Panelists discuss seeking income and potential growth from real asset investing during the 2021 AICA Income Spotlight.

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Josh Duitz from Aberdeen Standard Investments, Gaal Surugeon from Brookfield, Matt Weyandt from Nuveen, and Brian Kessens from Tortoise were panelists at the AICA Income Spotlight Event held on June 17, 2021. The moderator of the panel was Mariana Farina Bush of Wells Fargo. Read the transcript from the discussion below to hear insights from the panelists.

Mariana Farina Bush Josh Duitz Gaal Surugeon Matt Weyandt Brian Kessens

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Mariana Fariña Bush: Good afternoon to everyone and thank you very much for joining us. Thank you, John Cole Scott, for organizing this event, and especially this panel on real assets, which will be exciting. I will confess that it has been a treat to prepare for this panel, and I'm confident that it will be a very interesting and insightful panel.

Our purpose is to have a dynamic conversation as I ask the panelists a number of questions related to real assets. Before we do that I'm going to ask each panelist to tell us their role and

their approach to real assets for their closed-end fund. We're going to go in alphabetical order of the firm, so Josh, do you want to start? --

Josh Duitz: Thank you. Thank you everyone for joining. So my name's Josh Duitz and I'm portfolio manager at Aberdeen Standard Investments, where I focus on infrastructure sectors, so within real assets, specifically infrastructure. We launched the Aberdeen Global Infrastructure Income Fund last July, which is a closed-end fund. I think a bit of background will help, we've been managing the Aberdeen Global Infrastructure Fund, AIFRX for the past over 12 years now. And during that time period we've seen investments within infrastructure, and when I talk about public infrastructure I'm talking about public equities. When I talk about private infrastructure, I'm talking about private investments into infrastructure.

So we have the public investments and we've seen that grow by about 6x over that time period. And what we found interesting is the fact that institutions have been investing in private infrastructure and that has grown exponentially over that time period, so it's a very small piece. And that's why we launched the Aberdeen Global Infrastructure Income Fund, because we felt that it would give retail investors the opportunity to invest alongside institutional investors in private infrastructure for the first time.

So when we started the fund, we did it by researching where infrastructure investments were going to take place, both by region and by sector, and that's how we still look at it. Now the four different sectors we look at in infrastructure are the first is transportation, where we invest in roads, airports, ports, rails globally. And we like that because there's an inflation protection component to it, great operation leverage to those type of assets. The second sector we invest in is communications, and that includes cellular towers which are the large steel structures that allow for cell networks to work. So we love that because it's great operational leverage on that as well. Once you build that tower to add additional cabinets or antennas on that tower, it doesn't cost a lot.

The third sector we invest in is in utilities, and historically we've invested a lot in regulated utilities, and more and more we've now invested in renewable energy. And then the fourth sector we invest in is energy, and that we've been significantly underweight to the benchmark and do not invest in any MLPs at all. On the private sector side what we're really trying to do is find transactions where we can add value on that lax scale. And a good example of that is in the water space. There is 3,300 electric utilities in the United States, there's over 50,000 water utilities in the United States. So we look to buy smaller water utilities, say 3-5,000 customers, which were built by a real estate developer who bought the land, developed the land, sold the property but are now left with this small regulated utility. And you can generally buy that for 6 to 8 times EBIDTA or in the public markets they trade north of 16x EBITDA. So that's a unique way we're trying to enter into the private market.

And just one last comment on why we like infrastructure, and it's really the drivers behind it. In developed markets it's about repairing the old infrastructure, we all know our infrastructure's old and broken down. We see it every day with constructure on the streets and potholes on the roads, we have to repair the old infrastructure but we're also building out new infrastructure as I mentioned for 5G and renewable energy. And in emerging markets, it's about building the

infrastructure for the first time. As the populations grow and more urbanization, they need the infrastructure there. So that's how we look at it within Aberdeen.

Mariana Fariña Bush: Wonderful! Thank you very much, Josh. Next up in alphabetical order is Brookfield. Gaal?

Gaal Surugeon: Sure, thank you. So Brookfield is a global alternative asset manager, we focus on real assets. We span infrastructure, renewable power, and real estate. We are largely known for our private side of our business but we do have a sizeable public securities subsidiary as well. I am portfolio manager on our public securities team but crossing over to our private side of our business as well. So the portfolios that I manage are diversified real asset portfolios, closed-end in this nature, we have some open-end, we have some private. And we span all avenues of real assets, all wrappers, all liquidity types, private equity, private credit and public as well. We have a deep history as a firm as owners and operators across capital structures and certainly the liquidity spectrum. We manage $600 billion in assets across 30 plus countries. Some of you may know our recent majority acquisition over Oaktree Capital Management, adds effectively a world-class credit capability to this universe as well.

So within the public securities platform at Brookfield, we manage the Brookfield Real Asset Income Fund, that's the symbol RA, and that's what we're here to talk about. RA invests primarily in listed public securities of real asset companies, both debt and equity spanning infrastructure. And Josh effectively communicated our similar view on the construct of infrastructure globally. Real Estate, which I'm sure many of you are familiar with, publicly listed real estate, natural resources, and structured products.

