



# **TORTOISE ESSENTIAL ASSETS INCOME TERM FUND**

## **STATEMENT OF ADDITIONAL INFORMATION**

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Tortoise Essential Assets Income Term Fund, a Maryland statutory trust (the “Fund,” “we,” “us,” or “our”), is a newly organized, non-diversified, closed-end management investment company.

This statement of additional information relates to an offering of our common shares and does not constitute a prospectus, but should be read in conjunction with our prospectus relating thereto dated March 26, 2019. This statement of additional information does not include all information that a prospective investor should consider before purchasing any of our common shares. You should obtain and read our prospectus prior to purchasing any of our common shares. A copy of our prospectus may be obtained without charge from us by calling toll-free at 1-866-362-9331. You also may obtain a copy of our prospectus on the SEC’s web site (<http://www.sec.gov>). Capitalized terms used but not defined in this statement of additional information have the meanings ascribed to them in the prospectus.

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This statement of additional information is dated March 26, 2019.

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## INVESTMENT LIMITATIONS

This section supplements the disclosure in the prospectus and provides additional information on our investment limitations. Investment limitations identified as fundamental may be changed only with the approval of the holders of a majority of our outstanding voting securities (which for this purpose and under the Investment Company Act of 1940, as amended (the “1940 Act”), means the lesser of (1) 67% of the voting shares present in person or by proxy at a meeting at which more than 50% of the outstanding voting shares are present in person or by proxy, or (2) more than 50% of the outstanding voting shares).

Investment limitations stated as a maximum percentage of our assets are applied only immediately after, and because of, an investment or a transaction by us to which the limitation is applicable (other than the limitations on borrowing). Accordingly, any later increase or decrease resulting from a change in values, net assets or other circumstances will not be considered in determining whether the investment complies with our investment limitations. All limitations are based on a percentage of our total assets (including assets obtained through leverage).

### Fundamental Investment Limitations

The following are our fundamental investment limitations set forth in their entirety. We may not:

- (1) issue senior securities, except as permitted by the 1940 Act and the rules and interpretive positions of the SEC thereunder;
- (2) borrow money, except as permitted by the 1940 Act and the rules and interpretive positions of the SEC thereunder;
- (3) make loans, except by the purchase of debt obligations, by entering into repurchase agreements or through the lending of portfolio securities and as otherwise permitted by the 1940 Act and the rules and interpretive positions of the SEC thereunder;
- (4) concentrate (invest 25% or more of our total assets) our investments in any particular industry or group of industries, except that we will concentrate our assets in the energy and energy infrastructure sector;
- (5) underwrite securities issued by others, except to the extent that we may be considered an underwriter within the meaning of the Securities Act of 1933, as amended (the “Securities Act”), in the disposition of restricted securities held in our portfolio;
- (6) purchase or sell real estate unless acquired as a result of ownership of securities or other instruments, except that we may invest in securities or other instruments backed by real estate or securities of companies that invest in real estate or interests therein (including real estate investment trusts (“REITs”)); and
- (7) purchase or sell physical commodities unless acquired as a result of the ownership of securities or other instruments, except that we may purchase or sell options and futures contracts or invest in securities or other instruments backed by physical commodities.

For the purposes of our concentration policy set forth in (4) above, securities will be considered part of the energy or energy infrastructure sector based on (i) their classification or inclusion in an index related to the industry or sector, (ii) their Global Industry Classification Standard (“GICs”) classification, (iii) their assignment under the North American Industry Classification System (“NAICS”), (iv) their assignment under the Securities Industrial Classification (“SIC”) system, or (v) at least 50% of the issuer’s assets are dedicated to, or at least 50% of the issuer’s revenues are derived from, the energy or energy infrastructure sector. Additionally, municipal securities issued by governmental entities or political subdivisions therefor shall not be considered part of any industry and such securities are therefore not subject to the policy on industry concentration. Tax-exempt municipal securities backed by the assets and revenues of non-governmental issuers shall be considered part of

an industry and the industry classification shall be determined by reference to the underlying assets or revenues that support the project. When a security is unconditionally guaranteed by the enforceable obligation of a superior or unrelated governmental entity, such guarantee or other obligation shall be considered a separate security for purposes of the concentration policy and such obligor shall be considered the issuer. With respect to investments in bank loans and bank participations, if the Fund does not have a direct debtor-creditor relationship with the borrower, then the Fund will treat both the institution selling the loan and ultimate borrower as issuers for purposes of the Fund's policy on concentration.

All other investment policies are considered non-fundamental and may be changed by our Board of Trustees (the "Board of Directors" or the "Board") without prior approval of our outstanding voting securities.

### **Non-Fundamental Investment Policies**

We seek to achieve our investment objective by investing, under normal conditions, at least 80% of our total assets (including assets obtained through leverage) in issuers operating in essential asset sectors. This investment policy is non-fundamental.

We have adopted the following additional non-fundamental policies:

- Under normal conditions, we may invest up to 40% of our total assets in directly originated loans;
- Under normal conditions, we may invest up to 25% of our total assets in direct placements in restricted equity securities in listed companies;
- Under normal conditions, we may invest up to 25% of our total assets in direct equity investments in unlisted companies;
- As a RIC, we may invest up to 25% of our total assets in securities of entities treated as qualified publicly traded partnerships for federal income tax purposes, which generally includes MLPs;
- Under normal conditions, we may invest up to 30% of our total assets in securities of non-U.S. issuers, including Canadian issuers. An issuer of a security generally will be considered to be a non-U.S. issuer if it is organized under the laws of, or maintains its principal place of business in, a country other than the United States;
- We will not engage in short sales of securities;
- Under normal conditions, we may invest up to 10% of our total assets in securities of emerging market issuers; and
- Under normal conditions, we may invest up to 10% of our total assets in non-directly originated corporate debt securities that are, at the time of purchase, rated CCC+ or lower by S&P Global Ratings ("S&P") and Fitch Ratings Inc. ("Fitch") and Caa1 or lower by Moody's Investors Services, Inc. ("Moody's").

As used for the purpose of each non-fundamental investment policy above, the term "total assets" includes any assets obtained through leverage. Our Board of Directors may change our non-fundamental investment policies without shareholder approval and will provide notice to shareholders of material changes (including notice through shareholder reports), although a change in the policy of investing at least 80% of our total assets in issuers operating in essential asset sectors will require at least 60 days' prior written notice to shareholders. Unless otherwise stated, these investment restrictions apply at the time of purchase, and we will not be required to reduce a position due solely to market price fluctuations.

In addition, to comply with federal income tax requirements for qualification as a RIC, our investments will be limited so that at the close of each quarter of each taxable year (1) at least 50% of the value of our total assets is represented by cash and cash items, U.S. government securities, the securities of other RICs and other

securities, with such other securities limited for purposes of such calculation, in respect of any one issuer, to an amount not greater than 5% of the value of our total assets and not more than 10% of the outstanding voting securities of such issuer, and (2) not more than 25% of the value of our total assets is invested in the securities of any one issuer (other than U.S. government securities or the securities of other RICs), the securities (other than the securities of other RICs) of any two or more issuers that we control and that are determined to be engaged in the same business or similar or related trades or businesses or the securities of one or more qualified publicly traded partnerships (which generally includes MLPs). These tax-related limitations may be changed by our Board of Directors to the extent appropriate in light of changes to applicable tax requirements.

During the period in which we are investing the net proceeds of this offering, we may deviate from our investment policies by investing the net proceeds in money market mutual funds, cash, cash equivalents, securities issued or guaranteed by the U.S. government or its instrumentalities or agencies, high quality, short-term money market instruments, short-term debt securities, certificates of deposit, bankers' acceptances and other bank obligations, commercial paper or other liquid debt securities. Under adverse market or economic conditions, we may invest up to 100% of our total assets in these securities. In addition, as we approach the Termination Date, we may invest a portion of our assets, which may be significant, in these securities. To the extent we invest in these securities on a temporary basis or for defensive purposes, we may not achieve our investment objective.

Currently, under the 1940 Act, we are not permitted to issue preferred shares unless immediately after such issuance, the value of our total assets (including the proceeds of such issuance) less all liabilities and indebtedness not represented by senior securities is at least equal to 200% of the total of the aggregate amount of senior securities representing indebtedness plus the aggregate liquidation value of any outstanding preferred shares. Stated another way, we may not issue preferred shares that, together with outstanding preferred shares and debt securities, has a total aggregate liquidation value and outstanding principal amount of more than 50% of the value of our total assets, including the proceeds of such issuance, less liabilities and indebtedness not represented by senior securities. In addition, we are not permitted to declare any distribution on our common shares or purchase any common shares (through tender offers or otherwise) unless we would satisfy this 200% asset coverage requirement test after deducting the amount of such distribution or share price, as the case may be. We may, as a result of market conditions or otherwise, be required to purchase or redeem preferred shares, or sell a portion of our investments when it may be disadvantageous to do so in order to maintain the required asset coverage. Common shareholders would bear the costs of issuing additional preferred shares, which may include offering expenses and the ongoing payment of distributions. Currently under the 1940 Act, we may issue only one class of preferred shares.

Currently, under the 1940 Act, we are not permitted to issue debt securities or incur other indebtedness constituting senior securities unless immediately thereafter, the value of our total assets (including the proceeds of the indebtedness) less all liabilities and indebtedness not represented by senior securities is at least equal to 300% of the amount of the outstanding senior securities representing indebtedness. Stated another way, we may not issue debt securities or incur other indebtedness with an aggregate principal amount of more than 33 1/3% of the value of our total assets, including the amount borrowed, less all liabilities and indebtedness not represented by senior securities. We must maintain this 300% "asset coverage" for as long as the indebtedness is outstanding. The 1940 Act currently provides that we may not declare any distribution with respect to any class of shares of our shares, or purchase any of our shares (through tender offers or otherwise), unless we would satisfy this 300% asset coverage requirement after deducting the amount of the distribution or share purchase price, as the case may be, except that distributions may be declared upon any preferred shares if such senior security representing indebtedness has an asset coverage of at least 200% at the time of declaration of such distribution and after deducting the amount of such distribution. If the asset coverage for senior securities representing indebtedness declines to less than 300% as a result of market fluctuations or otherwise, we may be required to reduce our leverage or sell a portion of our investments when it may be disadvantageous to do so. Currently, under the 1940 Act, we may issue only one class of senior securities representing indebtedness.

Under the 1940 Act, a “senior security” does not include any promissory note or evidence of indebtedness where such loan is for temporary purposes only and in an amount not exceeding 5% of the value of the total assets of the issuer at the time the loan is made. A loan is presumed to be for temporary purposes if it is repaid within sixty days and is not extended or renewed. Both transactions involving indebtedness and any preferred shares issued by us would be considered senior securities under the 1940 Act, and as such, are subject to the asset coverage requirements discussed above.

Currently, under the 1940 Act, we are not permitted to lend money or property to any person, directly or indirectly, if such person controls or is under common control with us, except for a loan from us to a company that owns all of our outstanding securities. Currently, under interpretative positions of the staff of the SEC, we may not have on loan at any given time securities representing more than one-third of our total assets.

We interpret our policies with respect to borrowing and lending to permit such activities as may from time to time be lawful, to the full extent permitted by the 1940 Act or by exemption from the provisions therefrom pursuant to an exemptive order of the SEC.

Currently, under the 1940 Act, we may, but do not currently intend to, invest up to 10% of our total assets in the aggregate in shares of other investment companies and up to 5% of our total assets in any one investment company, provided that the investment does not represent more than 3% of the voting shares of the acquired investment company at the time such shares are purchased. As a shareholder in any investment company, we will bear our ratable share of that investment company’s expenses and would remain subject to payment of our advisory fees and other expenses with respect to assets so invested. Holders of common shares would therefore be subject to duplicative expenses to the extent we invest in other investment companies. In addition, the securities of other investment companies also may be leveraged and will therefore be subject to the same leverage risks described herein and in the prospectus. The net asset value and market value of leveraged shares will be more volatile and the yield to shareholders will tend to fluctuate more than the yield generated by unleveraged shares. A material decline in net asset value may impair our ability to maintain asset coverage on any preferred shares and debt securities, including any interest and principal for debt securities.

## INVESTMENT OBJECTIVE AND PRINCIPAL INVESTMENT STRATEGIES

The prospectus presents our investment objective and principal investment strategies and risks. This section supplements the disclosure in our prospectus and provides additional information on our investment policies, strategies and risks. Restrictions or policies stated as a maximum percentage of our assets are applied only immediately after a portfolio investment to which the policy or restriction is applicable (other than the limitations on borrowing). Accordingly, any later increase or decrease resulting from a change in values, net assets or other circumstances will not be considered in determining whether the investment complies with our restrictions and policies.

Our investment objective is to provide our common shareholders with a high level of total return with an emphasis on current distributions. Our investment objective is not fundamental and may be changed by our Board of Directors without shareholder approval. We cannot assure you that we will achieve our investment objective. Our investment objective and the investment policies discussed below are non-fundamental. Our Board of Directors may change our investment objective, or any policy or limitation that is not fundamental, without shareholder approval and will provide notice to shareholders of material changes (including notice through shareholder reports), although a change in the policy of investing at least 80% of our total assets in issuers operating in essential asset sectors will require at least 60 days' prior written notice to shareholders.

