Energy infrastructure

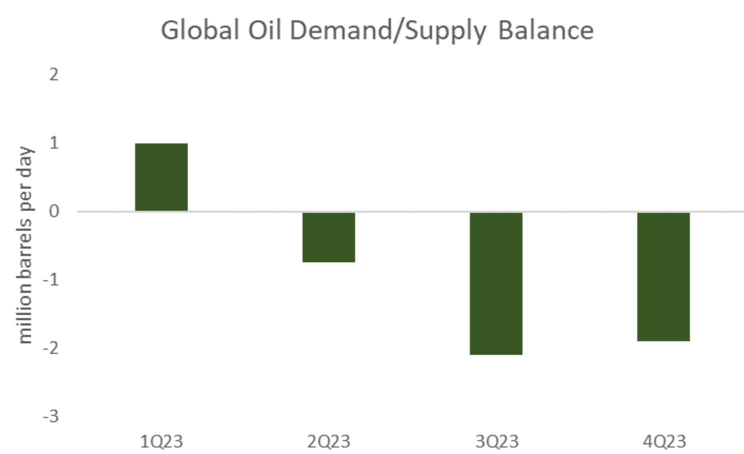
2Q 2023 QUARTERLY COMMENTARY

The broad energy sector, as represented by the S&P Energy Select Sector Index® returned -1.1% for the second quarter of 2023. In the quarter, China's growth stalled and concerns about a global recession starting in the second half of 2023 weighed on energy demand, both current and anticipated. Commodity prices ended mixed for the quarter with crude oil prices down returning -8.8% while natural gas prices rebounded 19% after falling significantly in the first quarter. Long-term supply concerns remain as 2022 was the eighth consecutive year of underinvestment in oil and gas. The opportunity for North American energy infrastructure remains as the U.S. energy industry focuses on maximizing shareholder returns.

The global energy markets remain dynamic to start 2023. Most notable was the Organization of the Petroleum Exporting Countries Plus (OPEC+) twice cutting crude oil production. The production cuts (April 2023 for 1.6 million barrels per day (mm b/d) and June 2023 for 1mm b/d) are intended to tighten the market as short-term demand concerns remain. These follow a production cut from OPEC+ of 2mm b/d in October 2022. We believe OPEC+ is sending a clear message to the market it is focusing on profits over market share. This is a marked change from past messaging and is aligned with U.S. shale prioritizing profits over market share.

360 million barrels: Expected global oil inventory draws in 2H23

- Global oil demand accelerates reaching record levels in 2H 2023
- Oil market undersupplied by an average of 2 million barrels per day in 2H23
- Potential for oil prices to approach $90 per barrel in 2023

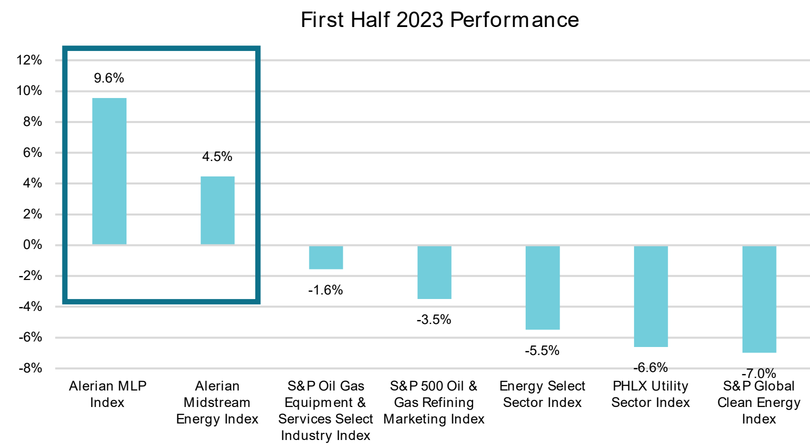


As of 6/30/2023. Source: IEA Oil Market Report

Russian crude oil, despite Western sanctions, remains more resilient than expected, yet volumes are projected to decline and/or face longer transit times to their end market. In the physical markets, U.S. production remains steady. For 2023, the Energy Information Agency (EIA) forecasts that U.S. crude oil production will increase 0.7 mm b/d to 12.6 mm b/d, up from 11.9 mm b/d average in 2022. On the demand side, the IEA projects world crude consumption will increase by 2.2 mm b/d in 2023 to a record 102 mm b/d. Global demand is being driven by China after the country lifted its COVID restrictions. Finally, U.S. and global inventories are projected to decline as we head into the summer driving months.

