

# Tortoise Global Water ESG Fund (TBLU)

## 4Q 2018 QUARTERLY COMMENTARY

The Tortoise Global Water ESG Fund uses a passive management approach and seeks to track the total return performance of the Tortoise Global Water ESG Index<sup>SM</sup>.

Tortoise provides research-driven indices that can be used as a realistic basis for exchange-traded products and thought leadership in the universe of essential assets. Its indices are intended to fill a void in the market and provide benchmarks and investable asset class universes for use by investment professionals, research analysts and industry executives to analyze relative performance as well as to provide a basis for passively managed exchange-traded products.

**The Tortoise Global Water ESG (environmental, social, governance) Fund offers the purest exposure to the otherwise fragmented water industry. We believe that water is perhaps one of the most essential assets and is an area that requires continued investment in the years to come. This fund provides access to the water infrastructure, management and treatment companies that appear poised to benefit from the expected and much needed investment in rebuilding existing infrastructure, constructing new infrastructure and better managing this vital, but finite resource.**

### Water update

The water sector, as measured by the Tortoise Global Water ESG Index, returned -9.6% for the fourth quarter. The Tortoise Global Water ESG Fund sought to track this index during the period. The biggest detractor to performance during the period was the equipment and services sub-sector as concerns regarding economic growth presented headwinds for the group. Despite the negative return during the time period, our long-term outlook on the sub-sector is positive as the group provides essential products and services to the growing water infrastructure sector. We believe capital spend in the sector will remain robust, with visibility into a long runway of water infrastructure projects. Given in the critical nature of the offerings, the sector will remain a key beneficiary of capital spending among the group.

Water utilities contributed positively during the period as the sub-sector benefitted from a risk-off market environment given the largely regulated asset base, which provides visibility into continued growth even in economic slowdowns. Our long-term outlook remains positive for water utilities as we believe we are in the early innings of long-term global investment cycle. We expect the investments will be directed at improving over-aged and under-maintained water infrastructure, as well as building out the needed water infrastructure, primarily in developing economies. Organic growth, along with increased M&A activity, is expected to drive attractive earnings and dividend growth over the long-term.

Going forward, rising trade tensions and slower economic growth may present headwinds in the near-term. Over the long-term, our outlook is positive as the sector executes on a deep backlog of water projects that are needed to ensure a safe and reliable water supply across the global.

## Key quarterly asset performance drivers

Top five contributors	Company type	Performance driver
Cia de Saneamento Basico do Estado de Sao Paulo	Water Utility	Potential to benefit from legislation enacted by newly elected President and Governor
California Water Service Group	Water Utility	Demand for less-volatile securities during broader-market weakness
American States Water Company	Water Utility	Demand for less-volatile securities during broader-market weakness
American Water Works Company, Inc.	Water Utility	Demand for less-volatile securities during broader-market weakness
Veolia Environnement Sa	Water Utility	Demand for less-volatile securities during broader-market weakness

  

Bottom five contributors	Company type	Performance driver
Ferguson Plc	Pipes, Pumps & Valves	Potential slowdown in Chinese growth and in U.S. industrial & residential markets
Geberit Group	Filtration, Treatment & Test	Revenue exposure to slowing European economies and headwinds from raw material inflation
Xylem Inc.	Pipes, Pumps & Valves	Potential slowdown in industrial end markets as well as potential for inflation & tariffs to challenge margins
Rexnord Corp	Pipes, Pumps & Valves	Potential slowdown in U.S. industrial & residential markets
Aalberts Industries Nv	Pipes, Pumps & Valves	Revenue exposure to slowing European economies

## Portfolio as of 12/31/2018

### By sector<sup>1</sup>

Equipment/services	
– Pipes, pumps and valves	35%
– Filtration, treatment and testing	21%

### Water infrastructure

– Utilities	43%
– Engineering and construction	1%

### By geographic exposure

Europe	48%
North America	45%
Asia-Pacific	8%

<sup>1</sup>Equipment/services includes pipes, pumps and valves and filtration, treatment and testing. Water infrastructure includes utilities and engineering and construction.

Portfolio composition is subject to change due to ongoing management of the fund. References to specific securities or sectors should not be construed as a recommendation by the fund or its advisor.

## Top 10 holdings (as of 12/31/2018)

1. Xylem Inc.	7.8%	6. United Utilities Group PLC	4.6%
2. Veolia Environnement	7.7%	7. Severn Trent Plc	4.0%
3. Ferguson Plc	7.7%	8. Aqua America, Inc.	4.0%
4. Geberit AG	7.7%	9. Suez	4.0%
5. American Water Works Company, Inc.	7.2%	10. Pentair plc	3.9%

## Performance (as of 12/31/2018)

	4Q 2018	1 year	Since inception*
TBLU market price	-9.39%	-12.79%	2.86%
TBLU NAV	-9.65%	-11.87%	3.22%
Underlying index	-9.65%	-11.49%	3.70%

\*Period from fund inception through 12/31/2018. The fund commenced operations on 2/14/2017.

Effective 6/15/2018, the fund's investment objective changed to track the net total return performance of the Tortoise Global Water ESG Index<sup>SM</sup>. Prior to 6/15/2018, the fund's investment objective was to track the total return performance of the Tortoise Water Index<sup>®</sup>. Underlying index performance is blended using the Tortoise Water Index<sup>®</sup> from inception to 6/15/2018, the Tortoise Global Water ESG Index<sup>SM</sup> after 6/15/2018.