We seek to achieve our investment objective by investing, under normal conditions, at least 80% of our total assets (including assets obtained through leverage) in issuers operating in essential asset sectors. We consider essential assets to be assets and services that are indispensable to the economy and society. Essential asset sectors include the education, housing, healthcare, social and human services, power, water, energy, infrastructure, basic materials, industrial, transportation and telecommunications sectors. We may invest across all levels of an issuer's capital structure and emphasize income-generating investments, particularly in social infrastructure, sustainable infrastructure and energy infrastructure. Our investment portfolio generally will be comprised of the following types of investments:

- *Direct investments.* We may make direct equity and debt investments in issuers operating in essential asset sectors, which investments may include (1) directly originated securities and obligations of governmental entities or other qualifying issuers of states, municipalities, territories and possessions of the United States and the District of Columbia and their political subdivisions, agencies and instrumentalities, private nonprofit organizations, 501(c)(3) organizations, public nonprofit organizations and other entities authorized to issue private activity and municipal bonds that will generally be high yield debt securities or unrated as further described below; (2) common or preferred equity investments in private clean energy related issuers, including issuers holding or owning power purchase agreements; (3) private investments in energy-related issuers, including securities of issuers with public equity, commonly referred to as "PIPES," and structured preferred securities; and (4) other privately structured investments (previously defined as "Direct Investments").
- *Listed equity securities.* We may invest in listed equity securities of issuers operating in essential asset sectors, including common stock, common units of MLPs and of limited liability companies ("LLCs") and preferred equity. While we may invest across a broad range of essential asset sectors, and the allocation of our investments among such sectors may change from time to time, we currently expect that a significant portion of our investments in listed equity securities will be in securities of companies in the renewable energy, power delivery, energy infrastructure and broader energy and water sectors. We may invest in securities of any market capitalization, including small- and mid-capitalization companies. We currently intend to write (sell) call options on a portion of our listed equity securities portfolio.
- *Corporate debt securities.* We may invest in corporate debt securities, including corporate bonds and notes, project finance debt securities, bank loans and loan participations, of issuers operating in essential asset sectors, with an initial emphasis on high yield debt securities. High yield debt securities, commonly referred to as "junk" bonds, are debt securities rated below investment grade (i.e., BB+/Ba1 or lower) or unrated

securities that Tortoise Capital Advisors, L.L.C. (the “Adviser”) deems to be of comparable quality. These securities are considered predominately speculative with respect to the issuer’s continuing ability to make principal and interest payments. Our investments in corporate debt securities may include Rule 144A securities. We may invest in corporate debt securities of any maturity.

We consider an issuer to be operating in an essential asset sector if (1) at least 50% of its assets are dedicated to, or at least 50% of its cash flow or revenue is derived from, one or more essential asset sectors, including the education, housing, healthcare, social and human services, power, water, energy, infrastructure, basic materials, industrial, transportation and telecommunications sectors; or (2) it is otherwise determined by our Adviser or Tortoise Credit Strategies, LLC or Tortoise Advisors UK Limited (together, the “Subadvisers”) to be an issuer in one of the sectors mentioned above by (a) its classification or inclusion in an index related to that industry or sector, (b) its GICS classification, (c) its assignment under the NAICS, or (d) its assignment of a related code under the SIC system.

An Investment Committee of our Adviser will provide strategic oversight and determine the allocation of our investment portfolio across the social infrastructure, sustainable infrastructure and energy infrastructure asset classes, and between direct investments, listed equity securities and corporate debt securities, based on prevailing market conditions, available investment opportunities and other factors, and may change the allocation of our total assets among these asset classes or security types from time to time without prior approval from or notice to our common shareholders. Portfolio management teams of our Adviser and our Subadvisers will be responsible for the day-to-day management of their respective sleeves of our investment portfolio.

### ***Direct Investments***

We may make direct equity and debt investments in issuers operating in essential asset sectors, which investments may include (1) directly originated securities and obligations of governmental entities or other qualifying issuers of states, municipalities, territories and possessions of the United States and the District of Columbia and their political subdivisions, agencies and instrumentalities, private nonprofit organizations, 501(c)(3) organizations, public nonprofit organizations and other entities authorized to issue private activity and municipal bonds that will generally be high yield debt securities or unrated; (2) common or preferred equity investments in private clean energy-related issuers, including issuers holding or owning power purchase agreements; (3) private investments in energy-related issuers, including securities of issuers with public equity, commonly referred to as “PIPES” and structured preferred securities; and (4) other privately structured investments.

*Directly Originated Social Infrastructure Securities.* Social infrastructure assets and services include primary, secondary and post-secondary education facilities; hospitals and other healthcare facilities; senior, student, affordable, military and other housing facilities; industrial infrastructure and utility projects; and nonprofit and civic facilities. Issuers of social infrastructure securities and obligations may include governmental entities or other qualifying issuers of states, municipalities, territories and possessions of the United States and the District of Columbia and their political subdivisions, agencies and instrumentalities, private nonprofit organizations, 501(c)(3) organizations, public nonprofit organizations and other entities authorized to issue private activity and municipal bonds that will generally be high yield debt securities or are unrated. Our investment focus will generally be on high yield securities or the unrated equivalent. High yield debt securities, commonly referred to as “junk” bonds, are debt securities rated below investment grade (i.e., BB+/Ba1 or lower) or unrated securities that our Subadviser deems to be of comparable quality. These securities are considered predominately speculative with respect to the issuer’s continuing ability to make principal and interest payments.

Securities in the education sectors include those issued in connection with PreK-12, post-secondary, and job training institutions (including private, parochial, charter, vocational and technical, community/junior colleges, and small private colleges and universities). Securities in the healthcare sectors include those issued in connection with senior care and housing, hospitals and medical care providers (including rehabilitation, psychiatric and substance-abuse) and long-term care facilities (including the entire continuum from independent



living to assisted living to skilled nursing, palliative care and hospice). Securities in the industrial infrastructure sectors include those issued in connection with industrial plants and projects, including solid waste disposal, recycling and waste-to-energy. Securities in the housing sector include those issued in connection with seniors, students, affordable housing (including apartments, multi-family and single family), military and mobile-home park builders and operators.

Tortoise Credit Strategies, LLC, our investment subadviser, will manage our investments in directly originated social infrastructure securities and will seek to invest in social infrastructure providers that have (1) seasoned management teams with industry expertise and independent governance structures using best practices; (2) operating profiles with operational effectiveness and favorable statutory and regulatory environments; (3) financial resources and flexibility with an ability to manage debt; and (4) demonstrated demand. Tortoise Credit Strategies, LLC currently intends to generally focus on structures with relatively low duration and strong covenants.

We may invest in debt securities of any maturity and credit quality but expect to typically invest in “high yield” debt securities. High yield debt securities, commonly referred to as “junk” bonds, are debt securities rated at the time of investment either BB+, Ba1 or below (or an equivalent rating) by a NRSRO or, if unrated, determined by our Adviser or Subadvisers to be of comparable credit quality.

*Equity and Debt Investments in Private Clean Energy-Related Issuers.* We may make equity and debt investments in private clean energy-related issuers. These issuers may include (1) private, middle-market companies whose activities focus on the generation of power from renewable sources, such as utility-scale and distributed solar power; utility-scale wind, hydroelectric and geothermal power; the generation of power from natural gas; the development of other clean energy sources, such as landfill gas; the provision of storage and transmission services in connection with the provision of clean energy; the development of sustainable energy infrastructure; and efforts to increase energy efficiency; (2) joint ventures and special purpose vehicles established with such companies to design, develop and operate specific projects relating to the generation, storage and transmission of clean energy; and (3) special purpose vehicles or other vehicles that hold or invest in power purchase agreements. In a power purchase agreement, a purchaser such as a municipality, university, hospital or utility, is contractually obligated to purchase power from the project for the life of the contract.

Our Adviser will seek to invest in private clean energy-related companies that have (1) high-quality, long-lived, sustainable assets using proven technologies; (2) regulatory mandates, favorable growth trends and long-term revenue contracts with creditworthy counterparties; (3) assets with competitive cost positions that provide essential services; and (4) proven management teams, operators, developers and investment partners. Our Adviser currently intends to generally focus on structures with long-term contracts and performance warranties.

*Direct Placement Energy Investments.* We may make direct placements, also known as private energy investments, in securities of issuers with public equity (“PIPEs”) and structured preferred securities in essential asset sectors, with an expected emphasis on the energy and energy infrastructure sectors. These securities generally will consist of common units of MLPs and common units of LLCs, preferred equity and common stock. These transactions generally will result either in our directly acquiring restricted stock or in our acquiring a restricted security or other instrument that is convertible into restricted or registered stock. In evaluating opportunities for direct placements, our Adviser generally will use the same criteria it uses to seek investments in listed equity securities, as discussed below.

### ***Listed Equity Securities***

Our investments in listed equity securities will include securities that are publicly traded on an exchange or in the OTC market. These securities may consist typically of common stock, common units of MLPs and common units of LLCs and preferred equity. While we may invest across a broad range of essential asset sectors, and the allocation of our investments among such sectors may change from time to time, we currently expect that

a significant portion of our investments in listed equity securities will be in securities of companies in the renewable energy, power delivery, energy infrastructure and broader energy and water sectors. We may invest in securities of any market capitalization, including small- and mid-capitalization companies. We may invest up to 25% of our total assets in securities of MLPs and other entities treated as qualified publicly traded partnerships for federal income tax purposes.

Our Adviser's investment strategy targets listed equity securities of essential asset companies with experienced, efficient, operations-focused management teams possessing successful track records and substantial knowledge, experience and focus in one or more essential asset sectors. Our Adviser generally seeks listed equity securities of companies that provide a current cash return at the time of investment, providing a source of current income, as well as the potential for price appreciation.

Our Adviser's investment process utilizes fundamental analysis and a comparison of quantitative, qualitative and relative value factors. Investment decisions are driven by proprietary financial, risk and valuation models developed and maintained by our Adviser which assist in the evaluation of investment decisions and risk. Financial models, based on business drivers with historical and multi-year operational and financial projections, quantify growth, facilitate sensitivity and credit analysis and aid in peer comparisons. The risk models assess a company's asset quality, management, stability of cash flows and operational and financial performance. Our Adviser also uses traditional valuation metrics such as cash flow multiples and net asset value in its investment process.

An investment team consisting of portfolio managers of our Adviser is responsible for approving investment decisions and monitoring investments with respect to the portion of our investment portfolio managed by our Adviser. In conducting due diligence, our Adviser relies on first-hand sources of information, such as company filings, meetings and conference calls with management, site visits and government information. Although our Adviser intends to use research provided by broker-dealers and investment firms, primary emphasis will be placed on proprietary analysis and valuation models conducted and maintained by our Adviser's in-house investment analysts. To determine whether a company meets its investment criteria, our Adviser generally will look for the targeted investment characteristics described herein. With respect to the portion of our investment portfolio managed by our Adviser, all decisions to invest in a company must be approved by the unanimous decision of the investment team. Our Adviser's due diligence process is comprehensive and generally includes, among other things, review of historical and prospective financial information, participation in quarterly updates and conference calls and analysis of financial models and projections.

With respect to the portion of our listed equity portfolio managed by our investment subadviser Tortoise Advisors UK Limited, Tortoise Advisors UK Limited invests primarily in public equities of companies focusing on power delivery and/or water that are significantly benefiting from the transition towards a low carbon economy and the drive to use resources more efficiently and reduce emissions. Tortoise Advisors UK Limited employs fundamental bottom-up analyses with a focus on quality metrics, detailed asset/project modelling and attractive valuations. An analysis of environmental, social and governance ("ESG") factors is fully integrated in the investment process.

We will seek to provide current income from gains earned through an option overlay strategy. We currently intend to write (sell) call options on a portion of listed equity securities portfolio (previously defined as "covered calls"). The notional amount of such covered calls is expected to initially be approximately 10% to 30% of our listed equity investments, although this percentage may vary over time depending on the cash flow requirements of our investment portfolio and on our Adviser's and Subadvisers' assessment of market conditions. We currently intend to write out-of-the-money covered calls with strike prices above the market prices of the underlying securities. As the writer of such covered calls, in effect, during the term of the covered call, in exchange for the premium we receive, we give up the potential appreciation above the exercise price in the market value of the security or securities underlying the covered calls. Therefore, we may forego the potential appreciation for part of our listed equity investments in exchange for the call premium received.

## ***Corporate Debt Securities***

We may invest in corporate debt securities, including corporate bonds and notes, project finance debt securities, bank loans and loan participations, of issuers operating in essential asset sectors, with an initial emphasis on high yield debt securities. High yield debt securities, commonly referred to as “junk” bonds, are debt securities rated below investment grade (i.e., BB+/Ba1 or lower) or unrated securities that our Adviser or Subadvisers deem to be of comparable quality. These securities are considered predominately speculative with respect to the issuer’s continuing ability to make principal and interest payments. Under normal conditions, we may invest up to 10% of our total assets (including assets obtained through leverage) in non-directly originated corporate debt securities that are, at the time of purchase, rated CCC+ or lower by S&P and Fitch and Caa1 or lower by Moody’s.

We may invest in corporate debt securities that are purchased and sold in private offerings pursuant to Rule 144A or other applicable exemptions from the registration requirements of the Securities Act. We may purchase or sell corporate debt securities on a when-issued, delayed-delivery or forward commitment basis. We may invest in corporate debt securities of any maturity.

