Tortoise Podcast

March 24, 2020

Welcome to the Tortoise podcast. Thank you for joining us. Today, Tortoise provides a timely update on closed-end funds' leverage and coverage.

Hello and welcome to a special Tortoise closed end fund podcast. I'm Tortoise Director Greg Murphy and joining me today is Tortoise Managing Director and Closed End Fund CEO Brad Adams. Welcome back Brad and thanks for joining us again.

Thanks, Greg. Good to be here.

This is our third podcast over the last few weeks. So we would definitely encourage listeners to go back and listen to or read the transcripts of our recent updates. All of these are available on our webpage or wherever you get your podcasts. It also goes without saying that our thoughts and prayers go out to all the individuals, families and businesses impacted by the coronavirus. These are exceptional times including in the investment world.

They really are!

Brad, let's turn to the Tortoise funds. This morning Tortoise issued updated leverage summaries for all of the funds on our webpage, www.cef.tortoiseadvisors.com. We have talked about these leverage summaries on past podcasts, but there is some different looking information on this week's update. First off, can you answer maybe a simplistic question? Sure Greg.

Did the 40-Act Coverage ratios improve on the funds?

From a pro forma perspective yes, all of the funds saw improvement in asset coverage since the last update. To see the changes from last week you can access the transcripts from this podcast on our website.

1940 Act Coverage Ratios

TYG

	Ratio as of	
	2/29/2020	3/13/2020*
Debt (300%)	333%	443%
Debt & Preferred (200%)	236%	214%

	Ratio as of	
	2/29/2020	3/20/2020*
Debt (300%)	333%	N/A
Debt & Preferred (200%)	236%	377%

NTG

	Ratio as of 2/29/2020	Ratio as of 3/13/2020*
Debt (300%)	346%	458%
Debt & Preferred (200%)	234%	202%

	Ratio as of 2/29/2020	Ratio as of 3/20/2020*
Debt (300%)	346%	N/A
Debt & Preferred (200%)	234%	280%

TTP

	Ratio as of 2/29/2020	Ratio as of 3/13/2020*
Debt (300%)	401%	460%
Debt & Preferred (200%)	291%	245%

	Ratio as of 2/29/2020	Ratio as of 3/20/2020*
Debt (300%)	401%	N/A
Debt & Preferred (200%)	291%	292%

NDP

	Ratio as of 2/29/2020	Ratio as of 3/13/2020*
Debt (300%)	320%	619%

	Ratio as of 2/29/2020	Ratio as of 3/20/2020*
Debt (300%)	320%	638%

TPZ

	Ratio as of 2/29/2020	Ratio as of 3/13/2020*
Debt (300%)	312%	335%

	Ratio as of 2/29/2020	Ratio as of 3/20/2020*
Debt (300%)	312%	365%

And Brad when investors go out and look at the updated leverage summaries they are going to see where we had numbers in the past they are going to see a N/A for debt asset coverage test in TYG, NTG and TTP.

What does N/A mean?

The 40-Act test ratios for 3/20/20 on the webpage are calculated on a pro forma basis to include proceeds from trades that have been made but not yet settled, plus cash on the balance sheet of the funds that could be used to pay down debt. The N/A indicates that on this pro forma basis there is more cash in the fund than there is debt outstanding.

So just to be clear, are the funds paying down debt or are they just building cash on the balance sheet?

Most of the funds have a variety of leverage on their balance sheets. Most of the funds have a credit facility that can easily be repaid. Some of the funds also have longer maturity notes outstanding that have prepayment premiums associated with them. Some funds have also utilized preferred stock as a way to further leverage portfolio assets. The preferred stock also contains prepayment premiums. The leverage tabs have been updated to show the outstanding leverage as of last Friday's close. For some funds, the credit facilities have been repaid, but notes and preferred stock remain outstanding. But just to be crystal clear, even if the calculation shows N/A for the pro forma calculation, if we are still showing debt and/or preferred stock outstanding for a fund, that leverage was still outstanding as of the close on 3/20/2020. For more disclosure around the outstanding leverage, please see notes 9, 10 & 11 in the annual report available on our webpage.

Ok, Brad can you remind us when the 40-Act tests are "officially" calculated?

Yes, the 40-Act leverage tests are officially calculated per our leverage agreements at the end of the month.

So intra-month we are passing on a pro forma basis. If we are passing on a pro forma basis at the end of the month does that fulfill the 40-Act coverage requirements?

Unfortunately, no. The leverage agreements stipulate that we calculate asset coverage based on actual leverage outstanding, not the pro forma leverage as we report the number intra-month. So even though as of 3/20/2020 we showed the ability to radically deleverage our funds, since we have not yet repaid that leverage, if 3/20/20 had been a determination date, we would not have passed the test and entered into a 30 day-cure period to actually repay leverage.

Ok, well it sounds like the closed-end fund board and all the teams at Tortoise are staying busy working through these exceptional times.

Yes, I just want to reiterate a huge thank you to all of our investors and the investment community for your understanding. I can assure you that the board and the whole team at Tortoise continues to manage this very closely. We are at times limited with the public disclosures we can make, but please don't take that as a sign that progress is not being made behind the scenes.

Well, it is obvious from the changes in pro forma 40-Act coverage that lots was going on behind the scenes last week.

That's for sure! Thank for your time today, Brad. You bet!

And with that we will close for today. As a reminder, we will continue to provide these updates as market volatility and investor appetite dictates. We will look forward to catching up with you again soon and it you have not done so, please subscribe to our podcasts at www.tortoiseadvisors.com or wherever you get your podcasts.

Thank you for joining us. And stay tuned for our next cast. Have topics you want covered or other feedback to share? Write us at info@tortoiseadvisors.com.

The S&P 500® Index is a market-value weighted index of equity securities.

The **PCE inflation rate** is the Personal Consumption Expenditures Price Index. It measures price changes for household goods and services. Increases in the PCEPI warn of inflation while decreases indicate deflation.

Broad Energy = The S&P Energy Select Sector® Index is a capitalization-weighted index of S&P 500® Index companies in the energy sector involved in the development or production of energy products.

Producers = Tortoise North American Oil & Gas Producers Index℠
The Tortoise North American Oil & Gas Producers Index℠ is a float-adjusted, capitalization weighted index of North American energy companies primarily engaged in the production of crude oil, condensate, natural gas or natural gas liquids (NGLs). The index includes exploration and production companies structured as corporations, limited liability companies and master limited partnerships but excludes United States royalty trusts.

MLPs = The Tortoise MLP Index® is a float-adjusted, capitalization weighted index of energy master limited partnerships (MLPs). The index is comprised of publicly traded companies organized in the form of limited partnerships or limited liability companies engaged in transportation, production, processing and/or storage of energy commodities.

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