



TORTOISE WATER INDEXSM
(TBLUE/TBLUET)

Index Methodology Guide

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Company background

About Tortoise Index Solutions

Tortoise Index Solutions provides research-driven indices that can be used as a realistic basis for exchange-traded products and thought leadership in the universe of essential assets. Its indices are intended to fill a void in the market and provide benchmarks and investable asset class universes for use by investment professionals, research analysts and industry executives to analyze relative performance as well as to provide a basis for passively managed exchange-traded products.

Index introduction

Water is an essential asset — critical to economic growth and social stability. The companies that manage, treat, and distribute water are vital not only to our survival, but also our ability to thrive and prosper. There has been an increasing amount of attention paid to the true importance of water as an essential asset, as well as the investment that must be made to maintain our current infrastructure and develop new infrastructure. We believe that the Tortoise Water IndexSM (“the Index”) is comprised of companies that represent the current North American water landscape and are poised to participate and benefit from growth in the space.

The Tortoise Water IndexSM is a proprietary, rules-based, modified capitalization-weighted, float-adjusted index comprised of companies that are materially engaged in the water infrastructure or water management industries. They are listed and traded on the New York, NASDAQ or Toronto stock exchanges.

The index level is calculated on both a price-return and a total-return basis. The real-time index level for the price-return version of the Index is available from major market data providers under the ticker “TBLUE.” The real-time total-return index level is available under the ticker “TBLUET.”

The Index is independently calculated by S&P Dow Jones Indices. It has a base level of 100 as of December 31, 2010.

Constituent eligibility criteria

Index eligibility To be eligible for inclusion in the Tortoise Water IndexSM, a company must be publicly traded and meet the following eligibility requirements:

Water companies Companies qualify as a “water company” by having significant gross revenues derived from activities defined in the segments described below:

Water infrastructure Defined as a company whose principal business is providing public water distribution or supporting/enhancing water distribution infrastructure via equipment, engineering and consulting.

Water management Defined as a company that provides technologies or products that manage or facilitate water distribution and usage, including the fields of water efficiency, water treatment and irrigation.

Market capitalization Companies must have a total equity market capitalization of at least U.S. \$200 million at the time of inclusion in the Index. To remain in the Index, a company must maintain an average equity market capitalization of at least U.S. \$150 million for a minimum of 20 trading days prior to rebalance reference dates.

Listing exchange A water company must be listed in the U.S. or Canada and be listed on the New York, NASDAQ or Toronto stock exchanges.

Constituent weightings

Many companies that are engaged in the water industry also derive substantial revenues from non-water related activities. Some such companies, including some in this Index, derive less than half of overall company revenues from water industry activities. In some instances, these companies may have market caps that are substantial relative to the size of the industry. While we believe including such companies in the Index is important, equally important is our prerequisite that our Index derive a significant portion of its revenue from water related activities. In an effort to create an index that does both, we have implemented a “revenue weighting” methodology.

Revenue weightings Revenues from all potential index constituents are sourced annually from company 10-Ks or equivalent filings for Canadian securities. The Constituent Eligibility Criteria is then applied. Eligible companies are then categorized into one of two segments:

Direct water exposure Direct water exposure companies are defined as deriving at least 50% of their gross revenues from water related activities. Companies in the direct water exposure classification will be weighted to represent at least 70% of the aggregate float-adjusted market cap of the Index. The weight assigned to each individual security is determined by its respective share of the aggregate float adjusted market cap of the direct water exposure segment.

Indirect water exposure Indirect water exposure companies are defined as water companies that derive significant, but less than a majority of, gross revenues from water related activities. Companies classified as having indirect water exposure will be weighted to represent at most 30% of the aggregate float-adjusted market cap of the Index. Securities in this segment are then equal weighted, with the 30% weight evenly distributed across all securities within this segment to limit excess exposure to securities with more sizable non-water segments or activities, as well as diversify those types of exposures.

Individual security weightings

Direct water exposure segment No individual security in this segment may be more than a 7.5% weight of the total index market cap as of the reference date. Should the weighting of any individual security be more than 7.5% of the total index market cap as of the reference date, excess market cap will be distributed evenly to other members of the direct water exposure segment that do not currently exceed this threshold.

Indirect water exposure segment Initially, the indirect segment will be weighted to represent 30% of the total float-adjusted market cap of the Index. For example, if there are eight securities in this segment, each security would be weighted at 3.75% in and add up to 30%. While securities in this segment are equally weighted, no security in this segment will have a weight higher than 4% of the aggregate float-adjusted market cap of the Index at the time of reconstitution. For example, if there are seven securities in this segment, each security would be weighted at the maximum of 4% of the aggregate float-adjusted market cap of the Index.

Additional segment information

It is possible, that the resulting sum of weights in the indirect segment is less than 30% when the individual 4% security cap is applied. In that event, the excess available market cap will be redistributed to the direct segment. This ensures that as the industry matures and to the extent that more companies specialize in the field, the Index will continue to increase exposure to companies whose primary gross revenue source is water infrastructure or management.