Our Adviser’s securities selection process includes a comparison of quantitative, qualitative and relative value factors. Although our Adviser uses research provided by broker dealers and investment firms when available, primary emphasis is placed on proprietary analysis and risk, financial and valuation models conducted and maintained by our Adviser’s in-house investment professionals. To determine whether a company meets its investment criteria, our Adviser will generally look for the targeted investment characteristics as described herein.

## **Investment Securities**

The types of securities in which we may invest include, but are not limited to, the following:

### ***Equity Securities***

Equity investments generally represent an ownership interest, or the right to acquire an ownership interest, in an issuer. Different types of equity securities provide different voting and dividend rights and priority in the event of an issuer’s bankruptcy. Prices of equity securities fluctuate for several reasons, including because of changes, or perceived changes, in the business, financial condition or prospects of the issuer or because of changes in financial or political conditions that may affect particular industries or the economy in general.

*Common Stock.* Holders of common stock generally have voting rights with respect to the issuer, however, we do not expect to have voting control with respect to any of the issuers of listed equity securities in which we invest, and we may not have voting control with respect to some or all of our private equity investments. Upon the liquidation or winding up of the issuer, holders of common stock are entitled to the assets of the issuer that remain after satisfying all obligations owed to the issuer’s creditors, including holders of debt securities, and holders of the issuer’s preferred stock. Holders of common stock also may receive dividends, however, unlike the dividends payable with respect to preferred stock (which is described below), dividends payable with respect to common stock are not fixed but are declared at the discretion of the issuer’s board of directors.

*Preferred Equity.* Upon the liquidation or winding up of the issuer, holders of preferred equity have a preference over holders of the issuer’s common equity, however, their claims to the assets of the issuer are subordinated to the claims of the issuer’s creditors, including holders of debt securities. Holders of preferred equity also receive distributions or dividends at a specified annual rate, although this rate may be changed or omitted by the issuer under certain circumstances. Market prices of preferred equities generally fluctuate with changes in market interest rates. Under normal conditions, holders of preferred equity usually do not have voting rights with respect to the issuer.

Convertible preferred equity is preferred equity that may be exchanged or converted into a predetermined number of shares of the issuer’s common equity or another equity security at the option of the holder under

specified circumstances. The investment characteristics of convertible preferred equity vary widely, which allows convertible preferred equity to be employed for a variety of investment strategies. We will exchange or convert convertible preferred equity into shares of common equity when, in the opinion of our Adviser, the investment characteristics of the common equity or other equity security will assist us in achieving our investment objective. We also may elect to hold or trade convertible preferred equity. In selecting convertible preferred equities, our Adviser evaluates the investment characteristics of the convertible preferred equity as well as the investment potential of the common equity or other equity security into which it may be converted for capital appreciation.

*Common Units of MLPs and LLCs.* An MLP is a publicly traded company organized as a limited partnership or LLC and treated as a qualified publicly traded partnership for federal income tax purposes. Common units represent an equity ownership interest in an MLP, however, MLP common unit holders generally have limited voting rights, compared to the voting rights of holders of a corporation's common stock, and play a limited role in the MLP's operations and management. Common units of an LLC represent an equity ownership in an LLC. LLC common unit holders typically have broader voting rights than common unit holders of entities organized as limited partnerships. Interests in MLP or LLC common units entitle the holder to a share of the company's success through distributions and/or capital appreciation. As a RIC, we may invest no more than 25% of our total assets in securities of entities treated as qualified publicly traded partnerships for federal income tax purposes, which generally includes MLPs.

*Equity Securities of MLP Affiliates.* In addition to common units of MLPs, we also may invest in equity securities issued by MLP affiliates, such as shares of common stock of corporations that own MLP general partner interests. General partner interests often confer direct board participation rights and, in many cases, operating control with respect to the MLP.

*Other Equity Securities.* We may invest in all types of equity securities, including, but not limited to, those described above, as well as depository receipts, which represent interests in equity securities of non-U.S. issuers; limited partnership interests; rights and warrants; and shares of exchange-traded funds and real estate investment trusts ("REITs").

### ***Debt Securities***

Debt securities represent an interest in a borrower's indebtedness. Different types of debt securities provide different terms for the payment of principal and interest and priority in the event of an issuer's default or bankruptcy. Prices of debt securities fluctuate for several reasons, including in response to changes in market interest rates and changes, or perceived changes, in the creditworthiness of the borrower.

*Corporate Debt Securities.* We may invest in corporate debt securities and directly originated loans, including corporate bonds and notes, project finance debt securities, and bank loans and loan participations, of issuers operating in essential asset sectors, with an emphasis on high yield debt securities. High yield debt securities, commonly referred to as "junk" bonds, are debt securities rated below investment grade (i.e., BB+/Ba1 or lower) or unrated securities that our Adviser or Subadvisers deem to be of comparable quality. These securities are considered predominately speculative with respect to the issuer's continuing ability to make principal and interest payments. Our investments in corporate debt securities may include Rule 144A securities. We may invest in corporate debt securities of any maturity. Under normal conditions, we may invest up to 10% of our total assets (including assets obtained through leverage) in non-directly originated corporate debt securities that are, at the time of purchase, rated CCC+ or lower by S&P and Fitch and Caa1 or lower by Moody's.

*Corporate Bonds and Notes.* Our investments in corporate debt securities will include corporate bonds and notes. Corporate bonds and notes are debt securities issued by U.S. and non-U.S. businesses to borrow money from investors for a variety of reasons, including to finance operations, provide working capital, refinance existing debt, engage in acquisitions, pay dividends or finance stock buy-backs or recapitalize. The issuer of a bond or note pays the investors a fixed, variable or floating rate of interest and normally must repay the amount borrowed on or before a stated maturity date. Certain bonds and notes in which we may invest may be convertible into equity securities of the issuer or its affiliates. We may invest in corporate bonds and notes of any

credit quality. The corporate bonds and notes in which we invest will typically be unsecured but may be secured by a lien on specified assets of the issuer and/or its affiliates. Any such lien may be subordinated to liens securing the issuer's senior debt. The corporate bonds or notes in which we invest may pay interest in cash or in kind. With respect to payment-in-kind securities, the issuer pays interest in the form of additional securities rather than cash.

The investment return of a corporate bond or note reflects the interest payments received and changes in the market price of the bond or note during the holding period. The market price of a corporate bond or note may be expected to rise and fall inversely with market interest rates generally and in response to actual or perceived changes in the creditworthiness of the issuer. Because of the wide range of types and maturities of corporate bonds and notes, as well as the range of creditworthiness of their issuers, the risk-return profiles of corporate bonds and notes vary widely. For example, notes issued by a large established corporation that is rated investment grade may offer a modest return but carry relatively limited risk. On the other hand, a long-term bond issued by a smaller, less established corporation that is rated below investment grade may have the potential for relatively large returns but carries a relatively high degree of risk.

*Project Finance Debt Securities.* We may invest in the debt securities issued to finance specific projects focused typically in essential asset areas, which may include both investment grade and high yield project finance bonds. Project finance is the financing of long-term infrastructure, industrial projects and public services using a non-recourse or limited-recourse financial structure. The debt and equity used to finance the project are paid back from the cash flow generated by the project. Project financing is a loan structure that relies typically on the project's cash flow for repayment, with the project's assets, rights and interests held as secondary collateral.

*Bank Loans and Loan Participations.* Our investments in corporate debt securities and directly originated loans may include investments in senior and subordinated bank loans to U.S. and non-U.S. businesses. Companies may borrow money from banks for a variety of reasons, including those set forth above under "Corporate Bonds and Notes." The borrower under a bank loan typically pays interest at rates that are determined periodically on the basis of a floating base lending rate, plus a spread, during the term of the loan. The amount borrowed under a bank loan is typically repaid during the term of the loan in accordance with an agreed amortization schedule, but certain bank loans may permit interest-only payments during all or a portion of the loan term.

The bank loans in which we invest will generally be secured by a lien on specified assets of the borrower and/or its affiliates. Senior loans occupy the highest position in the borrower's capital structure and entitle the lender to a first-priority lien on the collateral securing the loan. The lien securing a subordinated loan is contractually subordinated to the rights of the borrower's senior lenders. The terms governing bank loans typically impose restrictive covenants on the borrower intended to protect the economic interest of the lender.

We may invest in bank loans through assignments, whereby we assume the position of the lender to the borrower, or loan participations, whereby we purchase all or a portion of the economic interest in a loan. The purchaser of a loan participation typically has a contractual relationship with the lender selling the participation but not with the borrower and will generally have rights that are more limited than the rights of a lender or of a person who acquires a loan by assignment.

The investment return of a bank loan or loan participation reflects the interest payments received and changes in the market price of the loan or participation during the holding period. Similar to corporate bonds and notes, the market price of a bank loan or loan participation may be expected to rise and fall inversely with market interest rates generally and in response to actual or perceived changes in the creditworthiness of the issuer. However, the floating-rate feature of many bank loans serves to lower the loans' effective duration and prevent significant price fluctuations in response to changes in market interest rates.

*Municipal-Related Securities.* We expect that most of our investments in the social infrastructure sector will be comprised of municipal-related securities. Municipal-related securities are debt securities issued either by U.S.

state and local governmental entities or by non-governmental entities, including private nonprofit, 501(c)(3) and for-profit entities, to raise funds to support activities with a public or, in certain circumstances, a private purpose that will generally be high yield debt securities or unrated. Public purposes for which municipal-related securities may be issued include the construction of a wide range of public infrastructure and facilities (including housing), essential social, health and/or public service sector programs and initiatives, refunding of outstanding obligations and obtaining funds for general operating expenses and loans to other public institutions and facilities. In addition, certain types of securities are issued by or on behalf of public authorities, such as to finance privately owned or operated facilities, including in respect of electric energy or gas, sewage, solid waste disposal and other specialized facilities. In addition, other private activity securities, the proceeds of which are used, for example, for the construction, equipment or improvement of privately operated industrial or commercial facilities, may constitute municipal securities, but current federal tax laws place substantial limitations on the size of such issues. Private activities that may be funded by municipal-related securities include housing, medical and educational facility construction, or privately owned industrial development and pollution control projects.

The two principal classifications of municipal-related securities are “general obligation” and “revenue” or “special obligation” securities (including private activity securities). General obligation bonds are backed by the full faith and credit, or taxing authority, of the issuer and may be repaid from any revenue source. Revenue bonds are backed by the revenues of a project or facility, or from the proceeds of a specific revenue source and may be repaid only from the revenues of a specific facility or source. We also may purchase securities that represent lease obligations, municipal notes, pre-refunded municipal bonds, private activity bonds, tender option bonds and other forms of municipal bonds and securities.

The interest on our investments in municipal-related securities may bear a fixed rate or be payable at a variable or floating rate. The yields on municipal-related securities depend on a variety of factors, including prevailing interest rates and the condition of the general money market and the municipal bond market, the size of a particular offering, the maturity of the obligation and the rating of the issue. The market value of municipal-related securities will vary with changes in interest rate levels and as a result of changing evaluations of the ability of their issuers to meet interest and principal payments.

The municipal-related securities in which we invest will generally be directly originated municipal securities. Directly originated securities represent obligations structured directly by a single purchaser, or a limited number of institutional purchasers, and the issuer, and are typically not rated by credit rating agencies. We expect that the directly originated securities in which we invest generally will be deemed by our Adviser to be of comparable quality to securities rated below investment grade and that such securities will belong to relatively small issues.

Private issuers of municipal-related securities in the education sectors include charter schools, student housing and other education subsectors, including, for example, private schools, parochial schools and vocational and technical schools. Private issuers of municipal-related securities in the healthcare sectors include issuers in the senior care and housing, hospitals and providers and other healthcare subsectors, including, for example, assisted living and skilled nursing facilities. We also may invest in municipal-related securities of private issuers in the industrial and infrastructure sectors as well as in municipal-related securities of general nonprofit organizations, human services providers and issuers in the non-student and non-senior housing subsectors. In addition, we may invest in municipal-related securities issued by or on behalf of public authorities to finance or refinance privately owned or operated facilities, including in respect of electric energy or gas, sewage, solid waste disposal and other specialized facilities. Other private activity securities, the proceeds of which may be used for, as an example, the construction, equipment or improvement of privately operated industrial or commercial facilities, may constitute municipal-related securities, but current federal tax laws place substantial limitations on the size of such issues.

