



2021 TortoiseEcofin Annual Letter



At TortoiseEcofin, and our entire family of registered advisers, our primary goal has always been to provide our clients with great returns and exceptional service. Since our staff serves our clients, their satisfaction and engagement ranks as a close secondary goal. When we successfully achieve these goals, we make a positive impact on the lives of our clients and our staff, as well as on communities and society. Meeting these goals was a struggle in 2020 as we faced a global pandemic, unprecedented negative oil prices, racial injustice, political unrest and Brexit. We had to call on our core values of Entrepreneurial Spirit, Perseverance and Humility. With hard work and collaboration, we experienced some amazingly positive events in the midst of these major headwinds.

Entrepreneurial endeavors

Underscoring our commitment to sustainable investing, we rebranded Tortoise's sustainable-focused investing strategies to Ecofin, creating a dedicated sustainable investment firm with two registered advisers, while Tortoise continues to focus on essential assets including energy and power infrastructure. We also created a Sustainability and Impact Committee and named a Head of Impact.

We converted a private fund invested in global renewables infrastructure companies into an SEC registered U.S. open-end fund, the Ecofin Global Renewables Infrastructure Fund. Since the launch in August, the assets have doubled.

We also completed an initial public offering on the London Stock exchange for the Ecofin U.S. Renewables Infrastructure Trust plc. This trust invests in a diversified portfolio of private renewable energy and sustainable infrastructure assets and has been awarded the LSE Green Economy Mark.

Our first special purpose acquisition corporation (SPAC) completed its business combination with Hyliion. Hyliion has a mission to decarbonize trucking transportation through electrified powertrain systems that augment or fully replace traditional diesel- or natural gas-fueled powertrains.

We successfully raised our second SPAC, which targets businesses in the broad energy transition or sustainability arena focusing on industries requiring innovative solutions to decarbonize in order to meet critical emission reduction objectives.

Perseverance through challenges

On the flip side, our investment products focused on energy and power infrastructure faced exceedingly difficult conditions with deeply negative absolute performance. Despite very disappointing stock price performance, the typical midstream company in our portfolios saw very small EBITDA declines and today generates double-digit free cash yields. We believe this sets up a potentially very attractive investment opportunity for 2021.

We also had an active year in our business management. Some of the bigger actions included strategically focusing on opportunities to enhance efficiency and thoughtfully reducing our expenses where appropriate. While years like this are extremely challenging, we believe we are a stronger company because of it.

Showing humility when things aren't working

Heading into 2021, we made the decision to close one of our open-end funds that we had converted to focus on energy evolution. We continue to have conviction in the strategy, but this fund struggled to acquire and maintain assets despite strong relative performance with the new strategy. We continue to offer the energy evolution strategy as a separately managed account.

We also announced a proposal to merge two of our closed-end funds and the proposed new strategy will invest in those companies that we believe will benefit from the energy evolution. We think this is the best course of action for those funds' investors and also diversifies our suite of closed-end fund offerings.

Key themes for 2021 and beyond

We are in the early stages of a Sustainability Revolution that, as Larry Fink passionately wrote in his 2021 letter to CEOs, is tantamount to a "tectonic shift that will accelerate further". Ecofin is inherently poised to capitalize on this transformation for the benefit of our clients. This revolution often gets labeled as ESG, but it's much, much more. It is a re-examination of how we live on this planet, shift our behavior and utilize the earth's resources. This revolution is driven by technological innovation in combination with fervent action by consumers, corporations and governments. We see three big ramifications for investors:

1. Increasing electricity demand due to more electric vehicles and increased factory automation.
2. Declining costs for wind and solar for electrical generation and a corresponding growing market share as they are now significantly cheaper energy sources than coal and nuclear energy.
3. Widening social impacts through eliminating waste, educating children, reversing income inequality, housing senior citizens and managing water resources.

At TortoiseEcofin, we are proud of our role in helping to replace coal with natural gas which has produced the single biggest drop in greenhouse gas emissions in the world. We believe that it is more impactful to the environment to actively engage with companies to improve their carbon footprints than to solely invest in already clean companies. Today, the best midstream companies not only focus on generating significant free cash flow, but also decarbonizing and elevating their ESG metrics. We are confident these trends will increase shareholder value in 2021 and beyond.

This brings us all back to taking care of our investors. We believe we can generate above-average risk-adjusted returns by managing investment products focused on addressing the world's global challenges. These include providing clean & affordable energy, reducing emissions, expanding recycling and re-use to create a more circular economy, providing affordable living and healthcare to seniors and quality education to students. We expect to see enhanced returns through revenue growth, lower costs, reduced risk, multiple expansion, availability of growth capital and improved access to talent.

If we do our jobs right, we should serve our investors well and support our team while making a positive impact on society and the environment.

Thank you for your continued trust in us.

Sincerely,



Kevin Birzer
Chief Executive Officer