerings to include fixed income capabilities, and specifically a yield-oriented mutual fund, which was a void in our midstream product lineup.
- We saw continued growth in the Social Infrastructure platform and added origination and surveillance professionals to the team during 2019.
- With the growth and expanded focus of the firm, one area where we recognized we were falling short was in our operational infrastructure. We've always had a strong operations team, however, as the company has grown and our business has become more complex, we realized that we needed subject matter experts leading each team, so we enhanced our operational infrastructure in 2019 and we believe this will allow us to better serve our clients. During 2019, we had the following changes:
 - Dan Bentzinger joined the firm as Chief Information Officer
 - Michelle Johnston, CFA, was appointed Chief Financial Officer
 - Mary Meacham, PHR®, joined the firm as Chief People Officer
 - Matthew Sallee, CFA, was appointed Head of Listed Infrastructure

Additionally, Connie Savage, Chief Operating Officer, and Kyle Krueger, Managing Director – Trading and Performance, departed Tortoise as part of our natural progression. Jessica Jones was promoted to Director - Operations and Ryan Crislip to the Head of Global Trading, both supported by dedicated teams. You can learn more about all of these senior leaders on our website.

- In 2019, we also experienced success with our podcast series. This has been a great way for us to communicate and share updates with investors. If you haven't already, I encourage you to subscribe wherever you listen to podcasts. We also share them on [our website](#).
- We were thrilled to be named a Best Place to Work in Money Management by Pensions & Investments for the sixth year in a row and again locally in the Kansas City Business Journal. This is a huge honor for us, as it recognizes our focus on providing a great workplace for our professionals so they, in turn, can provide great service to our valued clients.
- Have you had a chance to visit our new headquarters? If you're in the Kansas City area, I hope you'll stop by. We moved in the fall and are enjoying our new space. True to our firm-wide mission of decreasing our global carbon footprint, the building is energy efficient and environmentally friendly. Our space was designed in partnership with a team of employees focused on creating a sustainable infrastructure while encouraging a transparent and collaborative teamwork environment. The project was selected as a winner in the Kansas City Business Journal's 15th annual Capstone Awards program.

Entrepreneurial Endeavors

Throughout 2019, our core value of fostering an entrepreneurial spirit across the firm came to life in several ways, with one initiative highlighted below:

A Transition to Cleaner Energy

One opportunity that we are excited about is the energy evolution currently underway globally. We believe it is especially important during this year, when here in the United States we will be electing our country's next president, to have a pragmatic strategy in place to significantly lower CO₂ emissions and decrease our global carbon footprint. At Tortoise, we believe the fastest, least expensive and most efficient path to cleaner energy is the combination of natural gas and renewable energy sources. We call this ***The Teal Energy Deal***. For more information, [read our whitepaper](#).

We don't believe divestment is the answer. Instead, we seek to engage with portfolio companies and use our influence to encourage best practices related to governance, environmental and social issues. As an added bonus, companies with improved ESG initiatives tend to be rewarded by the market with better performance. Our ultimate goal is to encourage energy companies to innovate and provide cleaner energy sources that will subsequently reduce CO₂ emissions globally.

To support this, we recently launched the Tortoise Energy Evolution strategy, which focuses on themes including electrification driving global energy demand growth, the need for global CO₂ emission reductions and U.S. energy exports as part of the global solution.

Perseverance and Entrepreneurial Spirit Leads to Opportunity

We have always believed that to be smart in midstream energy, you have to understand everything that surrounds it. From upstream producers on the supply side to downstream users on the demand side. About five years ago, we began researching water and its relationship to energy production to better understand an important variable in the energy value chain. Through our research, our team recognized a significant global and multi-faceted opportunity to invest in water. What started as a research initiative led to the launch of the Tortoise Sustainable Global Water Strategy. Today, we manage this strategy for clients across various investment vehicles and it returned more than 30% in 2019.

The strategy allows us to focus on sustainability and impact. We believe an investment in this space will allow us to make an impact by:

- Maximizing water supply through water loss prevention technologies, water reuse and desalination
- Improving water efficiency through adoption of advanced irrigation methods, growth in process control systems and advances in household water technology
- Upgrading legacy water infrastructure in developed countries, as well as building out water infrastructure in emerging markets

Using Humility to Change Course

As CEO, I find that one of the most difficult parts of my job is striking the right balance between providing adequate time for incubation of a new idea versus quickly changing course when something is not going as planned. As an entrepreneurial company, we have had and always should have misses, and some opportunities to pivot when needed in order to provide what we think are the best solutions for our clients' needs.

The Tortoise Cloud Infrastructure Fund (TCLD)

In February 2019, we launched TCLD to invest in digital infrastructure. We believed, and still do, that digital assets are essential to the economy and society. Digital infrastructure is the backbone of the digital revolution and incorporates a wide range of functions related to the transfer, storage and processing of digital information. However, quite a few new entrants came into the market in 2019, making it a crowded space. Fortunately, it didn't take us long to realize this and we shut down the fund. We still believe in digital infrastructure but competing in this space is not in the best interest of our investors at this time.

The Tortoise North American Energy Infrastructure UCITS Fund

We launched this product four years ago to bring a midstream pipeline investment opportunity to the European markets. However, over time we learned that there was a lack of interest and we have launched a suite of three sustainability focused UCITS funds that are more relevant to the European market and already gaining traction.

2020 Outlook

As we turn to the future, we will continue to provide client solutions in essential assets and we are excited about opportunities across the sectors. Specific to the social infrastructure sector, an aging population is impacting housing demand, and the desire for more choice in education is driving a need for charter schools, creating opportunities to provide capital. The global energy evolution taking place is creating investment opportunities across the energy value chain as energy demand is growing worldwide, particularly from electrification in emerging countries. In fact, our long-term outlook is built around worldwide electricity demand doubling by 2050. This increasing demand needs to be met with lower-carbon supply in order to decrease global CO₂ emissions. For this to happen, natural gas and renewables must take market share from coal for electricity generation. Additionally, U.S. midstream energy is playing an important role, exporting inexpensive and lower-carbon energy to the rest of the world, resulting in an increased need for critical infrastructure to support these exports.

In summary, we continue to focus on our firm's core values as we make decisions to position our clients for future success. We remain committed to making impactful investments into essential assets across energy and social infrastructure. We have talented people and time-tested processes that will allow us to execute on our objectives throughout the new decade and beyond.

I am looking forward to the opportunities ahead of us as we enter 2020. I truly believe we can make a positive impact on our clients and in our communities.

Thank you for your continued trust in us.

Sincerely,



Kevin Birzer
Chief Executive Officer