*Municipal Leases and Certificates of Participation.* We may purchase securities that represent lease obligations and certificates of participation in such leases. These securities carry special risks because the issuer

of the securities may not be obligated to appropriate money annually to make payments under the lease. A municipal lease is an obligation in the form of a lease or installment purchase which is issued by a state or local government to acquire equipment and facilities. Income from such obligations is generally exempt from U.S. federal income tax, as well as from state and local income taxes in the state of issuance. Leases and installment purchase or conditional sale contracts (which normally provide for title to the leased asset to pass eventually to the governmental issuer) have evolved as a means for governmental issuers to acquire property and equipment without meeting the constitutional and statutory requirements for the issuance of debt. The debt issuance limitations are deemed to be inapplicable because of the inclusion in many leases or contracts of “non-appropriation” clauses that relieve the governmental issuer of any obligation to make future payments under the lease or contract unless money is appropriated for such purpose by the appropriate legislative body on a yearly or other periodic basis. In addition, such leases or contracts may be subject to the temporary abatement of payments in the event the issuer is prevented from maintaining occupancy of the leased premises or utilizing the leased equipment or facilities. Although the obligations may be secured by the leased equipment or facilities, the disposition of the property in the event of non-appropriation or foreclosure might prove difficult, time consuming and costly, and result in a delay in recovering, or the failure to recover fully, our original investment. To the extent that we invest in unrated municipal leases or participate in such leases, the credit quality rating and risk of cancellation of such unrated leases will be monitored on an ongoing basis. In order to reduce this risk, we will purchase securities representing lease obligations only where our Subadvisers believe the issuer has a strong incentive to continue making appropriations until maturity.

A certificate of participation represents an undivided interest in an unmanaged pool of municipal leases, an installment purchase agreement or other instruments. The certificates are typically issued by a municipal agency, a trust or other entity that has received an assignment of the payments to be made by the state or political subdivision under such leases or installment purchase agreements. Such certificates provide us with the right to a pro rata undivided interest in the underlying municipal securities. In addition, such participations generally provide us with the right to demand payment, on not more than seven days’ notice, of all or any part of our participation interest in the underlying municipal securities, plus accrued interest.

*Municipal Notes.* Municipal securities in the form of notes generally are used to provide for short-term capital needs, in anticipation of an issuer’s receipt of other revenues or financing, and typically have maturities of up to three years. Such instruments may include tax anticipation notes, revenue anticipation notes, bond anticipation notes, tax and revenue anticipation notes and construction loan notes. Tax anticipation notes are issued to finance the working capital needs of governments. Generally, they are issued in anticipation of various tax revenues, such as income, sales, property, use and business taxes, and are payable from these specific future taxes. Revenue anticipation notes are issued in expectation of receipt of other kinds of revenue, such as federal revenues available under federal revenue sharing programs. Bond anticipation notes are issued to provide interim financing until long-term bond financing can be arranged. In most cases, the long-term bonds then provide the funds needed for repayment of the bond anticipation notes. Tax and revenue anticipation notes combine the funding sources of both tax anticipation notes and revenue anticipation notes. Construction loan notes are sold to provide construction financing. Mortgage notes insured by the Federal Housing Authority secure these notes, however, the proceeds from the insurance may be less than the economic equivalent of the payment of principal and interest on the mortgage note if there has been a default. The anticipated revenues from taxes, grants or bond financing generally secure the obligations of an issuer of municipal notes. An investment in such instruments, however, presents a risk that the anticipated revenues will not be received or that such revenues will be insufficient to satisfy the issuer’s payment obligations under the notes or that refinancing will be otherwise unavailable.

*Private Activity Bonds.* Private activity bonds, formerly referred to as industrial development bonds, are issued by or on behalf of public authorities to obtain funds to provide privately operated housing facilities, airport, mass transit or port facilities, sewage disposal, solid waste disposal or hazardous waste treatment or disposal facilities and certain local facilities for water supply, gas or electricity. Other types of private activity bonds, the proceeds of which are used for the construction, equipment, repair or improvement of privately

operated industrial or commercial facilities, may constitute municipal securities, although the current federal tax laws place substantial limitations on the size of such issues. Under current law, a significant portion of the private activity bond market is comprised of bonds the interest on which is subject to the federal alternative minimum tax. The distribution of our interest income from private activity bonds may subject certain investors to the federal alternative minimum tax. See “Material U.S. Federal Income Tax Considerations.”

*Pre-Refunded Municipal Securities.* The principal of, and interest on, pre-refunded municipal securities are no longer paid from the original revenue source for the securities. Instead, the source of such payments is typically an escrow fund consisting of U.S. government securities. The assets in the escrow fund are derived from the proceeds of refunding bonds issued by the same issuer as the pre-refunded municipal securities. Issuers of municipal securities use this advance refunding technique to obtain more favorable terms with respect to securities that are not yet subject to call or redemption by the issuer. For example, advance refunding enables an issuer to refinance debt at lower market interest rates, restructure debt to improve cash flow or eliminate restrictive covenants in the indenture or other governing instrument for the pre-refunded municipal securities. However, except for a change in the revenue source from which principal and interest payments are made, the pre-refunded municipal securities remain outstanding on their original terms until they mature or are redeemed by the issuer. The interest paid on advance refunding bonds issued after December 31, 2017, however, will not be exempt from federal income tax.

*Special Taxing Districts.* Special taxing districts are organized to plan and finance infrastructure developments to induce residential, commercial and industrial growth and redevelopment. The bond financing methods such as tax increment finance, tax assessment, special services district and Mello-Roos bonds, are generally payable solely from taxes or other revenues attributable to the specific projects financed by the bonds without recourse to the credit or taxing power of related or overlapping municipalities. They often are exposed to real estate development-related risks and can have more taxpayer concentration risk than general tax-supported bonds, such as general obligation bonds. Further, the fees, special taxes or tax allocations and other revenues that are established to secure such financings are generally limited as to the rate or amount that may be levied or assessed and are not subject to increase pursuant to rate covenants or municipal or corporate guarantees. The bonds could default if development failed to progress as anticipated or if larger taxpayers failed to pay the assessments, fees and taxes as provided in the financing plans of the districts.

*Other Municipal-Related Securities:*

- Tender Option Bonds. We may enter into tender option bond transactions, whereby we will transfer municipal debt securities or other municipal securities into a special purpose entity and in return we retain a residual interest in the special purpose entity.
- Variable Rate Demand Obligations (“VRDOs”). VRDOs are floating-rate securities that combine an interest in a long-term municipal bond with a right to demand payment before maturity from a bank or other financial institution.
- Transactions in Financial Futures Contracts. Our investments may include financial futures contracts based on a long-term municipal bond index developed by the Chicago Board of Trade and The Bond Buyer (the “Municipal Bond Index”). The Municipal Bond Index is comprised of 40 tax-exempt municipal revenue and general obligation bonds. Each bond included in the Municipal Bond Index must be rated A or higher by at least one NRSRO and must have a remaining maturity of 19 years or more.
- Municipal Interest Rate Swap Transactions. In order to hedge the value of our investments against interest rate fluctuations or to enhance our returns, we may enter into interest rate swap transactions such as Municipal Market Data AAA Cash Curve swaps or Securities Industry and Financial Markets Association Municipal Swap Index swaps.



- Insured Municipal Bonds. Our investments may be covered by insurance that guarantees that interest payments on the bond will be made on time and the principal will be repaid when the bond matures. Either we purchase the insurance or the issuer of the bond purchases the insurance.
- Participation Notes. We may buy participation notes from a bank or broker-dealer that entitle us to a return measured by the change in value of an identified underlying security or basket of securities. Investment in a participation note is not the same as investment in the constituent shares of an entity since a participation note represents only an obligation of the issuer to provide us the economic performance equivalent to holding shares of an underlying security (i.e., shares of the underlying security are not in any way owned by us). However each participation note is intended to synthetically replicate the economic benefit of holding shares in the underlying security or basket of securities.
- Pay-in-Kind Notes. Our investments may include notes that provide for payments-in-kind, which have an effect of deferring current cash payments.

*High Yield and Unrated Securities*. The corporate debt securities and directly originated loans in which we invest generally will be high yield debt securities, which are commonly referred to as “junk” bonds and are considered predominately speculative with respect to the issuer’s continuing ability to make principal and interest payments. These securities will be rated below investment grade at the time of investment by at least one nationally recognized statistical rating organization (“NRSRO”) or deemed to be of comparable quality by our Adviser or Subadvisers. The directly originated municipal securities in which we invest generally will be unrated. In addition, certain of the corporate debt securities in which we invest may be unrated. Because of the size and perceived demand for the issue, among other factors, certain issuers may decide not to pay the cost of getting a rating for their debt securities. The creditworthiness of the issuer, as well as any financial institution or other party responsible for payments on the security, will be analyzed by our Adviser to determine whether to purchase, hold or sell unrated debt securities.

*Variable- and Floating-Rate Securities*. Variable- and floating-rate securities provide for a periodic adjustment in the interest rate paid on the obligations. The terms of such obligations must provide that interest rates are adjusted periodically based upon an interest rate adjustment index as provided in the respective obligations. The adjustment intervals may be regular and range from daily up to annually, or may be event based, such as based on a change in the prime rate. We may invest in floating-rate debt instruments (“floaters”) and engage in credit spread trades. The interest rate on a floater is a variable rate that is tied to another interest rate, such as a money-market index or Treasury bill rate. The interest rate on a floater resets periodically, typically every three to six months. A credit spread trade is an investment position relating to a difference in the prices or interest rates of two securities or currencies, where the market value of the investment position is determined by movements in the difference between the prices or interest rates, as the case may be, of the respective securities or currencies. We also may invest in inverse floating-rate debt instruments (“inverse floaters”). The interest rate on an inverse floater resets in the opposite direction from the market rate of interest to which the inverse floater is indexed.

*When-Issued and Delayed-Delivery Securities*. We may purchase securities on a when-issued or delayed-delivery basis. The purchase price and the interest rate payable, if any, on the securities are fixed on the purchase commitment date or at the time the settlement date is fixed. The prices of these securities are subject to market fluctuations. For debt securities, no interest accrues to us until a settlement takes place. At the time we make a commitment to purchase securities on a when-issued or delayed-delivery basis, we will record the transaction and reflect the market prices of the securities when determining our net asset value. At the time of settlement, a when-issued or delayed-delivery security may be valued below the amount of its purchase price.

In connection with these transactions, we will earmark or maintain a segregated account with our custodian containing liquid assets in an amount which is at least equal to the commitments. On the delivery dates of the transactions, we will meet our obligations from maturities or sales of the securities earmarked or held in the segregated account and/or from cash flow. When-issued and delayed-delivery transactions may allow us to hedge against changes in interest rates.

*Zero-Coupon Securities.* Zero-coupon securities make no periodic interest payments but are sold at a discount from their face value. The purchaser recognizes a rate of return determined by the gradual appreciation of the security, which is redeemed at face value on a specified maturity date. The discount varies depending on the time remaining until maturity, as well as on market interest rates, the liquidity of the security and the issuer's actual or perceived creditworthiness. Because zero-coupon securities bear no interest, their prices typically fluctuate more than the prices of other types of debt securities.

*U.S. Government Obligations.* We may invest in U.S. government obligations. U.S. government obligations include securities issued or guaranteed as to principal and interest by the U.S. government, its agencies or instrumentalities. Treasury bills, the most frequently issued marketable government securities, have a maturity of up to one year and are issued on a discount basis. U.S. government obligations include securities issued or guaranteed by government-sponsored enterprises.

Payment of principal and interest on U.S. government obligations may be backed by the full faith and credit of the United States or may be backed solely by the issuing or guaranteeing agency or instrumentality itself. In the latter case, the investor must look principally to the agency or instrumentality issuing or guaranteeing the obligation for ultimate repayment, which agency or instrumentality may be privately owned.

*Agency Obligations.* We may invest in agency obligations, such as obligations of the Export-Import Bank of the United States, Tennessee Valley Authority, Resolution Funding Corporation, Farmers Home Administration, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal Farm Credit Banks, Federal Land Banks, Federal Housing Administration, Government National Mortgage Association ("GNMA"), commonly known as "Ginnie Mae," Federal National Mortgage Association ("FNMA"), commonly known as "Fannie Mae," Federal Home Loan Mortgage Corporation ("FHLMC"), commonly known as "Freddie Mac," and the Student Loan Marketing Association ("SLMA"), commonly known as "Sallie Mae." Some of these obligations, such as those of the Export-Import Bank of United States, are supported only by the right of the issuer to borrow from the Treasury; others, such as those of the FNMA and FHLMC, are supported only by the discretionary authority of the U.S. government to purchase the agency's obligations; still others, such as those of the SLMA, are supported only by the credit of the instrumentality.

### ***Restricted Securities, Including Securities of Private Companies***

Restricted securities, including Rule 144A securities and securities of private companies, are subject to statutory and/or contractual restrictions on resale. However, such securities may be sold in private transactions with a limited number of purchasers or in public offerings registered under the Securities Act. Restricted securities include (1) registered securities of public companies subject to a lock-up period, (2) unregistered securities of public companies with registration rights, (3) unregistered securities of public companies that become freely tradable with the passage of time, and (4) unregistered securities of private companies. A registered security subject to such a lock-up period will no longer be considered a restricted security upon expiration of the lock-up period, an unregistered security of a public company with registration rights will no longer be considered a restricted security when such securities become registered, and an unregistered security of a public company that becomes freely tradable with the passage of time will no longer be considered a restricted security upon the elapse of the requisite time period.

### ***Non-U.S. Securities***

We may invest up to 30% of our total assets in securities issued by non-U.S. issuers (including Canadian issuers). These securities may be issued by companies organized and/or having securities traded on an exchange outside the U.S. or may be securities of U.S. companies that are denominated in the currency of a different country. Under normal conditions, we may invest up to 10% of our total assets (including assets obtained through leverage) in securities of emerging market issuers.