Continuing the previous example, if there are only seven securities in the indirect water exposure segment, and securities are limited to a 4% weight, the weight in the indirect water exposure segment would reach only 28%. The 2% below the 30% cap will be re-weighted to the direct water exposure segment, increasing the direct water exposure segment to 72% of the aggregate float-adjusted market cap of the total index.

Security data

Reference documentation

The following documents are used to calculate shares outstanding:

- Press releases
- Annual reports pursuant to Sections 13 and 15(d) of the Securities Exchange Act of 1934 (10-K, 20-F) and Parts 4, 5 and 6 of National Instrument 51-102 (AIF)
- Quarterly reports pursuant to Section 13 and 15(d) of the Securities Exchange Act of 1934 (10-Q, 6-K) and Parts 4 and 5 of National Instrument 51-102 (IFS)
- Certain registration statements pursuant to Rules 415 and 462 of the Securities Act of 1933 (S-1, S-3)
- Prospectuses and prospectus supplements pursuant to Rule 424(b)
- Proxy statements pursuant to Section 14(a) of the Securities Exchange Act of 1934 (DEF 14A)
- Current reports pursuant to Sections 13 and 15(d) of the Securities Exchange Act of 1934 (8-K, 6-K)

Shares outstanding

The shares counted for index calculation are shares outstanding, and are essentially “basic shares” as defined by The Financial Accounting Standards Board (FASB) in Generally Accepted Accounting Principles (GAAP). This count is float-adjusted to reflect only available shares.

Changes in a company’s shares outstanding (and float changes), to include those due to mergers and acquisitions, greater than 5% are applied on a weekly basis by the index calculation agent. All other de minimis changes are accumulated and implemented with quarterly share rebalancing and annual float updates.

Index construction and maintenance

Index calculation equations

The Index is calculated by S&P Dow Jones Indices using the following equations:

$$[\text{Initial Divisor}] = [\text{Base Date Index Market Capitalization}] / [\text{Base Date Index Value}] \text{ (not necessarily 100)}$$

$$[\text{Index Value}] = [\text{Index Market Capitalization}] / [\text{Divisor}]$$

$$[\text{Post-Rebalance Divisor}] = [\text{Post-Rebalance Index Market Capitalization}] / [\text{Pre-Rebalance Index Value}]$$

For a more detailed explanation of these equations, please refer to the Capitalization Weighted Indices section of the S&P Dow Jones Indices’ Index Mathematics Methodology, which can be found at <http://us.spindices.com/>.

Index rebalancings

The Index is rebalanced quarterly on the third Friday of each March, June, September and December, and rebalances are effective at the open of the next trading day. In the event major U.S. exchanges are closed on the third Friday of March, June, September or December, the rebalancing will take place after the market close on the immediately preceding trading day. Reference dates for rebalancing are nine calendar days prior to the rebalance dates. Underlying constituent shares and constituent caps will be applicable as of the reference dates. As such, due to market fluctuations between reference dates and rebalance dates, constituent caps may not hold on the rebalance dates.

Corporate actions (such as stock splits, stock dividends, spin-offs and rights offerings) are applied after the close of trading on the day prior to the ex-date.

Additions No companies will be added to the Index between rebalance dates.

Deletions Between rebalance dates, a constituent can be deleted from the Index due to corporate events such as mergers, acquisitions, bankruptcies, takeovers or delistings.

Industry classifications Constituents will be reviewed annually, at the December rebalance, to determine the appropriate water classification.

Treatment of dividends and distributions The price return index does not account for cash dividends or cash distributions. The total return index accounts for cash dividends or cash distributions by reinvesting them across the Index after market close on the ex-date. Stock dividends are treated as corporate actions and result in offsetting adjustments to price and units outstanding.

Base date The base date for the Index is December 31, 2010, with a base value of 100.

Index dissemination

The real-time index level for the price return version of the Index is available from major market data providers under the ticker "TBLUE." The real-time total return index level is available under the ticker "TBLUET." For index values, constituents and announcements regarding constituent changes, please visit www.tortoiseindexsolutions.com.

The Index is calculated daily throughout the year. The Index is not calculated on days when U.S. and Canada exchanges are officially closed.