In order to provide high total return, primarily through high current income, we seek to allocate most of our assets to corporate credit, residential, RMBS, or commercial mortgage backed securities and other structured products like CLOs. We aim to add total return on top of the income that we're generating from our credit oriented sectors through a secondary mandate of capital growth, and that'll largely stem from our equity allocations in both infrastructure and real estate. So we're really providing a diversified, well-rounded exposure to real assets, an emphasis on income, participation in capital growth, and spanning both parts of the capital structure, equity and debt.

Mariana Fariña Bush: Great, thank you very much Gaal. Next is Nuveen., Matt, please go ahead.

Matt Weyandt: Thank you, Mariana. Hello everyone, my name is Matt Weyandt, I'm a portfolio specialist at Nuveen, which is about a $1.2 trillion asset manager and a top five owner of real estate worldwide. I'm specifically focused on the listed real assets team which is about 9 billion in AUM spread across four different strategies. Sixteen experienced, dedicated investment professionals make up the team and we've been managing assets together since about 2005, so a long track record in the space.

Gaal just talked about it but there's many takes on what is included in the real assets space. Our kind of overarching definition is going to be companies that own or operate location-specific

hard assets that garner a fee for use through long-term contracts, concessions, or leases. So our view in this definition really leaves out a lot of real assets that a lot of investors would think about, like commodities, precious metals, natural resources, or inflation-protected securities. And we really hone in on infrastructure and real estate. And again, we have that long track record of managing in the space in both infrastructure and real estate, typically it's been total return oriented.

And with this strategy, Real Asset Income and Growth, JRI, what we're really doing is trying to play to the strengths of infrastructure and real estate, and bring that cashflow to the investor. Really using our extensive experience in both the asset classes, highlighting the income and then also having some growth potential within the process as well. So with this strategy you get about 50% in infrastructure, about 50% in real estate. You get about 50% in common equity and 50% in non-equity which will include preferreds, more traditional high-yield debt. Then about 50% in the US and 50% non-US, so you have real global exposure.

And what you're getting when you're investing in the strategy is really an alternative income source, especially in kind of a yield starved world we have right around $17 trillion in negative yielding bonds. Everyone's always looking for income, so these are naturally more stable income streams that also have the potential for growth because these assets are really integral to everyday life and economic activity. Two, you have diversification through lower correlation, different performance drivers for both infrastructure and real estate, and those change as you move around the world. And then three, it's really kind of a one-shop-stop for listed real assets exposure, this is the same team every day is trading in the infrastructure markets and the real estate markets. We can do the asset allocation for you, we see where the opportunities are around the globe, across asset types, across property types, and really up and down the capital structure as well.

Mariana Fariña Bush: Great, thank you very much, Matt. And, last but certainly not least, Brian…

Brian Kessens: Hi, hello everyone, it's good to be with you today. I'm Brian Kessens, I'm a senior portfolio manager with TortoiseEcofin. I joined the firm in 2008, the firm actually got its start in 2002. We're nearing 20 years of investment expertise that we think is very pioneering in the energy and power investment arena. We started by investing in private placements of MLPs believing that MLPs, traditionally retail owned, that there was an opportunity to manage them in more of an institutional manner. So we got our start with separately managed accounts but we followed that up and really wanted to make institutional management of midstream or energy infrastructure assets available to everyone. And not everyone had a separately managed account so we actually launched the first MLP-focused closed-end fund in 2004, the ticker there is TYG, which we'll primarily talk about today. And then since then we've added additional closed-end funds and we now manage several open-ended funds as well. Today from a numbers perspective, we manage six closed-end funds.

Our approach generally across all of our investments is to focus on those companies that are operating assets that are strategic, that if they were gone they would be missed from an economic perspective. We also focus on those companies that are earning cashflows from fee-based

sources as opposed to taking any sort of commodity price risk. In addition, we want to invest with those management teams that have good track records. And then in 2018 we added an ESG approach as well, where from an ESG perspective we're wanting to make sure companies on a year in and year out basis were focused on just continuing to get better in what they do.

We were especially attracted to energy and power a long time ago for a number of attributes. One, they have really long lived assets, if they're properly maintained a pipeline can last upwards of 100 years plus. They have fee-based or regulated type of revenue that's very predictable on a year in, year out basis. They do enjoy long-term contracts generally with very high quality counterparties, and the demand for energy has proved over time to be very inelastic. Even over the past year frankly, from a cashflow perspective the energy companies were roughly flat on the 2020 basis relative to 2019 despite some drawdown in energy demand.

We do look specifically in closed-end funds, we are focused on those companies that offer an attractive total return. But we do emphasize given the nature of the closed-end funds, those that have an attractive current income element associated with them as well. Going forward we do expect the companies to continue to benefit from the growth and energy demand. And then also which I'm sure we'll get to talk about more, also the growth or the focus on having more decarbonized either molecules or electrons. We think that our approach to closed-end funds has really been beneficial to that particular structure in that the underlying companies are paying really attractive dividends or distributions, the assets are built for the long term, and the returns of the holdings now are even becoming more shareholder friendly. Where their companies are focused on earning as much free cashflow as possible and returning that cashflow in the form of higher distributions and/or share buybacks, and/or further debt paydown, so we think it makes for a really attractive opportunity for energy and power infrastructure.