### ***Covered Call Option Overlay Strategy***

We will seek to provide current income from gains earned through our covered call option overlay strategy. We currently intend to write (sell) covered calls on selected listed equity securities in our investment portfolio and to write such calls only on securities we hold in our investment portfolio. The notional amount of such covered calls is expected to represent initially approximately 10% to 30% of our listed equity investments, although this percentage may vary over time depending on the cash flow requirements of our investment portfolio and on our Adviser's and Subadvisers' assessment of market conditions. We currently intend to write out-of-the-money covered calls with strike prices above the market prices of the underlying securities.

A call option on a security is a contract that gives the holder of such option the right to buy the security underlying the option from the writer of such option at a specified price (the exercise price) at any time during the term of the option. At the time the call option is written, the writer of the call option receives a premium from the buyer.

If we write a covered call on a security or basket of securities, we have the obligation upon exercise of such option to deliver the underlying security or securities upon payment of the exercise price. As the writer of such covered calls, in effect, during the term of the covered call, in exchange for the premium received by us, we sell the potential appreciation above the exercise price in the market value of securities underlying the covered calls. As a result, we forgo part of the potential appreciation for part of our listed equity investments in exchange for the call premium received but retain the risk of potential decline in the price of those securities in excess of the premium per share received on the covered call.

If we write a covered call, we may terminate our obligation by effecting a closing purchase transaction. This is accomplished by purchasing a call option with the same terms as the covered call previously written. However, once we have been assigned an exercise notice, we will be unable to effect a closing purchase transaction. There can be no assurance that a closing purchase transaction can be effected when we so desire.

Other principal factors affecting the market value of an option include supply and demand, interest rates, the current market price and price volatility of the underlying security and the time remaining until the expiration date of the option. Gains and losses on investments in options depend, in part, on the ability of our Adviser to predict correctly the effect of these factors.

When we write a covered call, an amount equal to the premium received by us will be recorded as a liability and will be subsequently adjusted to the current fair value of the covered call written. Premiums received from writing covered calls that expire unexercised are treated by us as realized gains from investments on the expiration date. If we repurchase a written covered call prior to its exercise, the difference between the premium received and the amount paid to repurchase the covered call is treated as a realized gain or realized loss. If a covered call is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether we have realized a gain or loss.

Although our Adviser will attempt to take appropriate measures to minimize the risks relating to writing covered calls, there can be no assurance that we will succeed in any covered call option overlay strategy we undertake.

### ***Subsidiaries***

If our Adviser determines it to be appropriate or necessary, we may form one or more wholly owned subsidiaries in one or more jurisdictions (each, a "Subsidiary," and together, the "Subsidiaries"), each of which would be treated as a corporation for U.S. federal income tax purposes. We may invest either directly or indirectly through the Subsidiaries. We will be the sole shareholder of any Subsidiary, and it is currently expected that shares of any Subsidiary will not be sold or offered to other investors.

We may invest an aggregate of up to 25% of our total assets in Subsidiaries. We typically expect to invest indirectly through the Subsidiaries if our Adviser believes it is desirable to do so to comply with the requirements for qualification as a RIC under the Code. We initially anticipate investing in certain private clean energy-related issuers indirectly through the Subsidiaries.

The Subsidiaries will not be registered under the 1940 Act and will not be subject to all of the investor protections of the 1940 Act. In addition, changes in the laws of the United States and/or any jurisdiction in which a Subsidiary is formed could result in our inability or the inability of the Subsidiaries to operate as described in this prospectus and our statement of additional information and could adversely affect the Fund. Our Board of Directors will have oversight responsibility for the investment activities of the Fund, including the Fund's investments in any Subsidiary, and our role as the sole shareholder of any Subsidiary.

The assets of any Subsidiaries and the assets of the Fund, taken as a whole, will be subject to the same investment restrictions and limitations, and the Subsidiary will be subject to the same compliance policies and procedures, as the Fund. As a result, investments held through a Subsidiary will be taken into account in determining compliance with the investment policies and restrictions that apply to the management of the Fund, and, in particular, to the requirements relating to portfolio leverage, affiliated transactions and the timing and method of the valuation of any Subsidiary's portfolio investments.

#### ***Temporary Investments and Defensive Investments***

Pending investment of the proceeds of this offering (which we expect may take up to approximately three to six months following the closing of this offering), we may invest offering proceeds in money market mutual funds, cash, cash equivalents, securities issued or guaranteed by the U.S. government or its instrumentalities or agencies, high quality, short-term money market instruments, short-term debt securities, certificates of deposit, bankers' acceptances and other bank obligations, commercial paper or other liquid debt securities. We also may invest in these instruments on a temporary basis to meet working capital needs, including, but not limited to, for collateral in connection with certain investment techniques, to hold a reserve pending payment of distributions and to facilitate the payment of expenses and settlement of trades.

Under adverse market or economic conditions, we may invest up to 100% of our total assets in these securities. The yield on these securities may be lower than the returns on equity securities or yields on lower rated debt securities. In addition, as the Termination Date approaches, we may invest a portion of our assets, which may be significant, in these securities. To the extent we invest in these securities on a temporary basis or for defensive purposes, we may not achieve our investment objective.

## MANAGEMENT OF THE FUND

### Directors and Officers

Our business and affairs are managed under the direction of our Board of Directors. Accordingly, our Board of Directors provides broad oversight over our affairs, including oversight of the duties performed by our Adviser and our Subadvisers. Our officers are responsible for our day-to-day operations. The names, ages and addresses of each of our directors and officers, together with their principal occupations and other affiliations during the past five years, are set forth below. Each director and officer will serve until his or her successor is duly elected and qualified, or until he or she resigns or is removed in the manner provided in our Declaration of Trust and Bylaws. The Board of Directors will be divided into three classes. Directors of each class will be elected to serve until their third annual meeting following their election and until their successors are duly elected and qualify. Each year only one class of directors will be elected by the shareholders. Unless otherwise indicated, the address of each director and officer is 11550 Ash Street, Suite 300, Leawood, Kansas 66211. Upon commencement of our operations, our Board of Directors will consist of a majority of directors who are not interested persons (as defined in the 1940 Act) of our Adviser, our Subadvisers or their affiliates (“Independent Directors”).

Name And Age*	Position(s) Held with Company, Term of Office and Length of Time Served	Principal Occupation During Past Five Years	Number of Portfolios in Fund Complex Overseen by Director <sup>(1)</sup>	Other Public Company Directorships Held During the Past Five Years
<b>Independent Directors</b>				
Conrad S. Ciccotello (Born 1960)	Class I Director; Director since 2018	Professor and the Director, Reiman School of Finance, University of Denver (faculty member since 2017); Associate Professor and Chairman of the Department of Risk Management and Insurance, Director of the Asset and Wealth Management Program, Robinson College of Business, Georgia State University (1999-2017); Investment Consultant to the University System of Georgia for its defined contribution retirement plan (2008-2017); Formerly Faculty Member, Pennsylvania State University (1997-1999); Published a number of academic and professional journal articles on investment company performance and structure, with a focus on MLPs.	7	CorEnergy Infrastructure Trust, Inc., Peachtree Alternative Strategies Fund
Rand C. Berney (Born 1955)	Class II Director; Director since 2018	Executive-in-Residence and Professor for Professional Financial Planning Course and Professional Ethics Course, College of Business	6	None

Name And Age*	Position(s) Held with Company, Term of Office and Length of Time Served	Principal Occupation During Past Five Years	Number of Portfolios in Fund Complex Overseen by Director <sup>(1)</sup>	Other Public Company Directorships Held During the Past Five Years
Alexandra A. Herger (Born 1957)	Class III Director; Director since 2018	<p>Administration, Kansas State University since 2012; Formerly Senior Vice President of Corporate Shared Services of ConocoPhillips from 2009 to 2012, Vice President and Controller of ConocoPhillips from 2002 to 2009, and Vice President and Controller of Phillips Petroleum Company from 1997 to 2002; Member of the Oklahoma Society of CPAs, the Financial Executive Institute, American Institute of Certified Public Accountants, the Institute of Internal Auditors and the Institute of Management Accountants.</p> <p>Retired in 2014; Previously interim vice president of exploration for Marathon Oil and director of international exploration and new ventures for Marathon Oil from 2008 to 2014; Held various positions with Shell Exploration and Production Co. between 2002 and 2008; Member of</p>	6	None

Name And Age*	Position(s) Held with Company, Term of Office and Length of Time Served	Principal Occupation During Past Five Years	Number of Portfolios in Fund Complex Overseen by Director <sup>(1)</sup>	Other Public Company Directorships Held During the Past Five Years
Jennifer Paquette (Born 1962)	Class II Director; Director since 2018	<p>the Society of Exploration Geophysicists, the American Association of Petroleum Geologists, the Houston Geological Society and the Southeast Asia Petroleum Exploration Society; Member of the 2010 Leadership Texas/ Foundation for Women’s Resources since 2010; Director of Panoro Energy ASA, an international independent oil and gas company listed on the Oslo Stock Exchange; Director of Tethys Oil, a Swedish energy company focused on exploration and production of oil listed on the NASDAQ.</p> <p>Retired in 2017; Previously Chief Investment Officer of the Public Employees’ Retirement Association of Colorado (“Colorado PERA”) from 2003-2017; Held various positions within Colorado PERA from 1999 to 2003 and 1995 to 1996; Formerly Vice-President Institutional Account Executive at Merrill Lynch, Pierce,</p>	6	None



Name And Age*	Position(s) Held with Company, Term of Office and Length of Time Served	Principal Occupation During Past Five Years	Number of Portfolios in Fund Complex Overseen by Director <sup>(1)</sup>	Other Public Company Directorships Held During the Past Five Years
<b>Interested Directors and Officers<sup>(2)</sup></b>				
H. Kevin Birzer (Born 1959)	Class III Director; Director and Chairman of the Board since 2018	Fenner & Smith from 1991 to 1994; Vice-President, Portfolio Manager and Analyst at Alliance Capital Management from 1987 to 1991; Portfolio Assistant at Mitchell Hutchins Asset Management from 1985 to 1987. Chartered Financial Analyst (“CFA”) charterholder.  Member of the Board of Directors of the Adviser; Managing Director of the Adviser and member of the Investment Committee of the Adviser since 2002; Director/Trustee and Chairman of the Board of each of five Tortoise closed-end funds since its inception, and of each of Tortoise Energy Capital Corp. and Tortoise North American Energy Company from its inception until its merger into TYG effective June 23, 2014; CFA charterholder.	6	None
P. Bradley Adams (Born 1960)	Chief Executive Officer, Chief Financial Officer and Treasurer since 2018	Managing Director of the Adviser since January 2013; Director of Financial Operations of the Adviser from 2005 to January 2013;	N/A	None

Name And Age*	Position(s) Held with Company, Term of Office and Length of Time Served	Principal Occupation During Past Five Years	Number of Portfolios in Fund Complex Overseen by Director <sup>(1)</sup>	Other Public Company Directorships Held During the Past Five Years
Shobana Gopal (Born 1962)	Vice President since 2018	Chief Executive Officer of Tortoise closed-end funds since June 30, 2015; Chief Financial Officer of Tortoise closed-end funds from 2010 to June 30, 2015; Assistant Treasurer of Tortoise closed-end funds from 2005 to 2011.	N/A	None
Diane Bono (Born 1958)	Chief Compliance Officer and Secretary since 2018	Managing Director of the Adviser since January 2018; Chief Compliance Officer of the Adviser since June 2006; Director of Compliance of the Adviser from September 2005 to June 2006; Chief Compliance Officer of one Tortoise closed-end fund since June 2006, of each of four Tortoise closed-end funds since its inception, and of each of two Tortoise closed-end funds from	N/A	None

Name And Age*	Position(s) Held with Company, Term of Office and Length of Time Served	Principal Occupation During Past Five Years	Number of Portfolios in Fund Complex Overseen by Director <sup>(1)</sup>	Other Public Company Directorships Held During the Past Five Years
		<p>June 2006 to June 23, 2014;  Secretary of each of five Tortoise closed-end funds since May 2013, and of each of two Tortoise closed-end funds from May 2013 to June 23, 2014.</p>		

- (1) This number includes us, Tortoise Energy Infrastructure Corporation (“TYG”), Tortoise Power and Energy Infrastructure Fund, Inc. (“TPZ”), Tortoise Midstream Energy Fund, Inc. (“NTG”), Tortoise Pipeline & Energy Fund, Inc. (“TTP”) and Tortoise Energy Independence Fund, Inc. (“NDP”). For purposes of Mr. Ciccotello, this number also includes Tortoise Tax-Advantaged Social Infrastructure Fund, Inc. (“TSIFX”), whose investment adviser is an affiliate of our Adviser. Our Adviser also serves as the investment adviser to TYG, TPZ, NTG, TTP and NDP and two open-end investment companies.
- (2) As a result of their respective positions held with our Adviser or its affiliates, these individuals are considered “interested persons” of ours within the meaning of the 1940 Act.
- \* The address of each director and officer is 11550 Ash Street, Suite 300, Leawood, Kansas 66211.

In addition to the experience provided in the table above, each director possesses the following qualifications, attributes and skills, each of which factored into the conclusion to invite them to join our Board of Directors: Mr. Ciccotello, experience as a college professor, a Ph.D. in finance and expertise in energy infrastructure MLPs; Mr. Berney, experience as a college professor, executive leadership and business experience; Ms. Paquette, investment management experience as a chief investment officer of a state public employees’ retirement association; Ms. Herger, executive leadership and business experience; and Mr. Birzer, investment management experience as an executive, portfolio manager and leadership roles with our Adviser.

