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CHAMPIONS of America

Tortoise Capital Advisors

FINDING INVESTMENT OPPORTUNITIES IN PIPELINE 'TOLL ROADS' ACROSS NORTH AMERICA

Pipelines represent a diversified investment opportunity with historically low long-term correlation to energy prices

"Steady wins" is the motto at Tortoise Capital Advisors, a leading master limited partnership (MLP) and pipeline investment firm. The motto signifies the investment opportunity in North American energy, particularly among midstream energy infrastructure companies, including MLP-related securities and other pipeline companies.

Crude oil prices have dominated headlines month after month, but with volatility, comes opportunity. According to the laws of economics, price is determined largely by supply and demand; commodity prices are no exception. When supply exceeds demand, prices fall until supply and demand rebalance, which has been the plight for global energy markets since 2014. Yet, when demand increases, prices rise to a level that equilibrates supply with demand.

It is also important to recognize there is more to the energy sector than crude oil production and prices. Many investors find opportunities in the heart of the energy value chain: pipeline companies.

Pipeline companies' resiliency to crude oil price volatility

During times of volatility, performance of pipeline companies can be correlated to the price of oil in the short term. However, historic data show that the performance of pipeline companies demonstrates more significant rebounds than crude oil prices in the 12 months following oil price drawdowns.

Why pipeline companies?

'One of the many reasons we like pipeline companies is because their fundamentals are less directly affected by changes in crude oil prices, though there can be some volatility in the short term before the market deciphers quality,' says Brian Kessens, Tortoise portfolio manager.

Pipeline companies own and operate real, essential, long-lived assets and generally have steady recurring, fee-based cash flows.

'In most cases, pipeline companies earn a fee for transporting volume much like toll roads, regardless of the price of the volumes being transported,' says Kessens.

Pipelines carry a variety of products, including natural gas, and different types of pipelines are more affected by lower crude oil prices than others.

- **Crude oil pipeline companies** earn fees based on the volume they transport through the pipelines. As such, the price of oil does not directly impact these companies.
- **Gathering and processing companies** tend to see some pressure as they take on more commodity price exposure due to the nature of certain contracts within the space. However, many of these companies' contracts have become more fee-based over the past several years.
- **Refined products pipeline companies** typically benefit from lower prices, as demand for gasoline and other fuels tends to increase.
- **Natural gas pipeline companies** should be the least affected by low crude oil prices as their performance isn't directly tied to crude oil prices and natural gas production is still on the rise.

TORTOISE CAPITAL ADVISORS

- Investment manager specializing in listed energy investments
- 66 employees solely focused on North American energy as of Dec. 31, 2015
- Approximately $13.2 billion of energy assets under management as of Dec. 31, 2015
- More than a decade of experience in energy investing
- Research & invest across the energy value chain; upstream, midstream & downstream, including renewable energy
- 8 member investment committee with average experience of approximately 24 years

Learn more at www.tortoiseinternational.com

Why now? Attractive valuations relative to historical averages provide timely entry point

Tortoise has invested in pipeline companies for well over a decade and believes they continue to be attractive as a long-term investment with strong yields and growth potential relative to other asset classes.

'While investor sentiment in the near term may be determined by the direction of crude oil prices, our long-term conviction in the cash flow growth from additional pipeline infrastructure needs and existing assets remains,' remarks Rob Thummel, Tortoise portfolio manager.

'We believe valuations are attractive in the current market environment. Regardless of the metric you are using, yield, price-to-distributable cash flow or firm value to EBITDA, we see valuations generally below long-term historical averages. Importantly, we also see continued growth in pipeline projects,' he says.

Expanding infrastructure and takeaway capacity needs

Tortoise estimates nearly $140 billion of capital investment in pipeline and related organic growth projects for 2015-2017. It should be a period of innovation and advancement as North America begins to export crude oil, natural gas via liquefied natural gas (LNG) and natural gas liquids (ethane and propane). These developments will require additional infrastructure as the US becomes a significant supplier of low cost energy to the world.

Historically long-term resilient over a rising interest rate environment

Many investors are wondering what the US Federal Reserve's decision to raise rates in December means for pipeline companies. While pipeline companies typically fare better than some yield-oriented securities such as real estate investment trusts (REITs) and utilities during a rising interest rate environment, they are not immune.

Pipeline companies can experience some short-term volatility during periods of rising rates. But over the longer term, they have historically provided positive returns during these periods. Also, one of the catalysts for a rising rate environment can be that the economy is generally healthy with modest inflation – which is good for pipeline companies.

Looking ahead

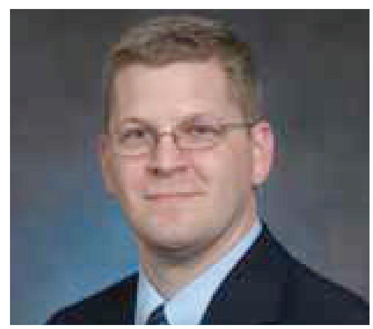
Tortoise believes the energy revolution has enabled North America to emerge as a significant player in the global energy landscape, becoming the marginal producer of hydrocarbons.

The recent US energy export developments are further proof of a dramatic shift in global energy. Breakeven economics for many oil and gas companies continue to decline and the US is producing more natural gas and natural gas liquids than ever before.

For pipeline companies, it is Tortoise's belief that fundamentals remain strong and the underlying cash flows have continued to grow. Regardless of the direction of commodity prices, in Tortoise's view, opportunities remain across the energy value chain for long-term investors.

The stable fundamental attributes of midstream companies, particularly those transporting petroleum and natural gas, may be more resilient over the long term to commodity price volatility, while some areas of the downstream may actually benefit from lower commodity prices. In Tortoise's opinion, a diversified portfolio of midstream energy infrastructure assets by both location and product can help to reduce exposure to commodity price volatility over the long term.

BRIAN KESSENS, CFA



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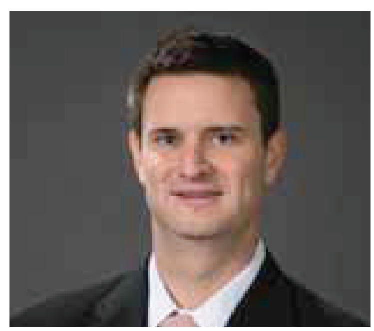

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