10%: Midstream outperformance vs. broader energy H1 2023

- Midstream sector proved to be defensive, outperforming E&Ps and other energy subsectors.



Period: 12/31/2022 - 6/30/2023. Source: Bloomberg, TCA

With mixed commodity prices during the period, the midstream sector proved to be defensive, outperforming exploration and production (E&Ps) and other energy subsectors. Midstream's strong fundamentals, attractive valuations, defensive characteristics in a higher rate and inflationary environment supported outperformance on a relative basis. The first half of 2023 underscored several 2022 themes in resilient quarterly earnings and return of capital to shareholders. The banking crisis in March provided another opportunity to highlight the resiliency of the asset class. Energy infrastructure credit facilities were and remain largely undrawn with an average utilization of 10%. With significant free cash flow today and expectations for growing free cash flow in future years we believe there is limited need for credit facilities.

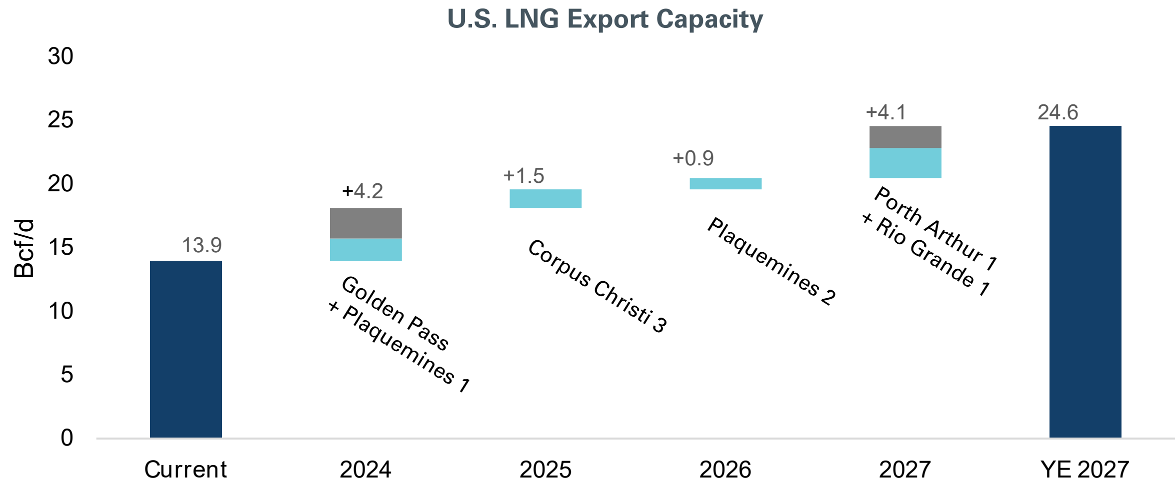
Alerian Midstream Energy Index

FCF Allocation	By Weight	Number of Companies
Reducing debt or at leverage target	99%	22
Growing dividend	91%	17
Repurchasing shares	72%	12
All three of above	69%	11
At or below leverage target	75%	17

As of 6/30/2023. Source: Company filings, TCA estimates

The significant free cash flow is increasingly making midstream assets and companies' attractive merger & acquisition (M&A) targets. In May, ONEOK announced plans to acquire Magellan Midstream Partners (MMP) at a 22% premium. The deal is contingent on a shareholder vote and could close in the second half of 2023. DCP Midstream was also acquired by Phillips 66 at a significant premium during the first half of 2023. In both instances, we believe the acquired companies operate critical energy infrastructure assets and are undervalued due to their high free cash flow generation potential over the next decade and beyond.