Other attributes and qualifications considered for each director in connection with their selection to join our Board of Directors were their character and integrity and their willingness and ability to serve and commit the time necessary to perform the duties of a director for both us and for other funds in the Tortoise fund complex. In addition, as to each director other than Mr. Birzer, their status as Independent Directors; and, as to Mr. Birzer, his roles with our Adviser were an important factor in their selection as directors. No experience, qualification, attribute or skill was by itself controlling.

Mr. Birzer serves as Chairman of the Board of Directors. Mr. Birzer is an “interested person” of ours within the meaning of the 1940 Act. The appointment of Mr. Birzer as Chairman reflects the Board of Directors’ belief that his experience, familiarity with our day-to-day operations and access to individuals with responsibility for our management and operations provides the Board of Directors with insight into our business and activities and, with his access to appropriate administrative support, facilitates the efficient development of meeting agendas that address our business, legal and other needs and the orderly conduct of meetings of the Board of Directors. Mr. Ciccotello serves as Lead Independent Director. The Lead Independent Director will, among other things, chair executive sessions of the Independent Directors, serve as a spokesperson for the Independent Directors and serve as a liaison between the Independent Directors and our management. The Independent Directors will regularly meet outside the presence of management and are advised by independent legal counsel. The Board of Directors also has determined that its leadership structure, as described above, is appropriate in light of our size and complexity, the number of Independent Directors and the Board of Directors’ general oversight

responsibility. The Board of Directors also believes that its leadership structure not only facilitates the orderly and efficient flow of information to the Independent Directors from management, but also enhances the independent and orderly exercise of its responsibilities.

We have an audit and valuation committee that consists exclusively of four Independent Directors (the “Audit Committee”). The Audit Committee members are Conrad S. Ciccotello (Chair), Rand C. Berney, Alexandra A. Herger and Jennifer Paquette. The Audit Committee’s function is to oversee our accounting policies, financial reporting and internal control system. The Audit Committee makes recommendations regarding the selection of our independent registered public accounting firm, reviews the independence of such firm, reviews the scope of the audit and internal controls, considers and reports to the Board on matters relating to our accounting and financial reporting practices, and performs such other tasks as the full Board deems necessary or appropriate. Because the Fund has not commenced operations, the Audit Committee has not yet met.

We also have a Nominating and Governance Committee that consists exclusively of four Independent Directors. The Nominating and Governance Committee’s function is to (i) identify individuals qualified to become Board members and recommend to the Board the director nominees for the next annual meeting of shareholders and to fill any vacancies; (ii) monitor the structure and membership of Board committees; (iii) recommend to the Board director nominees for each committee; (iv) review issues and developments related to corporate governance issues and develop and recommend to the Board corporate governance guidelines and procedures, to the extent necessary or desirable; and (v) actively seek individuals who meet the standards for directors set forth in our Bylaws, who meet the requirements of any applicable laws or exchange requirements and who are otherwise qualified to become board members for recommendation to the Board. The Nominating and Governance Committee will consider shareholder recommendations for nominees for membership to the Board so long as such recommendations are made in accordance with our Bylaws. Nominees recommended by shareholders in compliance with our Bylaws will be evaluated on the same basis as other nominees considered by the Nominating and Governance Committee. The Nominating and Governance Committee members are Conrad S. Ciccotello, Rand C. Berney, Alexandra A. Herger (Chair) and Jennifer Paquette. Because the Fund has not commenced operations, the Nominating and Governance Committee has not yet met.

We also have a Compliance Committee that consists exclusively of four Independent Directors. The Compliance Committee’s function is to review and assess our and management’s compliance with applicable securities laws, rules and regulations, monitor compliance with our Code of Ethics, and handle other matters as the Board or committee chair deems appropriate. The Compliance Committee members are Conrad S. Ciccotello, Rand C. Berney (Chair), Alexandra A. Herger and Jennifer Paquette. Because the Fund has not commenced operations, the Compliance Committee has not yet met.

We also have an Executive Committee consisting of H. Kevin Birzer and Conrad S. Ciccotello that has authority to exercise the powers of the Board (i) to address emergency matters where assembling the full Board in a timely manner is impracticable, or (ii) to address matters of an administrative or ministerial nature. Mr. Birzer is an “interested person” within the meaning of the 1940 Act. In the absence of either member of the Executive Committee, the remaining member is authorized to act alone. Because the Fund has not commenced operations, the Executive Committee has not yet met.

The Board of Directors’ role in our risk oversight reflects its responsibility under applicable state law to oversee generally, rather than to manage, our operations. In line with this oversight responsibility, the Board of Directors will receive reports and make inquiry at its regular meetings and as needed regarding the nature and extent of significant risks (including investment, compliance and valuation risks) that potentially could have a materially adverse impact on our business operations, investment performance or reputation, but relies upon our management to assist it in identifying and understanding the nature and extent of such risks and determining whether, and to what extent, such risks may be eliminated or mitigated. In addition to reports and other information received from our management regarding our investment program and activities, the Board of Directors as part of its risk oversight efforts will meet at its regular meetings and as needed with our Adviser’s Chief Compliance Officer to discuss, among other things, risk issues and issues regarding our policies, procedures and controls. The Board of Directors may be assisted in

performing aspects of its role in risk oversight by the Audit Committee and such other standing or special committees as may be established from time to time. For example, the Audit Committee will regularly meet with our independent public accounting firm to review, among other things, reports on our internal controls for financial reporting.

The Board of Directors believes that not all risks that may affect us can be identified, that it may not be practical or cost-effective to eliminate or mitigate certain risks, that it may be necessary to bear certain risks (such as investment-related risks) to achieve our goals and objectives, and that the processes, procedures and controls employed to address certain risks may be limited in their effectiveness. Moreover, reports received by the directors as to risk management matters are typically summaries of relevant information and may be inaccurate or incomplete. As a result of the foregoing and other factors, the risk management oversight of the Board of Directors is subject to substantial limitations.

Directors and officers who are interested persons of ours or our Adviser or Subadvisers will receive no salary or fees from us. For the 2019 fiscal year, each Independent Director will receive from us an annual retainer in an amount to be determined following this offering and a fee of \$2,000 (and reimbursement for related expenses) for each meeting of the Board or Audit Committee attended in person (or \$1,000 for each Board or Audit Committee meeting attended telephonically, or for each Audit Committee meeting attended in person that is held on the same day as a Board meeting), and an additional \$1,000 for each other committee meeting attended in person or telephonically. No director or officer is entitled to receive pension or retirement benefits from us.

Because the Fund has not yet commenced operations, none of the directors own Fund shares as of the date of this statement of additional information. The following table sets forth the dollar range of equity securities beneficially owned by each director in all funds overseen by the director as of December 31, 2018.

<u>Name of Director***</u>	<u>Aggregate Dollar Range of Fund Securities Beneficially Owned By Director**</u>	<u>Aggregate Dollar Range of Equity Securities in all Registered Investment Companies Overseen by Director in Family of Investment Companies*</u>
<b>Independent Directors</b>		
Conrad S. Ciccotello . . . . .	None	Over \$100,000
Rand C. Berney . . . . .	None	\$50,001 - \$100,000
Alexandra A. Herger . . . . .	None	\$10,001 - \$50,000
Jennifer Paquette . . . . .	None	\$10,001 - \$50,000
<b>Interested Directors</b>		
H. Kevin Birzer . . . . .	None	Over \$100,000

\* Includes the Fund, TYG, TPZ, NTG, TTP, NDP and TSIFX.

\*\* As of January 31, 2019, the officers and directors of the Fund, as a group, owned less than 1% of any class of the Fund's outstanding shares.

\*\*\* Ms. Paquette was elected as a director to each of TYG, NTG, TPZ, TTP and NDP on May 18, 2018.

No Independent Director or his or her immediate family member owns beneficially or of record any security of our Adviser, our Subadvisers or any person (other than a registered investment company) directly or indirectly controlling, controlled by or under common control with our Adviser or our Subadvisers.

**Indemnification of Directors and Officers**

Maryland law permits a Maryland statutory trust to include in its declaration of trust a provision limiting the liability of its directors and officers to the trust and its shareholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty that is established by a final judgment as being material to the cause of action. Our Declaration of Trust contains such a provision that limits present and former directors' and officers' liability to us and our shareholders for money damages to the maximum extent permitted by Maryland law in effect from time to time, subject to the 1940 Act.

Our Declaration of Trust obligates us to the maximum extent permitted by Maryland law to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to:

- any present or former director or officer who is made or threatened to be made a party to a proceeding by reason of his or her service in that capacity; or
- any individual who, while a director or officer of the Fund and at the Fund's request, serves or has served as a director, trustee officer, partner, member or manager of another trust, corporation, real estate investment trust, partnership, joint venture, limited liability company, employee benefit plan or any other enterprise and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity.

Our Declaration of Trust also permits us, with Board approval, to indemnify and advance expenses to any person who served a predecessor of the Fund in any of the capacities described above and to any employee or agent of the Fund or a predecessor of the Fund.

In accordance with the 1940 Act, we will not indemnify any person for any liability to which such person would be subject by reason of such person's willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office.

### **Investment Adviser**

We will enter into an investment advisory agreement with Tortoise Capital Advisors, L.L.C., a registered investment adviser, pursuant to which it will serve as our investment adviser (the "Advisory Agreement").

The principal business address of our Adviser is 11550 Ash Street, Suite 300, Leawood, Kansas 66211. Our Adviser specializes in actively managed portfolios of investments in essential assets. Our Adviser was formed in 2002 to provide portfolio management services to institutional and high-net worth investors seeking professional management of their MLP investments.

Our Adviser also serves as investment adviser to TYG, TPZ, NTG, TTP and NDP, which are publicly traded closed-end investment companies that invest in MLPs, pipeline and energy companies. Our Adviser also serves as investment adviser to two open-end management investment companies and certain private funds that invest in MLPs and other energy infrastructure companies.

Our Adviser is indirectly controlled by Lovell Minnick Partners LLC ("Lovell Minnick") and is an indirect wholly owned subsidiary of Tortoise Investments, LLC ("Tortoise Investments"), a company that indirectly owns essential asset and income-oriented investment advisers. A vehicle formed by Lovell Minnick owned by certain private funds sponsored by Lovell Minnick and a group of institutional co-investors owns a controlling interest in Tortoise Investments. Certain employees of our Adviser, including our portfolio managers, own an indirect minority interest in our Adviser.

In addition to portfolio management services, our Adviser is obligated to supply our Board and officers with certain statistical information and reports, to oversee the maintenance of various books and records and to arrange for the preservation of records in accordance with applicable federal law and regulations. Under the Advisory Agreement, we pay the Adviser quarterly, as compensation for the services rendered by it, a fee equal on an annual basis to 1.35% of our average monthly Managed Assets. Managed Assets means our total assets minus the sum of accrued liabilities other than (1) debt entered into for the purpose of leverage and (2) the aggregate liquidation preference of any outstanding preferred shares.

Because the fee paid to the Adviser is determined on the basis of our Managed Assets, the Adviser's interest in determining whether we should incur additional leverage may conflict with our interests. Our average monthly

Managed Assets are determined for the purpose of calculating the management fee by taking the average of the monthly determinations of Managed Assets during a given calendar quarter. The fees are payable for each calendar quarter within five days after the end of that quarter.

We bear all expenses not specifically assumed by our Adviser incurred in our operations and will bear the expenses of all future offerings. Expenses we bear include, but are not limited to, the following: (1) expenses of maintaining and continuing our existence and related overhead, including, to the extent services are provided by personnel of the Adviser or its affiliates, office space and facilities, training and benefits; (2) commissions, spreads, fees and other expenses connected with the acquisition, holding and disposition of securities and other investments, including placement and similar fees in connection with direct placements in which we participate; (3) auditing, accounting, tax and legal service expenses; (4) taxes and interest; (5) governmental fees; (6) expenses of listing our shares with a stock exchange and expenses of the issue, sale, repurchase and redemption (if any) of our shares; (7) expenses of registering and qualifying us and our securities under federal and state securities laws and of preparing and filing registration statements and amendments for such purposes; (8) expenses of communicating with shareholders, including website expenses and the expenses of preparing, printing and mailing press releases, reports and other notices to shareholders and of meetings of shareholders and proxy solicitations therefor; (9) expenses of reports to governmental officers and commissions; (10) insurance expenses; (11) association membership dues; (12) fees, expenses and disbursements of custodians and sub-custodians for all services to us (including without limitation safekeeping of funds, securities and other investments, keeping of books, accounts and records and determination of net asset values); (13) fees, expenses and disbursements of transfer agents, dividend and interest paying agents, shareholder servicing agents, registrars and administrator for all services to us; (14) compensation and expenses of our directors who are not members of the Adviser's organization; (15) pricing, valuation and other consulting or analytical services employed in considering and valuing actual or prospective investments; (16) all expenses incurred in connection with leveraging of our assets through a line of credit or other indebtedness or issuing and maintaining notes or preferred shares; (17) all expenses incurred in connection with the offerings of our common and preferred shares and debt securities; and (18) such non-recurring items as may arise, including expenses incurred in connection with litigation, proceedings and claims and our obligation to indemnify our directors, officers and shareholders with respect thereto.