I should also note that two of our closed-end funds in particular are structured as C-corps, so they actually have the opportunity to own 100% MLPs, and those two in particular are our focus on the MLP structure. And that's different from the more traditional closed-end fund which is a RIC, similar to a lot of open-ended funds, but they are limited to just 25% MLP ownership.

Mariana Fariña Bush: Great, thank you panelists. Let's start with some of these questions. The first one will address interest rates and inflation, a topic that a lot of people are talking about. What are your expectations for interest rates and inflation? And perhaps more importantly, how is your portfolio positioned in anticipation of those expectations?

Matt Weyandt: Sure, thank you. Obviously we're in a pretty low interest rate environment and most investors are under the impression that rates will be moving higher. The flexibility of JRI is something that we really utilize, lots of tools that we can use to help mitigate the impact of rising interest rates. Number one would be the capital stack, the flexibility to go across that. Two is security structure. Three is geography. And then four is really the agreements that govern the underlying cashflow. So capital stack is something that's pretty simple. Obviously moving up and down the capital stack with expectations for interest rates to go higher, whether that's pulling out of the high-yield debt and going more into preferreds or going more into common equity as your expectations for rates to rise or for rates to fall.

Two, security structure, maybe kind of singling out preferred securities here. You have $25 par perpetual preferreds, tend to be a lot of real estate exposure here. On the other side you have your more institutional $1000 par [inaudible] securities. You have fixed to fixed, fixed to float variable rate securities, hybrids and convertibles where you have that equity optionality and you tend to have lower sensitivity to interest rates. So being able to change your exposure on the preferred side and go into structures that are going to perform a little bit better in a rising rate environment.

Three, this is a global strategy, so you have the ability to go into different geographies. Rates aren't always rising across the world, and if they are they're not going at the same pace. And so you can move exposure to countries where you see a more favorable rate environment and having the flexibility there as well. And then finally, the agreements that govern the cashflows, and specific to something like real estate leases where the longer the average lease duration, the more duration you have for those types of assets, those types of companies. So you're looking at some like hotels, lodging, which you're repricing on a daily basis. Or self-storage, which maybe is a month or every couple months. Those are the leases that are in place there, relatively short, have the ability to reprice in a rising rate environment and kind of keep up.

On the other side of that you have net lease or standalone type real estate, health care or office where you have leases that are in excess of 20 years sometimes as far as an average lease duration. So a lot more rate sensitive there as you don't have the ability to reprice. So all of these tools are what we use in combination to position the portfolio for a rising rate environment, and again, it's the flexibility of the strategy. We're only investing in real estate and infrastructure but [inaudible] across the capital structure, on a global basis and then being able to take advantage of the underlying property types and asset types in infrastructure and real estate.

Mariana Fariña Bush: Thank you, Matt. Gaal?

Gaal Surugeon: Matt, I'd echo a lot of that. As you've probably gleamed from our intro is that Matt and our fund are very similar in nature in that we are diversified across sector and in cap structure. And I think it's true more specifically to the concept of real assets versus just a traditional equity. It's very much that the structure of our cashflows, how we as operators and our companies are able to pass through inflation, higher rates, sort of through those cashflows, those agreements. It's a topic on most investors' minds lately, especially on a day like today in the markets. But I really think it's worth distinguishing the conversation from just generic reference to rising rates to perhaps one of more rising nominal rates, which is influenced by rising inflation expectations. And that's where I believe is where we've largely experienced the movement over the last year, and it's in fact very different in its impact on real assets.

So investors are increasingly looking to our space, to real assets, for that inherent inflation protection. We've long assumed that they go hand in hand, if you want to protect against inflation you need real assets. But that's really been more of the visibility in the form of commodity or natural resources as that "hedge to inflation". But we actually believe and are more convicted that our core sectors of infrastructure and real estate will perform well in periods of higher inflation and thus higher nominal interest rates.

So Matt covered real estate and how the nuances to different cashflows, different leases based on property type sort of change the dynamics of reacting to rising rates, but let's take a look at infrastructure for example. Many of the companies in our global listed infrastructure space hold significant inflation protection or pricing power embedded in regulatory constructs and they're long-term contracts, these are the contracts that underpin the assets' cashflows. And we estimate roughly 70% of our investible universe in infrastructure has explicit inflation protection or escalators built in.

So let's take for example global transports or transportation infrastructure, we think of toll roads. Now the toll road sector has some of the clearest mechanisms for passing through inflation. You're operating under concession contracts negotiated with local governments. These projects typically have a tariff structure that either pass through inflation directly or give the operator full discretion to set tolls. And this allows both the passthrough of higher input costs as well as their ability to participate in volume-based growth inherent in their managed pricing of those tolls.

