

Tortoise QuickTake Special Year-End Podcast

January 2, 2018

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.

Hello. I am Tortoise Managing Director and Portfolio Manager Rob Thummel with the first Tortoise QuickTake podcast of 2018.

I hope each of you had an opportunity to spend time with your family, see a good movie, and/or begin to make sense of bitcoin during the holiday season.

You know the Downton Abbey butler Carson said the business of life is the acquisition of memories. 2017 was certainly a memorable year for energy investors.

Let's start with a summary of 2017 performance. The energy sector as represented by the S&P Energy Select Sector® Index declined by 1%. MLPs as represented by the Tortoise MLP Index® fell by 6% and oil and gas producers as represented by the Tortoise North American Oil & Gas Producers IndexSM dropped by 10%. The best performing stocks in the energy sector were refiners, up over 30% on average in 2017, while the worst performers were oil field services providers, specifically sand providers, that declined by over 40%. The first half of 2017 was miserable for most energy investors, as oil prices fell into a bear market after falling by 21% through June 21st. The energy sector declined alongside oil prices, falling by 13% while MLPs declined by 3% halfway through 2017. At Tortoise, we are experienced with the volatility associated with investing in the energy market. We have strong conviction in the long term fundamentals of the energy market. For those of you who saw the Darkest Hour over the holidays, Winston Churchill summed up this environment the best when he said "Success is not final, failure is not fatal, it is the courage to continue that counts". As the second half of 2017 unfolded, the energy sector gained momentum. The energy sector posted a positive return in four out of the last six months. MLPs delivered their best monthly return of 2017 in December. As the calendar flips, the catalysts are in place for the momentum to carry forward into 2018.

Of course, the energy sector in general was boosted by rising oil prices in 2017. Oil prices bounced out of a bear market at the start of the year, ultimately rising by 12.5%. One of the most memorable events in the energy sector in 2017 was the decision by OPEC and non-OPEC oil producers to extend the production cut agreement through the end of 2018. This removed a dark cloud that was hanging over the energy sector as OPEC made it clear that their focus was on reducing the global oil inventory surplus and returning oil inventory levels to the 5-year average. At Tortoise, we expect this decision to bring stability to oil prices. Stable oil prices should provide a brighter future for the energy sector and MLPs in 2018.

For MLPs one of the most memorable events in 2017 was the passage of the Tax Cuts and Jobs Act of 2017 that solidified MLPs as the lowest cost of capital means of expanding U.S. energy infrastructure.

At Tortoise, we believe that 2017 was another step forward for the U.S. energy sector. 2016 was a milestone year for the U.S. energy sector with a series of firsts like the first shipment of liquefied natural gas or LNG or the first export of U.S. produced crude oil. 2017 was a record setting year for the U.S. energy sector. Examples of records set in 2017 include the following:

- Highest U.S. natural gas production volumes in history
- Largest amount of U.S. produced crude oil exported outside of North America
- Record levels of LNG exports as well as natural gas exported to Mexico
- Largest export levels of gasoline and propane
- Lowest level of net imports of crude oil and petroleum products on record
- Highest level of U.S. crude oil production in 46 years

Of course, records are made to be broken. We believe many of these records will be broken in 2018 and beyond which would be a positive catalyst for the U.S. energy sector and MLPs. For example, we expect LNG exports to triple from current levels as we move through 2018 and into 2019.

As we begin 2018, energy investors should keep their eye on global energy demand. If this bitcoin craze continues then I am confident energy demand is going higher. The one thing that I learned is that bitcoin mining is energy intensive. In our view, 2018 will likely extend the streak of low energy prices to a fourth consecutive year. Global economies are prospering partially due to low commodity prices. Stronger economies around the world boost global demand for energy. The U.S. is becoming the critical supplier of crude oil, natural gas, propane and gasoline as global demand for these energy products grows. Many of the records set in 2017 related to exporting of U.S. energy.

For MLP investors, keep your eye on interest rates. The 10-year Treasury yield is at 2.40%. Many economists are forecasting several interest rates hikes by the end of 2018. MLPs are well positioned to absorb these hikes. First, the current yield of the Tortoise MLP Index[®] is approximately 7.7% and the yield spread between MLPs and utilities and REITs is 440 basis points and 373 basis points, respectively. In addition, history suggests that MLPs perform well in a rising interest rate environment. Since 2001, there have been 15 periods when the 10-year Treasury yield rose by 50 basis points or more. The average return of MLPs during those 15 periods is 6.8% compared to an S&P 500 return of 5.1% over the same periods.

In summary, energy is vital for economic growth. At Tortoise, we believe that the world is in the midst of a major change with the U.S. playing a pivotal role as the low cost supplier of energy to the rest of the world. As an investor, you want to be part of the significant transformation happening in the global energy sector in our view.

Thanks for listening. We will talk to you next week.

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@tortoiseinvest.com.

Disclaimer: *Nothing contained in this communication constitutes tax, legal or investment advice. Investors must consult their tax adviser or legal counsel for advice and information concerning their particular situation. This podcast contains certain statements that may include "forward-looking statements." All statements, other than statements of historical fact, included herein are "forward-looking statements." Although Tortoise believes that the expectations reflected in these forward-looking statements are reasonable, they do involve assumptions, risks and uncertainties, and these expectations may prove to be incorrect. Actual events could differ materially from those anticipated in these forward-looking statements as a result of a variety of factors. You should not place undue reliance on these forward-looking statements. This podcast reflects our views and opinions as of the date herein, which are subject to change at any time based on market and other conditions. We disclaim any responsibility to update these views. These views should not be relied on as investment advice or an indication of trading intent.*

The S&P Energy Select Sector[®] Index

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.

Tortoise North American Pipeline IndexSM

The Tortoise North American Pipeline IndexSM is a float-adjusted, capitalization weighted index of pipeline companies headquartered in the United States and Canada. A pipeline company is defined as a company that either 1) has been assigned a standard industrial classification (“SIC”) system code that indicates the company operates in the energy pipeline industry or 2) has at least 50% of its assets, cash flow or revenue associated with the operation or ownership of energy pipelines. Pipeline companies engage in the business of transporting natural gas, crude oil and refined products, storing, gathering and processing such as gas, crude oil and products and local gas distribution. The index includes pipeline companies structured as corporations, limited liability companies and master limited partnerships (MLPs).

Tortoise MLP Index[®]

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.

Tortoise North American Oil & Gas Producers IndexSM

The Tortoise North American Oil & Gas Producers IndexSM 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.