Another continuing theme for energy infrastructure companies is the focus on export related infrastructure. With energy security a higher priority and concern around natural gas inventories, Europe is increasingly importing U.S. liquefied natural gas (LNG). The second quarter saw two Final Investment Decisions (FIDs) proceed to construction at Sempra's Port Arthur LNG project and Venture Global's Plaquemines LNG project. Additionally, Cheniere made progress with counterparties for the company's Sabin e Pass Liquefaction Expansion Project. The U.S. remains on track to roughly double LNG export capacity by end of the decade!



As of 6/30/2023. Source: Bloomberg, EIA, TCA

Despite all the positives, risks to our outlook remain. In 2023, we expect a more mixed setup for natural gas, as supply outpaces demand. An unseasonably warm winter lessened the gas demand for Europe and North America. While supply remains abundant in the short-term, we expect more demand pull for natural gas in the back half of the decade. This demand will come from LNG facilities coming online and increased demand for natural gas through power generation. Gas and its reliability and affordability is a key resource for utilities. An example of this is the recent Texas law passed with anti-renewables provisions in Electric Reliability Council of Texas (ERCOT) coupled with low-cost loans for new conventional generation.

On the regulatory front there continue to be hurdles for energy infrastructure mega-projects. During the period, projects faced mixed results around legislative and cost hurdles. On the positive side, the long-disputed Mountain Valley Pipeline received required construction permits via the debt ceiling bill. The pipeline now expects to go into service in late 2023 or early 2024. On the negative side, TransCanada's (TRP) Costal Gas Link, located on the west coast of Canada, is facing delays due to cost overruns, which TRP announced would increase 30%. These examples highlight the importance of cash flowing infrastructure already in the ground. Lastly, the Environmental Protection Agency (EPA) officially unveiled its latest proposal to stunt emissions from coal and gas power plants with most of the limitations appearing to take effect starting in 2035. The EPA projects that less than 20% of existing gas plants would be impacted, but for coal plants looking to run through 2040, the plants would need to switch to running on natural gas 40% of the time. This decision is likely to be litigated but is noteworthy in that the push towards natural gas is one we advocated for historically.

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The S&P 500® Index is an unmanaged market-value weighted index of stocks, which is widely regarded as the standard for measuring large-cap U.S. stock market performance. The Tortoise North American Pipeline Index℠ 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). Returns include reinvested distributions and dividends. The S&P Energy Select Sector® Index is a modified market capitalization-based index of S&P 500® companies in the energy sector that develop and produce crude oil and natural gas and provide drilling and other energy related services. Returns include reinvested dividends. The Alerian MLP Index is the leading gauge of energy infrastructure master limited partnerships (MLPs). The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMZ) and on a total-return basis (AMZX). The Alerian Midstream Energy Index is a broad-based composite of North American energy infrastructure companies. The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMNA) and on a total-return basis (AMNAX). The S&P Oil & Gas Equipment & Services Select Industry Index comprises stocks in the S&P Total Market Index that are classified in the GICS oil & gas equipment & services sub-industry. The S&P 500 Oil & Gas Refining & Marketing Index is a capitalization-weighted index. The index was developed with a base level of 10 for the 1941-1943 base period. The parent index is SPX. This is a GICS Level 4 Sub-Industry group. Intraday values are calculated by Bloomberg and not supported by S&P DJI, however the close price in HP<GO> is the official close price calculated by S&P DJI. The Philadelphia Stock Exchange PHLX Utility Sector Index (UTY) is a market capitalization-weighted index composed of geographically diverse public utility stocks. The S&P Global Clean Energy Index is designed to measure the performance of companies in global clean energy-related businesses from both developed and emerging markets, with a target constituent count of 100.

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Free Cash Flow is the cash a company produces through its operations, less the cost of total capital expenditures (growth and maintenance. Liquefied Natural Gas (LNG) is a natural gas that has been cooled to a liquid state for shipping and storage - the volume in this state is about 600 times smaller than in it's gaseous state, able to transport for much longer distances when pipeline transport is not feasible.

It is not possible to invest directly in an index. Past performance is no guarantee of future results.