And similarly in telecos, telecom tower operators, these are the cellphone towers that you see with a bunch of antennas at the top, they have strong pricing escalators built into their tower contracts to the tune of 2-3% annually. And what's interesting about the telco space is that if you just look at on a smaller sample size of just a select number of operators, they've built in these inflation escalators that account for roughly half to two thirds of their expected organic revenue growth. So it is meaningful for their ability to pass through into the cashflows, through to the contracts, and effectively keep pace with inflation pressure and rising interest rates. So I think what's important at this juncture is to consider the catalysts for rising rates. If it's an environment defined by higher inflation and economic growth, which I think is where we are right now, then I believe that our sector remains really well positioned to take part.

Brian Kessens: Mariana, I've got another example just to build on that. Specific to energy infrastructure and pipelines, Gaal talked about the regulated nature and pipelines are regulated as well. And specific to liquids pipelines, these are pipelines carrying your refined products like gasoline, and diesel, and crude oil for that matter, they're allowed to increase their tariff on an annual basis by an amount equal to the change in the PPI, +0,78%. Interesting obviously, we've had some inflationary signals this year and the PPI has escalated a fair amount. By our estimates if we just hold the PPI flat between now and the year-end, which is arguably very conservative, the tariff escalator for the liquids pipelines would amount to 7.3%. So very compelling topline revenue growth, especially relative to our view that operating expenses aren't going to go up near that much.

And building on that as well, if that's the reason that interest rates are going higher, it's because either we're seeing accelerating economic strength and/or inflation that has every reason to propel energy investments higher as well along those lines. And in fact we looked at specific to MLPs, when interest rates have gone up as measured by the tenure by 50 basis points or more since 2000, roughly 15 of those different periods, MLPs have gone up nearly 9%, which has actually bested the S&P 500 which is up around 7% over that time. So I think generally all of the investments we're talking about have a fair amount of inflation protection built into them.

Josh Duitz: And I think that's what's so interesting about the infrastructure sector at this point. I echo a lot of what Gaal said earlier in terms of the inflation protection components too, which is automatic. In certain concessions every year you get to raise your toll or tariff with inflation, so it's absolutely automatic in this time period. Now I noticed over the past 12 months when we've seen this spike of interest rates, some of these stocks have sold off on the back of that. Which I think as Gaal mentioned, the big risk and the real risk is that real rates go high. If real rates go higher, I do think that there's a risk for this sector.

But I don't think real rates are going to higher, I think interest rates are going to go higher because of inflation. So that really protects the sector and that really lends to opportunity if you do see sell-off based on interest rates going higher because there is that inflation protection component to it. We only invest on the equity side and that's the way we view equities across the sectors between transportation, energy, utilities, and communication. So I think it's a real opportunity. If you're worried about inflation, have that inflation protection component in your portfolio.

Mariana Fariña Bush: Great, thank you very much, wonderful comments. For the audience:,the composition of the funds that are being highlighted are different and you can see that in how they have performed differently. So onto the next question about returning to a post-Covid normal. What are you anticipating from a return to the new post-Covid normal? Which real assets and subsectors do you expect to benefit? Brian, do you want to start? I know each of you have something interesting to say.

Brian Kessens: I'm happy to start off, and we're certainly happy to see us make a lot of progress with the success of the vaccines in the US and globally. I think at least as relates to energy infrastructure in particular, we've already seen a fair bounce back this year in anticipation of that just continuing. We do continue to think that energy demand is going to go higher, whether it's for natural gas, or crude oil, or natural gas liquids. We think that by the end of 2021 or certainly some time in 2022, we'll probably reach levels of crude oil demand specifically that are actually at pre-pandemic levels and if not exceeding them, and that generally will benefit energy infrastructure assets in the US.

From a return perspective, I mentioned we have had good returns already this year in anticipation of that. But it's coming off of a really poor year last year where sentiment for energy infrastructure was very sour at best. Going forward our base return expectation is low double-digits. We kind of try to triangulate that with looking at, what does the sector look like from a yield plus growth perspective? Will we get to low double-digits? The allowable returns are generally low double-digits on an equity perspective. And then the free cashflow yield for the companies today is about 8%, but that's actually growing next year and into 2023 at the low double-digit type level as well.

I would also add though that we're well below, in energy infrastructure, historical levels. Whereas the broad market is trading well above historical levels. And if we just trade back to historical levels, just from the firm value to EBITDA perspective, that would result in call it 30% type plus returns from here. And I think as investors start to realize that energy demand is going

to continue to come back and probably even grow just as the global population grows over the next 30 years, that we can continue to gravitate towards those levels.

And finally I'd say I mentioned at the outset there's a focus on decarbonization, and our funds are focused on that as well, and so are the underlying holdings in the companies. It's hard to calculate what the returns from those types of investments are likely to be, but as carbon capture and sequestration continues to get more policy support, continues to become economic, the ability to transport renewable natural gas and renewable diesel, and at some point probably later in this decade, hydrogen. I think a lot of the companies that are energy or power focused are going to be able to repurpose or build upon their existing asset base to take advantage of all these other energy transition applications. We remain very bullish on the future for energy demand and the energy and power investments that we're invested in.