The Advisory Agreement provides that our Adviser will not be liable in any way for any default, failure or defect in any of the securities comprising the portfolio if it has satisfied the duties and the standard of care, diligence and skill set forth in the Advisory Agreement. However, our Adviser will be liable to us for any loss, damage, claim, cost, charge, expense or liability resulting from our Adviser's willful misconduct, bad faith or gross negligence or disregard by our Adviser of our Adviser's duties or standard of care, diligence and skill set forth in the Advisory Agreement or a material breach or default of our Adviser's obligations under the Advisory Agreement.

The Advisory Agreement has a term ending on the second anniversary of this offering and may be continued from year to year thereafter as provided in the 1940 Act. The Advisory Agreement will be submitted to the Board of Directors for renewal each year following its initial term. The Advisory Agreement will continue from year to year, provided such continuance is approved by a majority of the Board or by vote of the holders of a majority of our outstanding voting securities. In addition, the Advisory Agreement must be approved annually by vote of a majority of the Independent Directors. The Advisory Agreement may be terminated by our Adviser or us, without penalty, on sixty (60) days' written notice to the other. The Advisory Agreement will terminate automatically in the event of its assignment.

Our Adviser has agreed to waive its investment advisory fee in the amount of 0.25% of our average monthly Managed Assets for one year following the effective date of this registration statement. The waiver will not apply after this one year period.

### **Subadvisers**

Our Adviser will enter into a separate subadvisory agreement (a "Subadvisory Agreement") with each of Tortoise Credit Strategies, LLC, a registered investment adviser, and Tortoise Advisors UK Limited, a registered investment adviser, pursuant to which our Subadvisers each will serve as our investment subadviser.

The principal business address of Tortoise Credit Strategies, LLC is 11550 Ash Street, Suite 300, Leawood, Kansas 66211.

The principal business address of Tortoise Advisors UK Limited (formerly known as Ecofin Limited) is Burdett House, 15 Buckingham Street, London WC2N 6DU, United Kingdom. Ecofin was formed in 1991 and was acquired by Tortoise Investments in November 2018.

Our Subadvisers are indirect wholly owned subsidiaries of Tortoise Investments. Certain employees of each Subadviser own an indirect minority interest in the Adviser and Subadvisers.

Under the Subadvisory Agreement with Tortoise Credit Strategies, LLC, our Adviser pays Tortoise Credit Strategies, LLC, a subadvisory fee at an annual rate of 0.475% of our average monthly Managed Assets. Under the Subadvisory Agreement with Tortoise Advisors UK Limited, our Adviser pays a subadvisory fee at an annual rate of 0.25% of our average monthly Managed Assets. The subadvisory fees payable to our Subadvisers will be paid by our Adviser out of the investment management fee it receives from us; accordingly, decisions to increase or decrease the portion of our assets allocated to our Subadvisers will not affect the fees we pay for portfolio management services.

### Investment Committee

An Investment Committee of our Adviser will provide strategic oversight and determine the allocation of our investment portfolio across the social infrastructure, sustainable infrastructure and energy infrastructure asset classes, and between direct investments, listed equity securities and corporate debt securities, based on prevailing market conditions, available investment opportunities and other factors, and may change the allocation of our total assets among these asset classes or security types from time to time without prior approval from or notice to our common shareholders. Biographical information for the members of our Investment Committee is set forth in our prospectus under the heading “Management of the Fund—Investment Committee.”

### Investment Teams

Subject to the oversight of our Board of Directors and pursuant to the Advisory Agreement, investment teams consisting of portfolio managers of our Adviser and our Subadvisers are responsible for the day-to-day management of their respective sleeves of our overall investment portfolio. Our portfolio is managed by four investment teams of our Adviser and Subadvisers (collectively, “Tortoise”): a Social Infrastructure Investment Team, a Private Sustainable Infrastructure Investment Team, a Public Sustainable Infrastructure Investment Team and an Energy Infrastructure and Public Securities Investment Team. Biographical information for the members of our investment teams is set forth in our prospectus under the heading “Management of the Fund—Investment Teams.”

The following table provides information about the number of and total assets in other accounts managed on a day-to-day basis by each member of the portfolio management team as of December 31, 2018.

<u>Name of Manager</u>	<u>Number of Accounts</u>	<u>Total Assets of Accounts</u>	<u>Number of Accounts Paying a Performance Fee</u>	<u>Total Assets of Accounts Paying a Performance Fee</u>
<b>P. Bradley Adams</b>				
Registered investment companies . . . . .	1	\$108,648,345	—	—
Other pooled investment vehicles . . . . .	1	\$ 75,657,665	—	—
Other accounts . . . . .	2	\$ 23,291,702	—	—
<b>Matthew Breidert</b>				
Registered investment companies . . . . .	—	\$ —	—	—
Other pooled investment vehicles . . . . .	2	\$152,933,809	2	\$152,933,809
Other accounts . . . . .	—	\$ —	—	—



<u>Name of Manager</u>	<u>Number of Accounts</u>	<u>Total Assets of Accounts</u>	<u>Number of Accounts Paying a Performance Fee</u>	<u>Total Assets of Accounts Paying a Performance Fee</u>
<b>Jean-Hugues de Lamaze</b>				
Registered investment companies .....	1	\$ 187,884,756	—	—
Other pooled investment vehicles .....	—	\$ —	—	—
Other accounts .....	—	\$ —	—	—
<b>Jeremy Goff</b>				
Registered investment companies .....	1	\$ 108,648,345	—	—
Other pooled investment vehicles .....	1	\$ 75,657,665	—	—
Other accounts .....	2	\$ 23,291,702	—	—
<b>Flavien Hais</b>				
Registered investment companies .....	1	\$ 187,884,756	—	—
Other pooled investment vehicles .....	—	\$ —	—	—
Other accounts .....	—	\$ —	—	—
<b>Nick Holmes</b>				
Registered investment companies .....	10	\$7,500,588,296	0	—
Other pooled investment vehicles .....	15	\$ 776,890,148	0	—
Other accounts .....	909	\$6,143,905,973	1	\$169,714,780
<b>Brett Jergens</b>				
Registered investment companies .....	10	\$7,500,588,296	0	—
Other pooled investment vehicles .....	15	\$ 776,890,148	0	—
Other accounts .....	909	\$6,143,905,973	1	\$169,714,780
<b>Brian Kessens</b>				
Registered investment companies .....	10	\$7,500,588,296	0	—
Other pooled investment vehicles .....	15	\$ 776,890,148	0	—
Other accounts .....	909	\$6,143,905,973	1	\$169,714,780
<b>James Mick</b>				
Registered investment companies .....	10	\$7,500,588,296	0	—
Other pooled investment vehicles .....	15	\$ 776,890,148	0	—
Other accounts .....	909	\$6,143,905,973	1	\$169,714,780
<b>Matthew S. Ordway</b>				
Registered investment companies .....	—	\$ —	—	—
Other pooled investment vehicles .....	—	\$ —	—	—
Other accounts .....	—	\$ —	—	—

<u>Name of Manager</u>	<u>Number of Accounts</u>	<u>Total Assets of Accounts</u>	<u>Number of Accounts Paying a Performance Fee</u>	<u>Total Assets of Accounts Paying a Performance Fee</u>
<b>Stephen Pang</b>				
Registered investment companies .....	10	\$7,500,588,296	0	—
Other pooled investment vehicles .....	15	\$ 776,890,148	0	—
Other accounts .....	909	\$6,143,905,973	1	\$169,714,780
<b>Adam Peltzer</b>				
Registered investment companies .....	1	\$ 108,648,345	—	—
Other pooled investment vehicles .....	1	\$ 75,657,665	—	—
Other accounts .....	2	\$ 23,291,702	—	—
<b>Jerry G. Polacek</b>				
Registered investment companies .....	—	\$ —	—	—
Other pooled investment vehicles .....	—	\$ —	—	—
Other accounts .....	—	\$ —	—	—
<b>Prashanth K. Prakash</b>				
Registered investment companies .....	—	\$ —	—	—
Other pooled investment vehicles .....	—	\$ —	—	—
Other accounts .....	—	\$ —	—	—
<b>Ed Russell</b>				
Registered investment companies .....	—	\$ —	—	—
Other pooled investment vehicles .....	—	\$ —	—	—
Other accounts .....	—	\$ —	—	—
<b>Matthew Sallee</b>				
Registered investment companies .....	10	\$7,500,588,296	0	—
Other pooled investment vehicles .....	15	\$ 776,890,148	0	—
Other accounts .....	909	\$6,143,905,973	1	\$169,714,780
<b>Maximilian Slee</b>				
Registered investment companies .....	—	\$ —	—	—
Other pooled investment vehicles .....	1	\$ 90,710,082	1	\$ 90,710,082
Other accounts .....	—	\$ —	—	—
<b>David Sifford</b>				
Registered investment companies .....	1	\$ 108,648,345	—	—
Other pooled investment vehicles .....	1	\$ 75,657,665	—	—
Other accounts .....	2	\$ 23,291,702	—	—

<u>Name of Manager</u>	<u>Number of Accounts</u>	<u>Total Assets of Accounts</u>	<u>Number of Accounts Paying a Performance Fee</u>	<u>Total Assets of Accounts Paying a Performance Fee</u>
<b>Michel Sznajer</b>				
Registered investment companies .....	—	\$ —	—	—
Other pooled investment vehicles .....	1	\$ 62,223,727	1	\$ 62,223,727
Other accounts .....	—	\$ —	—	—
<b>Robert Thummel</b>				
Registered investment companies .....	10	\$7,500,588,296	0	—
Other pooled investment vehicles .....	15	\$ 776,890,148	0	—
Other accounts .....	909	\$6,143,905,973	1	\$169,714,780

Investment team members do not receive any direct compensation from the Fund or any other of the managed accounts reflected in the table above. Tortoise’s compensation strategy is to offer competitive earnings for like positions in the investment adviser industry. Investment team members receive a base salary for the services they provide and are also eligible for an annual cash bonus. The annual cash bonus is discretionary and based on the services they provide to the organization (individual performance) and the financial performance (pre-tax earnings) of Tortoise. Each of Messrs. Adams, Breidert, de Lamaze, Goff, Holmes, Jergens, Kessens, Mick, Ordway, Pang, Peltzer, Polacek, Prakash, Russell, Sallee, Slee, Sifford, Sznajer and Thummel owns an equity interest in Tortoise Investments, the sole member of our Adviser, and each thus benefits from increases in the net income of our Adviser. Tortoise’s earnings are based in part on the value of assets held in the Fund’s portfolio. Because the Fund has not commenced operations, none of the individuals in the table above beneficially own any security issued by the Fund as of the date of this statement of additional information.

### **Allocation of Investment Opportunities**

Conflicts of interest may arise from the fact that our Adviser, our Subadvisers and their affiliates carry on substantial investment activities for other accounts managed by our Adviser or Subadvisers, in which we have no interest, some of which may have investment strategies similar to ours (“Other Tortoise Accounts”). The portfolio managers of our Adviser and Subadvisers must allocate time and investment ideas across multiple accounts. Trades may be executed for some accounts that may adversely impact the market value of securities held by other accounts. Our Adviser, our Subadvisers or their affiliates may have financial incentives to favor certain of these accounts over us. For example, our Adviser or our Subadvisers may have an incentive to allocate potentially more favorable investment opportunities to Other Tortoise Accounts that pay them an incentive or performance fee or in funds in which they or a related person have a beneficial interest. Performance and incentive fees also create the incentive to allocate potentially riskier, but potentially better performing, investments to such funds and other clients in an effort to increase the incentive fee. Our Adviser or our Subadvisers also may have an incentive to make investments in one fund, having the effect of increasing the market price of a security in the same issuer held by another fund or client, which in turn, may result in an incentive fee being paid to our Adviser or Subadvisers by that other fund or client. Certain of our Adviser’s and our Subadvisers’ client accounts may invest in the equity securities of a particular company, while other client accounts may invest in the debt securities of the same company. Other Tortoise Accounts may compete with us for specific trades. Our Adviser, our Subadvisers or their affiliates may give advice and recommend securities to, or buy or sell securities for, Other Tortoise Accounts, which advice or securities recommended may differ from advice given to, or securities recommended or bought or sold for us, even though their investment objectives may be the same as, or similar to, our investment objective. Our Adviser and our Subadvisers have adopted written allocation policies and procedures designed to address potential conflicts of interest. For instance, when two or

more clients advised by our Adviser, our Subadvisers or their affiliates seek to purchase or sell the same publicly traded securities, the securities actually purchased or sold will be allocated among the clients on a good faith equitable basis by our Adviser or our Subadvisers in their discretion and in accordance with the clients' various investment objectives and the procedures of our Adviser and our Subadvisers. In some cases, this system may adversely affect the price or size of the position we may obtain or sell. In other cases, our ability to participate in volume transactions with Other Tortoise Accounts may result in better execution. When possible, our Adviser and our Subadvisers combine all of the trade orders into one or more block orders, and each account participates at the average unit or share price obtained in a block order. When block orders are only partially filled, our Adviser and our Subadvisers consider a number of factors in determining how allocations are made, with the overall goal to allocate in a manner so that accounts are not preferred or disadvantaged over time. Our Adviser also has adopted written allocation policies for transactions involving private placement securities, which are designed to result in a fair and equitable participation in offerings or sales for participating clients over time.

