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Welcome to the Tortoise QuickTake podcast. Thank you for joining us. Today, senior members of Tortoise provide a timely update on trending topics in the market.

Pam Kearney: Hi, and welcome to the next Tortoise QuickTake podcast. I'm Pam Kearney and I'm joined today by Matt Wegrarz, our Director and Portfolio Manager. And we're here to talk about the Tortoise Global Water ESG Index. So Matt, what changes are being made to the Tortoise Global Water ESG Index?

Matt Wegrarz: We ended up settling on three changes. The first of which is—we're going to shift our strategy from focusing just on the United States to focusing more globally. The second one is that we're going to increase the strictness of the water requirement to get into the index. And then finally we added an ESG overlay, what that essentially is, is every company in our index is ranked on environmental, social and governance standards and they must adhere to a certain threshold which is a numerical threshold in order to get included into the index. Investors overwhelmingly seem to desire global access because the water story really is a global story.

Pam Kearney: How do you screen for ESG?

Matt Wegrarz: So, we chose to partner with a third-party, Sustainalytics, the largest independent ESG- dedicated research firm. They rank all of the companies that could be potentially in our investment universe with a numeric ranking. And then we have a threshold that a company must meet or be above in order to be included in the index.

Pam Kearney: How will those changes potentially benefit investors?

Matt Wegrarz: The water story really is a global story. By expanding to a global universe, we expand the investable universe. As a result of that, you're able to have larger company size, more liquidity and you also have the ability to be more stringent with your requirement for water. You get a more liquid product, you get global diversification and you really get the feel good aspect of investing in a sustainable way.

Pam Kearney: Great. What are the core investment themes of Tortoise's water strategy?

Matt Wegrarz: I think the main investment theme is the tremendous demand that we have for investment in water infrastructure and technology. And the mismatch with the supply of dollars being allocated to those areas right now. We need to rebuild a lot of infrastructure in developed countries. We need to buildout a lot of new infrastructure in other markets throughout the world. And that is expensive. And the supply of capital is not quite there yet. And then I think something else that doesn't get touched on a lot in the water space but is vitally important to solving our problems with water, is the technology aspect. Whether it's the treatment of water, water efficiency, whatever it might be, technology is going to play a major role in solving the global water crisis going forward.

Pam Kearney: Why invest in water, and why now?

Matt Wegrarz: We're having a global water crisis right now. It's not always evident to everyone here in the States, because we often take water for granted. But there's 3.3 billion people throughout the world that live in areas of water scarcity or severe water shortage. And the World Economic Forum ranks global water crisis as the number one risk in terms of societal impact, globally. It's estimated that water demand is going to exceed water supply by 40% by 2030. From our perspective there's a huge capital supply/demand imbalance going on in the water space. Water needs investment and the capital is not there yet, so at Tortoise, it's our objective to create products to align those two.

Pam Kearney: How does this fit into Tortoise's "Making an Impact" mission?

Matt Weglarz: We feel like this fits perfectly into our Making an Impact mission. By implementing an ESG overlay, we're telling both our investors and the investment teams at the companies we're investing in, that how you go about your business is important to us. And we honestly believe that over time, management teams that hear this investor feedback and make active progress and active efforts to run their businesses in a more sustainable way, will tend to do better over time.

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.

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