Mariana Fariña Bush: Can we talk a little bit about real estate and returning to the office? Matt, Gaal, I know you've some interesting comments about it.

Gaal Surugeon: Yeah, I think it's probably the elephant in the room with respect to what we're calling a return to normal, we've witnessed a number of real estate sectors obviously caught in the crosshairs during Covid-19; healthcare, retail, hospitality, and of course office. We probably don't need to spend a lot of time discussing that there's just a structural change happening in retail that predated Covid. Well before the pandemic things were changing in that sector, but now office is really front and center in terms of talking about structural change.

We are optimistic on the sector, we are fortunately seeing a lot of companies beginning to welcome employees back into the office. I know here at Brookfield we've been in effectively full time since the start of the year, and so it's really made a difference. I believe office culture is vital to corporate success and personal development. Especially here in the US, it's often regarded as that forum for colleagues to collaborate, socialize, network, create. It's very reliant on those in-person interactions, so we are believers that office will not go away. There's going to be some impact on the market for sure. Well-located, quality buildings are probably going to do well over the long term, but when you have slack in the market, things that are just less desirable are naturally just going to get hit harder.

Office landlords have been generally positive, stating that office tour activity is slowly improving, getting back to normal. Hopefully that that leads to improvements on leasing and transactions. But that said, there's certainly a lot of weariness that long-term issues related to work-from-home have not fully impacted office fundamentals, and perhaps there's a longer timeline there to really understand the long-run impact. But we are optimistic that we will return towards normal. Just consider some of the largest technology companies, these are companies that we all consider having these huge cultural plans for success, they've continued to sign urban city center leases. Facebook for example acquired over two million square feet of new office space in Manhattan last year. Apple, Amazon, Google, they all leased space in the same tech corridor along the city's west side.

So to navigate the transition towards normal, we're relying on an in-depth understanding of local market dynamics. Matt made reference to the importance of regional diversification across the

sectors as it pertains to inflation in rates, so too is that the case for some structural change or trends that are more sector-specific. So in the US, return-to-office trends will vary by region due to factors like tenant concentration, with technology on the West Coast and finance in the North East. Public transit reopenings are also going to have a huge impact on convincing employees to come back to the office on a day-to-day basis.

In Asia, work-from-home trends may be less viable because cultural norms and smaller apartment sizes just don't lend themselves well to staying at home all the time. Europe and Australia have far to go before recovering to pre-pandemic levels, so we just see opportunities across regions to also be very disparate, and that's where we're going to try and exploit some inefficiencies and dislocations there. But on the broad theme is that the return to normal will include office for the foreseeable future.

Matt Weyandt: Yeah, I mean such a whipsaw for so many asset classes, and especially real estate where there were clear and distinct Covid losers and Covid winners. And that worked up until November when it really turned, and those losers became winners and those winners became losers. No heads in beds and retail shut down and all that. So what's been interesting to see and how we can use this playbook in the future is what happens after some of the risk is priced out of the market. Where all of a sudden you see the value rally, you see those losers for most of the pandemic period start to storm back. And that's what we've seen from retail and that's what we've seen from lodging that posted really strong numbers since the vaccine news in November.

We've seen this action in the US and I think you can take that playbook and you can apply it to different countries, because the effectiveness of the rollout or the penetration of the vaccines is not the same in the US as it is outside of the US. So other countries are doing well, I'd say that the US is probably at the front of that, but they have a ways to go. So what you can do, take this playbook, retail, the losers did really well in the US and you can apply this to other places, get ahead of the trade there. Canada and Australia are good examples where we are looking for real estate exposure in conjunction with a reopening trade [inaudible]. Real estate companies in both countries can be more diversified, which you'll find for a lot of real estate outside of the US. They tend to have a lot of retail exposure too, so that's been really holding them back. But if they're a couple months behind or six months behind the US as far as the economy reaccelerating and vaccinations really getting up to a certain scale, it's where we're starting to position now. Getting ahead of it and using that playbook.

So that's something that's forefront of our minds, and then just understanding the secular trends that have been around and will continue through this market cycle. And Gaal talked about retail, that's not new. US is under demolished in retail, the dynamic is similar around the world, not quite to the scale that you have in the US. So retail, while you'd have that reflation, reopening trade, can probably benefit from that. We see success against the global health crisis in different regions. Longer term you still have to keep that in mind, that there is growing ecommerce market share and that bricks-and-mortar is going to decline.

On the other side of that is industrial, that has been a fantastic space. The need for supply chain reconfiguration, the need for logistics with the growth of ecommerce and same-day-delivery,

that's been a fantastic property type. It's performed quite well, looks a little bit more pricey but these are trends that are going to continue to go from here. And so understanding those and linking those with the more near-term kind of reflation trade. And then other things like cell towers and data centers that are benefiting from the insatiable need for data and the need for IT redundancy and things like that. So just using that playbook from the US, applying that to the rest of the world, there's still opportunity. There's still upside there as the world catches up to the US and the vaccine distribution and penetration, understanding longer-term trends that are still going to be there.

