Tortoise QuickTake Podcast

Tortoise Tax-Advantaged Social Infrastructure Fund

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

Jen Ashlock: Hi I'm Jen Ashlock, Chief Marketing Officer at Tortoise, and I'm here today with Jeremy Goff, a Managing Director on our Direct Lending team. Today we're going to talk about the Tortoise Tax-Advantaged Social Infrastructure Fund. Jeremy, what metrics should investors be using to evaluate performance for this fund?

Jeremy Goff: Thanks Jen. First, I should mention that everything we talk about today assumes that the portfolio is fully ramped. I think there's really two primary components of return that we look at, and that would be tax-equivalent yield as well as total return. So, when we think about tax-equivalent yield, the reason we're focused there is because most of the investments in the portfolio are federally tax exempt. We're also looking at total return because of such things as original issue discounts which are where the issuer issues a bond below par and it would appreciate in value up to par at refinancing. And then we also look at make-wholes which are essentially where the underlying borrower is providing a year's worth of interest at refinancing to us. And so both of those provide components of total return that aren't naturally just within the portfolio.

Jen Ashlock: Great. And can you tell us what the primary benchmark is for the fund?

Jeremy Goff: The primary benchmark we use is 60% Bloomberg Barclays U.S. Municipal High Yield Index and 40% Bloomberg/Barclays U.S. Municipal Index Investment Grade. The reason for this blended index, is primarily because we have a blended high yield component in the portfolio, along with an investment grade liquidity sleeve. So we were trying to find, a blended benchmark that would accurately reflect, to the extent possible, what we're doing.

Jen Ashlock: Why did the team choose that benchmark for the fund?

Jeremy Goff: We chose this benchmark because it's a widely recognized combination of indices that the market is familiar with. Although from a constituent perspective it's not a perfect fit, from a sector perspective we feel like relevant sectors are well-represented in this index.

Jen Ashlock: So what are the key differences with this benchmark and the fund?

Jeremy Goff: When we're looking at private strategies such as this one where you're invested in directly-placed securities that aren't in an index necessarily that you'd be looking at, it becomes really difficult to find a relevant index that is published for investors to use as a benchmark. And so we see this in what we do and we also see it on the private side. When you look at traditional municipal indexes you've got things like tobacco bonds, Puerto Rico bonds, and you've got things in there that we'd really never do. And so we're always going to be different than the index. Do we have something out there that we think is as good a fit? Yes. We've tried to produce that. But the index is going to be different than what our portfolio is, for sure.

Jen Ashlock: So, given those differences, how do you expect the fund's performance to differ from the benchmark?

Jeremy Goff: A lot of times we've seen the benchmark driven by things like Puerto Rico, and depending on where that's going we would be underperforming or outperforming the index relative to what's going there or tobacco bonds, in some cases, because those particular kinds of bonds have typically driven the index, at for the last few years. Our assets tend to more essential in nature and less correlated to markets and so even in the sense that we will at times will remain relatively flat in price where the index could be moving around, you'll see a lot more volatility so the performance is just going to differ generally speaking, in most cases.

Jen Ashlock: Can you dig in a little more about why there's not really a good proxy for this fund?

Jeremy Goff: We are targeting generally 80% in directly originated securities which are privately placed bonds, so they are outside of the index in most cases. They are smaller issuers. And so we're just not going to look and feel and smell like your traditional bond index. Even if it's a muni bond index. When you think what's out there in the investment grade universe, you're talking about large issues of general obligation bonds and revenue bonds that we're just not doing. Little of what's in the high yield index is associated with what we're doing every day and so that's really what's driving the differences.

Jen Ashlock: Great, thanks. And along those same lines, can you talk a little bit about how we price the fund?

Jeremy Goff: Sure. We strike NAV, net asset value on a daily basis using inputs from multiple third party providers. We validate that price with our internal fair valuation policies and procedures and that's how we really validate and reconcile with those prices. But generally speaking striking NAV with third party providers on a daily basis.

Jen Ashlock: Well thank you Jeremy for providing insight into these different performance metrics and why they make the most sense for this fund. And thanks everyone for listening.

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.

The Bloomberg Barclays U.S. High Yield Municipal Bond Index (the Non-Investment Grade Municipal Bond Index) is composed of non- rated municipal bonds or municipal bonds rated Ba1 or below. The bonds must have an outstanding par value of at least $3 million, be issued as part of a transaction of at least $20 million, have an issue date after December 31, 1990 and have a remaining maturity of at least one year.

The Bloomberg Barclays U.S. Municipal Bond Index consists of a broad selection of investment grade, general obligation and revenue bonds of maturities ranging from one year to 30 years. It is an unmanaged index representative of the tax-exempt bond market. The index is made up of all investment grade municipal bonds issued after December 31, 1990, having a remaining maturity of at least one year.

It is not possible to invest directly in an index.

Mutual fund investing involves risks. Principal loss is possible. The fund is suitable only for investors who can bear the risks associated with the limited liquidity of the fund and should be viewed as a long-term investment. The fund will ordinarily accrue and pay distributions from its net investment income, if any, once a quarter; however, the amount of distributions that the fund may pay, if any, is uncertain. There currently is no secondary market for the fund's shares and the adviser does not expect that a secondary market will develop. Limited liquidity is provided to shareholders only through the fund's quarterly Repurchase Offers for no less than 5% of the fund's shares outstanding at net asset value. There is no guarantee that shareholders will be able to sell all of the shares they desire in a quarterly Repurchase Offer. The fund invests in Municipal- Related Securities. Litigation, legislation or other political events, local business or economic conditions or the bankruptcy of the issuer could have a significant effect on the ability of an issuer of municipal bonds to make payments of principal and/or interest. Changes related to taxation, legislation or the rights of municipal security holders can significantly affect municipal bonds. Because the fund concentrates its investments in Municipal-Related Securities the fund may be subject to increased volatility. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investment by the fund in lower-rated and non-rated securities presents a greater risk of loss to principal and interest than higher-rated securities. The fund may invest in derivative securities, which derive their performance from the performance of an underlying asset, index, interest rate or currency exchange rate. Derivatives can be volatile and involve various types and degrees of risks. Depending on the characteristics of the particular derivative, it could become illiquid. The fund may utilize leverage, which is a speculative technique that may adversely affect common shareholders if the return on investments acquired with borrowed fund or other leverage proceeds do not exceed the cost of the leverage, causing the fund to lose money.

Correlation is a statistical measure of how two securities move in relation to each other. Duration is a commonly used measure of the potential volatility of the price of a debt security, or the aggregate market value of a portfolio of debt securities, prior to maturity. Securities with a longer duration generally have more volatile prices than securities of comparable quality with a shorter duration. Amortization is the paying off of debt with a fixed repayment schedule in regular installments over a period of time.

Tortoise Credit Strategies is the adviser to the Tortoise Tax-Advantaged Social Infrastructure Fund, Inc., which is distributed by Quasar Distributors, LLC.

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