

Tortoise QuickTake

Direct Lending Podcast



April 20, 2018

Welcome to our first in a series of podcasts focused on our direct lending platform. Tortoise President Gary Henson and Managing Director Jeremy Goff have joined us to kick off the conversation. Jeremy, starting with you, please explain why we are focused on essential assets and income.

Jeremy Goff: What we feel is that by leveraging our experience in the essential assets world in areas like education, healthcare, housing and infrastructure as well as our expertise in credit underwriting, we can provide a product that's really beneficial to investors

Gary Henson: I think Tortoise always wants to try and find a capital supply/demand imbalance. You want to be a liquidity provider when generally people do not provide liquidity. That puts the risk/return in our clients' favor.

Why is that important now, Gary?

Gary Henson: I think there is a couple of reasons that this is a great time for the strategy. One we're in a low interest rate environment and although interest rates may be on the rise, the coupons on these securities are very high and provide a significant amount of cushion relative to the duration of the assets. Secondly, there's massive social tailwinds behind these securities. Healthcare, education, senior living facilities, etc. are all essential assets that have meaningful demographic trends associated with those areas. And then I think lastly it goes to the capital/supply demand imbalance that I referenced earlier. If you are always investing where there's a capital supply /demand imbalance, I think you have an opportunity to put the risk/reward in your favor.

Jeremy Goff: I think there's a number reasons why now is the right time. These particular assets that we're talking about when we say essential we mean that they are lasting assets and their favorability doesn't come in and out with the winds of the economy. So whether you would choose to invest in these assets today or a year from now, these are going to be quality assets that could be a core component of your portfolio

Jeremy, as a follow-up what's the risk mitigation process?

So risk mitigation really runs throughout the entire process. It starts with structuring, and how we do the investments and it also leads into governance and how we manage that process and so when you think about risk mitigation it's really a core component of everything we do.

To wrap it up, starting with you Gary... Why Tortoise?

Gary Henson: I think our biggest competitive advantage is our sourcing and our structuring. We're able to source more deals and more attractive deals than we have capital for. Thus the capital/supply demand imbalance. But in addition to that we have a team that knows how to structure them to put the risk/return in a favorable light for our investors

Jeremy Goff: I think our competitive advantage is the people, the investment team and their ability to structure and analyze the credits and their relationships in the industry as well. It's an extremely dislocated industry, so having those relationships and knowing where to put the money and knowing who needs the money is a core component of what we're trying to do.

Thank you for listening to our podcast about our direct lending platform. 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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