Mariana Fariña Bush: Thank you, Matt.

Josh Duitz: I think it's interesting too that two other structures within infrastructure-- sorry Mariana, do you want to say something?

Mariana Fariña Bush: I knew you were going to want to say something about towers, so go for it, Josh.

Josh Duitz: I was going to ask you to wait on towers and talk about the other sectors within infrastructure that could benefit from the reopening, and we could speak about towers in another segment. Just in terms of the other sectors that really could benefit are roads and airports. Roads, in the beginning of the pandemic we were worried about, what does work-from-home mean and will traffic return? Will people get back in their cars or stay at home? And what we've seen now is economies that have opened up where states, cities, countries have allowed it, road really rebounded to above 2019 levels in some cases.

Now the airport sector is a bit different because it's not as localized. Where you see domestic travel really rebounding when economies open up. International travel we don't know about yet because you can't fly to too many countries without quarantining. I do believe that there will be less business travel overall because we can have meetings like this where you don't have to fly and you can still see each other face-to-face and people have gotten used to it. I do think point-to-point travel will continue and air travel as a trend was growing about 1.5 x GDP since 2002. Anytime there was a major event, whether it was SARS or 9/11, you saw that trend kind of stop and then continue shortly thereafter. This time it might take a bit longer to get back to trend, and it's still uncertain whether we will get fully back to trend because of business travel.

Mariana Fariña Bush: Thank you, Josh. I have a few more questions but I'm also noticing that there are some questions in the Q&A section. Aaudience, please feel free to submit your questions. Let me pivot there and then if there's time we can continue with the questions. The first question from the audience is for Brian on MLPs: what lessons did the closed-end funds learn in 2020 and how are they positioned differently now?

Brian Kessens: Yeah, definitely a good question across the MLP closed-end fund sector. I think for those that don't know the underlying investments for the MLPs really declined significantly in late February and into March. That resulted in distribution cuts, and not only in some of the underlying companies but in the closed-end funds as well. I think the biggest lesson learned

going forward is that the MLP-focused closed-end funds will utilize less leverage, and I think across the board all of the MLP closed-end funds are utilizing a lot less leverage today.

In addition to that, closed-end funds almost by definition pay out a significant amount of their income in the form of a distribution. Yet as it relates to that amount paid out, I think that MLP-focused closed-end funds need to pay out a more conservative level from a distribution perspective. I would say that that's offset a little bit by the fact that the underlying MLP holdings are also paying out a lot less of their distributable cashflow. So all in all, I think the sector is a lot healthier, not only are the underlying companies healthier from a distribution coverage perspective, they also have less leverage and the closed-end funds themselves have a lot less leverage. I think that's probably the biggest lesson learned.

I would also say just one other thing. A lot of the MLP-focused closed-end funds are also diversifying into other areas, including not just necessarily owning MLPs but other energy investments. And I know one of your questions as well, Mariana, was the renewable opportunity, and I think that renewables in particular, those companies focused on power-type investments where they're generating, whether it's solar or wind power and selling that on a power purchase agreement to a high quality counterparty. That level of income or that stability looks a lot like what you would get from the infrastructure investment. And I think the MLP closed-end funds are also taking the opportunity to broaden their mandate to include those sorts of investments as well.

Mariana Fariña Bush: Thank you very much, Brian. Perhaps I will add just a couple of basic comments on the closed-end fund structure, and maybe this is where the question was going or at least should be part of the answer. Closed-end funds are 1940 Act companies, and therefore they do need to follow certain strict rules. One of them is about leverage and the amount of leverage they may use.

If any of those rules are violated, there are consecuences. So when NAVs fall substantially, which is what happened with the MLP closed-end funds last year, the asset coverage ratios may exceed certain levels. And at that point what the fund must do in order to continue to pay the distribution to common shareholders is to de-lever, in other words reduce the amount of leverage. The first time that I remember seeing this was in late 2008, I think it was the first time that that happened. It hasn't happened much since then. So certain asset classes with higher volatility should have a lower leverage ratio, and that's what Brian was explaining now.

Let me jump to the next question that we have in the Q&A.Do any of your funds seek to make the dividend more tax-efficient(QDI, long-term capital gains, return of capital? Can you talk about that, and currently, what are the guidelines in your funds?

Josh Duitz: Sure, I'll start with that Mariana. Our fund ASGI is a new fund, it was only started last July. So for QDI we don't have any long-term capital gains. If you want to reference our open-end fund, ASGI, we've been extremely tax efficient in that in trying to avoid paying out extra gains. We also run funds that specifically focus on QDIs, such as AGD which is a closed-end fund. So we try to be as tax efficient for shareholders as possible in terms of the dividends

we pay out as well as the gains. So it's something we're always thinking about and trying to take advantage of the tax laws as best we can.

Brian Kessens: I'd also add just one comment, Mariana, to the extent that the closed-end funds do have MLPs. The MLPs generally have historically given a lot of the dividend or distribution in the form of return of capital. And if the closed-end fund is investing in MLPs, oftentimes a good amount of the dividend from the MLP will be return of capital as well. So that's one way to get at least a little more RoC.