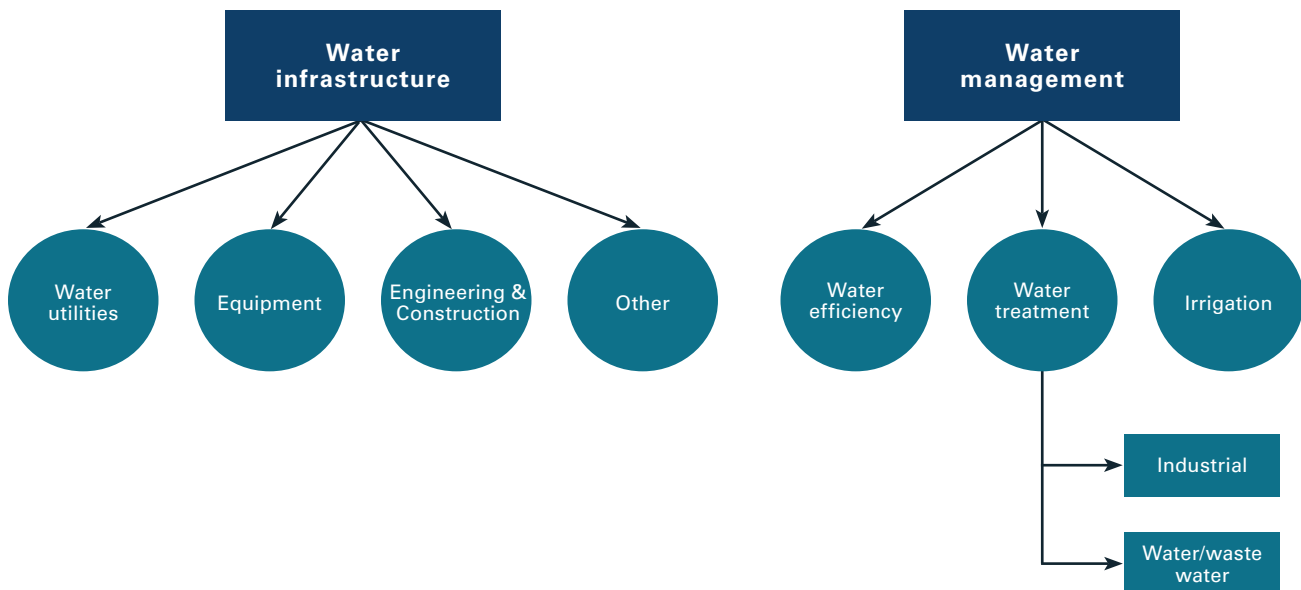
In situations where an exchange is forced to close early due to unforeseen events, such as computer or electric power failures, weather conditions or other events, the closing price of the Index will be calculated based on (1) the closing prices published by the exchange, or (2) if no closing price is available, the last regular trade reported for each stock before the exchange is closed. In all cases, the prices will be from the exchange listing included in the Index.

If an exchange fails to open due to unforeseen circumstances, the Index will use the prior day's closing prices. If all exchanges fail to open, the Index may not be published for that day.

Index hierarchy

Tortoise Water IndexSM

While sub-indices for the TBLUE index are not currently calculated, below is a snapshot of the various categories into which companies within the Index may be classified.



Index Committee

The Index Committee oversees the integrity of the rules governing constituent composition and index computation, and provides clarifying guidance on the rules-based methodology where required. Every effort is made to ensure the rules are clear and non-discretionary. The Index Committee approves quarterly rebalances and directs public announcement relating to the indices.

Members

Appointment of members: The Index Committee will consist of between three to five voting members, one of whom will act as Chair.

No remuneration: For their particular work on the Index Committee, Index Committee members will not receive a salary or other financial remuneration (or any benefit in kind).

Meetings, quorum and voting

Tortoise Index Solutions shall provide at least five business days advance written notice to each Index Committee member of any meetings or matters subject to vote. A quorum of committee members is required for all voting matters.

“Quorum” is defined as:

- the Chair; and
- at least one other Index Committee member.

Voting: Each Index Committee member shall be entitled to one vote at each Index Committee meeting. All motions or matters before the Index Committee may be carried by simple majority.

Confidentiality

Matters discussed or handled by the Index Committee will be considered confidential until such time as they are made public. Without limiting the generality of the foregoing, the minutes of the Index Committee are confidential information and may not be discussed with anyone outside of the Index Committee without the prior written approval of the Chair and the Chief Compliance Officer of Tortoise Index Solutions.

Decisions by the Index Committee regarding rules, ambiguous cases or discretionary additions or deletions from indices may be made public via such mechanic (internet or otherwise) as the Company decides from time to time.

Conflicts of interest

Any Index Committee member who has a conflict of interest with respect to an issue before the Index Committee must excuse him/herself from participating or voting in relation to that issue. In participating in the Index Committee’s activities, all Index Committee members will aim to observe the highest standards of market practice, avoid appearances of impropriety, and remain mindful of their regulatory responsibilities surrounding issues such as market abuse, dealing ahead and insider trading.

Disclaimer

This data is provided for informational purposes only and is not intended for trading purposes. This document shall not constitute an offering of any security, product or service. The addition, removal or inclusion of a security in the Index is not a recommendation to buy, sell or hold that security, nor is it investment advice. It is not possible to invest directly in an index. Index performance does not reflect the deduction of any fees and expenses. Past performance is not a guarantee of future returns.

The information contained in this document is current as of the publication date. Tortoise Index Solutions, LLC makes no representations with respect to the accuracy or completeness of these materials and will not accept responsibility for damages, direct or indirect, resulting from an error or omission in this document. The methodology involves rebalancing and maintenance of the Index that is made periodically during each year and may not, therefore, reflect real-time information.

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