**Past performance is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. Returns less than one year are not annualized. NAV prices are used to calculate market price performance prior to the date when the fund first traded on the Cboe BZX Exchange. Market performance is determined using the bid/ask midpoint at 4:00pm Eastern time, when the NAV is typically calculated. Market performance does not represent the returns you would receive if you traded shares at other times. For the fund's most recent month end performance, please call (844) TR-INDEX or (844) 874-6339.**

**As stated in the Prospectus, the total annual operating expenses are 0.40%. The advisor has agreed to pay all expenses incurred by the fund except for the advisory fee, interest, taxes, brokerage expenses and other fees, charges, taxes, levies or expenses (such as stamp taxes) incurred in connection with the execution of portfolio transactions or in connection with creation and redemption transactions.**

**Index returns are for illustrative purposes only. Unlike the fund return, index return is pre-expenses and taxes. Index performance returns do not reflect any management fees, transaction costs or expenses.**

## Disclosures

Tortoise Index Solutions, LLC is the advisor to the Tortoise Global Water ESG Fund and is a registered investment advisor providing research-driven indices that can be used as a realistic basis for exchange-traded products and thought leadership in the universe of essential assets. Its indices are intended to fill a void in the market and provide benchmarks and investable asset class universes for use by investment professionals, research analysts and industry executives to analyze relative performance as well as to provide a basis for passively managed exchange-traded products.

**The fund's investment objective, risks, charges and expenses must be considered carefully before investing. The summary and statutory prospectus contains this and other important information about the fund and may be obtained by calling 844-TR-INDEX (844-874-6339) or visiting [www.tortoiseadvisors.com](http://www.tortoiseadvisors.com). Read it carefully before investing.**

**Shares of exchange-traded funds (ETFs) are not individually redeemable and owners of the shares may acquire those shares from the ETF and tender those shares for redemption to the ETF in Creation Units only, see the ETF prospectus for additional information regarding Creation Units. Investors may purchase or sell ETF shares throughout the day through any brokerage account, which will result in typical brokerage commissions.**

**Investing involves risk. Principal loss is possible. Investment in the water infrastructure and management industry may significantly affect the value of the shares of the fund. Companies in the water industry are subject to environmental considerations, taxes, government regulation, price and supply fluctuations, competition and water conservation influences. Investments in non-U.S. companies (including Canadian issuers) involve risk not ordinarily associated with investments in securities and instruments of U.S. issuers, including risks related to political, social and economic developments abroad, differences between U.S. and foreign regulatory and accounting requirements, tax risk and market practices, as well as fluctuations in foreign currencies. The fund invests in small and mid-cap companies, which involve additional risks such as limited liquidity and greater volatility than larger companies. The fund is not actively managed, and therefore the fund generally will not sell a security due to current or projected underperformance of a security, industry or sector, unless that security is removed from the index or the selling of the security is otherwise required upon a rebalancing of the index. There is no guarantee that the fund will achieve a high degree of correlation to the index and therefore achieve its investment objective. The fund has elected to be, and intends to qualify each year for treatment as, a regulated investment company (RIC). To maintain the fund's qualification for federal income tax treatment as a RIC, the fund must meet certain source-of-income, asset diversification and annual distribution requirements. If for any taxable year the fund fails to qualify for the special federal income tax treatment afforded to RICs, all of the fund's taxable income will be subject to federal income tax at regular corporate rates (without any deduction for distributions to its shareholders) and its income available for distribution will be reduced. Derivatives involve risks different from, and in certain cases, greater than the risks presented by more traditional investments. The fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the fund is more exposed to individual stock volatility than a diversified fund.**

The Tortoise Water Index<sup>®</sup> is a float-adjusted, modified market capitalization-weighted index comprised of companies that are materially engaged in the water infrastructure or water management industries. The Tortoise Global Water ESG Index<sup>SM</sup> is a proprietary, rules-based, modified capitalization-weighted, float-adjusted index comprised of companies that are materially engaged in the water infrastructure or water management industries. Tortoise Global Water ESG Index<sup>SM</sup> and Tortoise Water Index<sup>®</sup> (the "Indices") are the exclusive property of Tortoise Index Solutions, LLC, which has contracted with S&P Opco, LLC (a subsidiary of S&P Dow Jones Indices LLC) to calculate and maintain the Indices. The Indices are not sponsored by S&P Dow Jones Indices or its affiliates or its third party licensors (collectively, "S&P Dow Jones Indices"). S&P Dow Jones Indices will not be liable for any errors or omission in calculating the Indices. "Calculated by S&P Dow Jones Indices" and its related stylized mark(s) are service marks of S&P Dow Jones Indices and have been licensed for use by Tortoise Index Solutions, LLC and its affiliates. S&P<sup>®</sup> is a registered trademark of Standard & Poor's Financial Services LLC ("SPFS"), and Dow Jones<sup>®</sup> is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"). No portion of this publication may be reproduced in any format or by any means including electronically or mechanically, by photocopying, or by any other form or manner whatsoever, without the prior written consent of Tortoise Index Solutions, LLC. It is not possible to invest directly in an index.

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