Matt Weyandt: Yeah, we don't have an explicit objective of tax efficiency but we will take advantage of that if the opportunity presents itself, the portfolio managers will.

Mariana Fariña Bush: Okay, great. I think we took care of the questions so far in the Q&A. Let's come back to the questions we prepared. Can you tell us about the premium and the discount of the closed-end funds? We've talked a lot about the underlying asset classes, but what do you think are the primary factors contributing to the discount or the premium at which your closed-end fund is trading?

Brian Kessens: I can start off, and I think John touched on it in his opening remarks when he was just giving an overview of closed-end funds. And a lot of it frankly I think has to do with just overall sentiment for the underlying asset class that the closed-end fund is focused on. And we mentioned the leverage and the sell down last year for MLPs, sentiment was clearly very negative for those types of investments, where there was a question about how much energy demand would there actually be in the future as we went through Covid. And that resulted in some very significant discounts for MLP-focused closed-end funds, somewhere between 20 and 30%.

As we have had the reopening trade and seen the rollout of the vaccines being relatively successful and energy demand return, those discounts have started to narrow a bit, but I think it continues to be a little bit of a prove it story. The underlying holdings in those particular funds and the funds themselves need to show that the distributions that they're paying currently and going forward are not only stable but have the ability to grow as well. We just came through the first quarter and it was the first quarter in a few years where we didn't have any MLPs that reduced their distribution. Generally the closed-end funds focused on them, including at Tortoise, we have not only had stable distributions but in a couple cases are starting to grow the distributions again. I think it really remains a prove it story, but as that story continues to prove it out, I think that those discounts can continue to grind tighter from where they're at today.

Mariana Fariña Bush: I should add that, in general, discounts have been narrowing for the entire closed-end fund universe. Go ahead.

Gaal Surugeon: Yeah, I was effectively going to echo a lot of Brian's sentiments. I think it's just reflective of broader market sentiment, risk sentiment, value versus growth trends. We specifically as real assets tend to carry a label of value on us, some sectors de-value. But nevertheless, a rotation in favor of yield-oriented return to open, [inaudible] sectors that perhaps are more poised to benefit from a recovery and a return to normal. That just simply may be a

function of market sentiment than anything else. It's a really hard formula to try and decode and a lot of it just comes down to the psyche of the market investor as well. So absent giving any clear concrete guess, I would echo a bunch of what Brian said.

Matt Weyandt: Yeah, JRI had one of its largest discounts to NAV during the worst times of the pandemic. It makes sense because we're investing in real estate and infrastructure that just got hit so hard on the utilization of the underlying assets. And you've seen that tighten significantly and a lot of that has to do with just getting back to a more normal environment, getting back to normal utilization of these assets and the sentiment that you have in the market. So it's much less of a discount now but still attractive.[inaudible].

Mariana Fariña Bush: I think another contributor-- go ahead.

Josh Duitz: No, you go ahead Mariana, please.

Mariana Fariña Bush: I see that there are a few more questions on the Q&A saection, so I'm trying to tie them into our conversation. I think one contributing factor to explain the premium/;discount is the distribution, specifically the distribution from the portfolio or what I call the NAV distribution rate. And another related question here is how do you view earnings coverage? Does the distribution have to be covered by the net investment income or the dividend as well covered by total return, meaning realized and unrealized capital gains? Can you explain your approach for your fund? The audience is asking about your distribution policy.

Josh Duitz: So for ASGI it's a combination of both income and long-term and short-term capital gains to make sure we have the total return. When we launched, we looked at a 6% initial dividend yield. Historically on the listed side we've had 10-12% annual returns, it's actually a little bit above that. On the private side, 13-15% return. So we thought a 6% initial dividend would be well covered both by earnings and long-term and short-term capital gains. In other funds that we manage such as AOD and AGD, which are specifically focused on income, they're income funds, those funds specifically will look to cover the dividends from dividends in the companies that we hold in those portfolios. So it just depends on the portfolio we manage.

Brian Kessens: At Tortoise it's probably frankly more art than science, and it's based on a recommendation from us, the management to the board, and ultimately it's the board's decision. But as it relates to net investment income or distributable cashflow, that is the first thing that we start with. We want to understand what that earnings power is of the fund and then generally base the distribution policy on that. But a lot of other factors come into it as well. How do we expect that number to actually grow over time? What have the actual ultimate gains been in the fund most recently? And that's where some of the more art comes in about the distribution policy. But generally first and foremost we'll start with that, that net investment income number.

Gaal Surugeon: Yeah, I would say the same as well. As Josh alluded to, it's a combination of net income from dividend and our capital growth, capital appreciation, for our mandate to follow a total return focus. We want to achieve high current income but we supplement it with capital growth. It follows the trend that rates have had over the last number of years, which has been just effectively a straight downward move, lower and lower. And supplementing our ability to

generate cashflow via income with participation in equity growth like we're experiencing today, we think that taking it as a holistic view of return to the fund is the way we approach it. And that I think gives us a lot more stability over time to consider different sources of income and return both from coupon dividend as well as capital appreciation.

Mariana Fariña Bush: And Matt?

Matt Weyandt: Yeah, just a very similar approach to what Brian talked about.

Mariana Fariña Bush: Okay, great. We have just a few more minutes, I'm going to ask one more question . I think Brian you talked about renewable energy and others may have talked about that as well. So looking forward what do you think is the next-generation real asset strategy that you're contemplating, that you're already positioning into? What's next? What do you consider next generation real asset strategy?

Josh Duitz: I think there's two sectors that have great growth potential which is just in the early stages. The first is the tower sector. If you look at what's gone on over the past 25 years where we used to all be on landlines and then we moved to 1G and tech, and then 2G and then [inaudible], and then 3G and iPhones, and then 4G and that enabled Uber and others, now we're onto 5G. And we're in the early stages of 5G, we think it's going to be a decade-long push to all of us have 5G. And we really don't even know what applications we're going to use with 5G. We're kind of in the beginning when we're all using smartphones and we just had Blackberries and all we did is get email on it. We didn't understand all the different applications that our smartphone would be, whether it's Zoom, having meetings like this, kids going to school from home.

And now because of the pandemic also we understand how important it is for not only the urban areas but the suburban areas, and really the densely populated areas to have that wireless connection. So we think 5G, whether it's for autonomous driving, remote surgeries, Internet of Things, is going to be [inaudible 0:56:28]. And macro towers are the best way to play that. Being you need more macro towers, it has to be densified. So we really like the tower space. We have independent towers in the US, about 95% of the towers are independent, in Europe they're just beginning that process of the telcos selling the towers and monetizing them.

So that's one area for growth we really believe in. and the second area of growth is in renewable energy, and we really think we're at an inflection point now. We've talked about renewable energy for years now, and if you look back over the past several generations when we started to use coal and then we started to use oil, it was a great change in industrializing and people being able to drive and transportation, and we think we're at that inflection point. And the reason is that was already happening, but what Covid did, we had a lot of stimulus packages from governments around the world to focus on it and focus on climate change.

In Europe for example, the European Recovery Act which is roughly two trillion dollars' worth, 30% is focused on green energy. In 2019, so just two years ago 25% of the countries globally had made pledges to reducing their emissions, two years later it's over 75% of countries. Renewable spending is in the beginning stages, it's estimated we're going to need over seven

trillion dollars just in Europe to meet their targets by 2050. We expect generation capacity to grow double digits out to 2030. So this is an inflection point, we didn't ask for it but the pandemic brought it on. And it's not only because of climate change but costs of renewable energy is now on par with carbon emitting alternatives in many places. So this is the beginning stages and we just think there's tremendous growth going forward in both those areas.

Brian Kessens: I'd echo what Josh said on the renewable energy and add one other item to that as well. And the area that could have the biggest impact from a decarbonization is just decarbonize existing fossil fuels through carbon capture and storage. So not only does that have a huge impact, but to Josh's point, there's large amounts of capital that are needed to make that happen. And maybe not as near-term as solar or wind, but certainly nearer term than hydrogen transport. We're starting to see carbon capture and storage announcements being made. Just last week we saw the Canadian producers launch an alliance for carbon capture and storage.

Today we saw an announcement from some energy infrastructure companies in Canada, TC Energy and Pembina. And then a month ago we saw Exxon Mobil announce that they wanted to bring together partners both public and private to invest a $100 billion along the US Gulf Coast for carbon capture and storage. We expect that that's going to require a lot of pipeline transport and look very similar to what we have in the existing infrastructure investments, where they're long-term contracts signed at relatively attractive tariff rates for low double-digit type total returns. So I'd just add carbon capture and storage to that.

Mariana Fariña Bush: Great.

Matt Weyandt: I think broadening out a little bit more to ESGs impact on the market. We're focused on income with longer term capital appreciation, but realize the extent that ESG, becomes more of a risk. Identifying and quantifying that within the underlying research process I think is very important. Thinking about specifically utilities and how they're changing up their generation fleet, and those that are becoming more carbon-friendly and that have been proactive in that, you're starting to see that identified in the market. And just more of an institutional focus on ESG factors, more and more investors are concerned with that. These are going to grow in importance, so I think you have to be looking at the impacts of those. Not all are going to have the same impact on different types of investments and real assets but I think you have to be aware of what's important for these types of investments and how you can benefit from that, or be invested in the wrong name you could have additional risk from that.

Mariana Fariña Bush: Great, thanks. I think John is telling us wrap-up, and I told you this would be a fascinating panel and wish we had more time. I would like to thank every single one of the panelists, Brian, Gaal, Matt, and Josh, for your wonderful comments. . Thank you very much and we hope that you listen to the next panel. Thank you.

John Cole Scott: Yes guys, thank you so much. And thank you, Mariana, you did a good job organizing and prepping this panel, so thank you as well. So with that everyone, we're going to go out of presentation mode. There is a 20 minute break so we can mingle with each other, so feel free to double-click to go to different tables.

Recorded on June 17, 2021.

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