Our Adviser and Subadvisers will evaluate a variety of factors in determining whether a particular investment opportunity or strategy is appropriate and feasible for the relevant account at a particular time, including, but not limited to, the following: (1) the nature of the investment opportunity taken in the context of the other investments at the time; (2) the liquidity of the investment relative to the needs of the particular entity or account; (3) the availability of the opportunity (i.e., size of obtainable position); (4) the transaction costs involved; and (5) the investment or regulatory limitations applicable to the particular entity or account. Because these considerations may differ when applied to us and Other Tortoise Accounts in the context of any particular investment opportunity, our investment activities, on the one hand, and Other Tortoise Accounts, on the other hand, may differ considerably from time to time. In addition, our fees and expenses will differ from those of Other Tortoise Accounts. Accordingly, shareholders should be aware that our future performance and the future performance of Other Tortoise Accounts may vary.

From time to time, our Adviser or our Subadvisers may seed proprietary accounts for the purpose of evaluating a new investment strategy that eventually may be available to clients through one or more product structures. Such accounts also may serve the purpose of establishing a performance record for the strategy. The management by our Adviser and our Subadvisers of accounts with proprietary interests and nonproprietary client accounts may create an incentive to favor the proprietary accounts in the allocation of investment opportunities, and the timing and aggregation of investments. Our Adviser's and Subadvisers' proprietary seed accounts may include long-short strategies, and certain client strategies may permit short sales. A conflict of interest arises if a security is sold short at the same time as a long position, and continuous short selling in a security may adversely affect the stock price of the same security held long in client accounts. Our Adviser and Subadvisers have adopted various policies to mitigate these conflicts.

Situations may occur when we could be disadvantaged because of the investment activities conducted by our Adviser, our Subadvisers and their affiliates for Other Tortoise Accounts. Such situations may be based on, among other things, the following: (1) legal or internal restrictions on the combined size of positions that may be taken for us or the other accounts, thereby limiting the size of our position; (2) the difficulty of liquidating an investment for us or the other accounts where the market cannot absorb the sale of the combined position; or (3) regulatory restrictions on transaction with affiliates.

The 1940 Act may impose limits on our ability to co-invest with our affiliated companies in certain private placements of securities or may be subject to the term of exemptive relief obtained from the SEC. To the extent that such restrictions limit the number of clients that can participate in an investment opportunity, our Adviser and our Subadvisers have adopted policies they believe are designed to ensure fair allocation of such opportunities over time, taking into account available cash and investment objectives and policies of clients.

To the extent that our Adviser or Subadvisers source and structure private investments in MLPs and other publicly traded issuers, certain employees of our Adviser or Subadvisers may become aware of actions planned by such issuers, such as acquisitions, which may not be announced to the public. It is possible that we could be

precluded from investing in or selling securities of an issuer about which our Adviser or Subadvisers have material, nonpublic information, however, it is our Adviser's or Subadvisers' intention to ensure that any material, non-public information available to certain employees of our Adviser or Subadvisers is not shared with the employees responsible for the purchase and sale of publicly traded securities or to confirm prior to receipt of any material non-public information that the information will shortly be made public. Our investment opportunities also may be limited by affiliations of our Adviser, our Subadvisers or their affiliates with essential asset companies.

Our Adviser, our Subadvisers and their respective principals, officers, employees and affiliates may buy and sell securities or other investments for their own accounts and may have actual or potential conflicts of interest with respect to investments made on our behalf. As a result of differing trading and investment strategies or constraints, positions may be taken by principals, officers, employees and affiliates of our Adviser and our Subadvisers that are the same as, different from or made at a different time from positions taken for us. Further, our Adviser and our Subadvisers may at some time in the future, manage additional investment funds with the same investment objective as ours.

### **Code of Ethics**

We, our Adviser and our Subadvisers have each adopted a Code of Ethics under Rule 17j-1 of the 1940 Act (collectively, the "Codes"), which is applicable to officers, directors and designated employees of ours, our Adviser and our Subadvisers. Subject to certain limitations, the Codes permit those officers, directors and designated employees ("Covered Persons") to invest in securities, including securities that may be purchased or held by us. The Codes contain provisions and requirements designed to identify and address certain conflicts of interest between personal investment activities of Covered Persons and the interests of investment advisory clients such as us. Among other things, the Codes prohibit certain types of transactions absent prior approval, imposes time periods during which personal transactions may not be made in certain securities, and require submission of duplicate broker confirmations and statements and quarterly reporting of securities transactions. Exceptions to these and other provisions of the Codes may be granted in particular circumstances after review by appropriate personnel.

The Codes are available on the EDGAR Database on the SEC's Internet site at <http://www.sec.gov>. The Codes are also available on our Adviser's website at <http://www.tortoiseadvisors.com>.

## PORTFOLIO TRANSACTIONS

### Execution of Portfolio Transactions

Our Adviser is responsible for decisions to buy and sell securities for us, broker-dealer selection, negotiation of brokerage commission rates and management of our covered call strategy. Our Adviser's primary consideration in effecting a security transaction will be to obtain the best execution. In selecting a broker-dealer to execute each particular transaction, our Adviser will initially consider its ability to execute transactions at the most favorable prices and lowest overall execution costs, while also taking into consideration other relevant factors, such as the reliability, integrity and financial condition of the broker-dealer, the size of and difficulty in executing the order and the quality of execution and custodial services. The determinative factor is not necessarily the lowest possible transaction cost, but whether the transaction represents the best qualitative execution for us. Our Adviser periodically evaluates the execution performance of brokers executing its transactions. Our Adviser does not adhere to any rigid formulas in making the selection of the applicable broker-dealer, but weighs a combination of the criteria discussed above.

Our Subadvisers have full discretion in the selection of broker-dealers for the execution of client transactions with respect to the portion of our investment portfolio for which our Subadvisers have management responsibility. Our Subadvisers will endeavor to select those brokers or dealers that they believe will provide the best services and/or rates possible under the circumstances. When selecting a brokerage firm, consideration is given to a variety of factors including, but not limited to, execution capabilities, financial stability, ability to maintain confidentiality, and research and other services that can be reasonably expected to enhance our investment return. When broker-dealers are selected on the basis of their research services, our Subadvisers may negotiate commissions that may be higher than for "execution only" transactions, but are nevertheless deemed reasonable in light of the value of such services provided, viewed in terms of either a particular transaction or the overall responsibilities of our Subadvisers as to the accounts over which it exercises investment discretion.

Our Adviser receives unsolicited research from some of the brokers with which our Adviser places trades on our behalf, however, our Adviser has no arrangements or understandings with such brokers regarding receipt of research in return for commissions. While our Adviser may review certain of the research received, our Adviser does not consider the research when selecting brokers to execute our transactions.

Our Subadvisers receive research from some of the brokers with which our Subadvisers place trades on our behalf. Our Subadvisers may recommend the use of or select a broker-dealer who provides useful research and securities transaction services even though a lower, or no, commission may be charged by a different broker-dealer who offers no research services or minimal securities transaction assistance. Research or other services paid for through broker commissions may or may not be useful in servicing our account. To this effect, broker-dealer trade volumes are periodically reviewed to verify such activity is not excessive or materially impactful to us.

We may, from time to time, enter into arrangements with placement agents in connection with direct placement transactions. In evaluating placement agent proposals, our Adviser will consider each broker's access to issuers of essential asset company securities and experience in essential asset markets, particularly the direct placement market. In addition to these factors, our Adviser will consider whether the proposed services are customary, whether the proposed fee schedules are within the range of customary rates, whether any proposal would obligate us to enter into transactions involving a minimum fee, dollar amount or volume of securities, or into any transaction whatsoever, and other terms such as indemnification provisions.

Subject to such policies as the Board may from time to time determine, each of our Adviser and our Subadvisers will not be deemed to have acted unlawfully or to have breached any duty solely by reason of its having caused us to pay a broker or dealer that provides brokerage and research services to our Adviser or our Subadvisers, as applicable, an amount of commission for effecting an investment transaction in excess of the

amount of commission another broker or dealer would have charged for effecting that transaction, if our Adviser or our Subadvisers, as applicable, determines in good faith that such amount of commission was reasonable in relation to the value of the brokerage and research services provided by such broker or dealer, viewed in terms of either that particular transaction or the overall responsibilities of our Adviser or our Subadvisers, as applicable, with respect to us and to other clients of our Adviser or our Subadvisers, as applicable, as to which our Adviser or our Subadvisers exercise investment discretion. Our Adviser and our Subadvisers are further authorized to allocate the orders placed by them on our behalf to such brokers and dealers who also provide research or statistical material or other services to us, our Adviser or to our Subadvisers. Such allocation will be in such amounts and proportions as our Adviser or our Subadvisers will determine and our Adviser or our Subadvisers, as applicable, will report on said allocations regularly to our Board of Directors indicating the brokers to whom such allocations have been made and the basis therefor.

### **Portfolio Turnover**

Our annual portfolio turnover rate may vary greatly from year to year. We may engage in frequent and active trading of portfolio securities, but do not intend to do so under normal conditions. Our portfolio turnover is expected to be higher during the initial 12 months following the closing of this offering as we transition a portion of our publicly traded securities portfolio to Direct Investments.

Although we cannot accurately predict our portfolio turnover rate, following the completion of our Direct Investments approximately 12 months following the closing of this offering, we expect to maintain relatively low turnover of our core investment portfolio, not including purchases and sales of call options in connection with our covered call option overlay strategy. During our initial investment period, however, our annual turnover rate may exceed 100%. A high turnover rate involves greater transaction costs to us and may result in greater realization of taxable capital gains. During our initial investment period as we transition our portfolio to Direct Investments, such gains are expected to be short-term capital gains.

## **CONTROL PERSONS AND PRINCIPAL SHAREHOLDERS**

Prior to this offering, the Adviser purchased 5,000 common shares from the Fund in an amount satisfying the net worth requirements of Section 14(a) of the 1940 Act. Therefore, the Adviser currently owns 100% of the outstanding common shares. The Adviser may be deemed to control the Fund until such time as it owns less than 25% of the outstanding common shares, which is expected to occur as of the completion of this offering. The principal business address of the Adviser is 11550 Ash Street, Suite 300, Leawood, Kansas 66211.



## DETERMINATION OF NET ASSET VALUE

We compute the net asset value of our common shares as of the close of trading of the NYSE (normally 4:00 p.m. Eastern time) no less frequently than the last business day of each calendar month and at such other times as our Board of Directors may determine. When considering an offering of common shares, we calculate our net asset value on a more frequent basis, generally daily, to the extent necessary to comply with the provisions of the 1940 Act. We currently intend to make our net asset value available for publication daily on our Adviser's website. Our net asset value equals the value of our total assets less: (1) all of our liabilities (including accrued expenses); (2) accumulated and unpaid dividends on any outstanding preferred shares; (3) the aggregate liquidation preference of any outstanding preferred shares; (4) accrued and unpaid interest payments on any outstanding indebtedness; (5) the aggregate principal amount of any outstanding indebtedness; and (6) any distributions payable on our common shares.

We will determine the value of our assets and liabilities in accordance with valuation procedures adopted by our Board of Directors. Securities for which market quotations are readily available will be valued at "market value." If market values are not readily available or cannot be obtained, or if our Adviser determines that the value of a security as so obtained does not represent value as of the measurement date (due to a significant development subsequent to the time its price is determined or otherwise), value will be determined pursuant to the methodologies established by our Board of Directors. In these circumstances, we will determine fair value in a manner that fairly reflects the market value of the security on the valuation date based on consideration of any information or factors we deem appropriate. Our Adviser will attempt to obtain current information to value all fair valued securities, but it is anticipated that such information for certain of the private social infrastructure, sustainable infrastructure and energy infrastructure investments in our portfolio could be available on no more than a quarterly basis. Fair value pricing may require subjective determinations about the value of an asset or liability and may not always result in adjustments to the prices of securities or other assets or liabilities held by the Fund. It is possible that the fair value determined for a security may be materially different than the value that could be realized upon the sale of such security.

- The value for equity securities and equity-related securities is determined by using readily available market quotations from the principal market. For equity and equity-related securities that are freely tradable and listed on a securities exchange or OTC market, value is determined using the last sale price on that exchange or OTC market on the measurement date. If the security is listed on more than one exchange, we will use the price of the exchange that we consider to be the principal exchange on which the security is traded. Securities listed on the NASDAQ Stock Market will be valued at the NASDAQ Official Closing Price, which may not necessarily represent the last sale price. If a security is traded on the measurement date, then the last reported sale price on the exchange or OTC market on which the security is principally traded, up to the time of valuation, is used. If there were no reported sales on the security's principal exchange or OTC market on the measurement date, then the average between the last bid price and last asked price, as reported by the pricing service, will be used. We will obtain direct written broker-dealer quotations if a security is not traded on an exchange or quotations are not available from an approved pricing service. Exchange-traded options will be valued at the last sale price on any exchange on which they trade and, if there were no reported sales on any exchange on the measurement date, at the mean of the last highest bid and last lowest asked prices across all option exchanges on which they trade at the closing of the exchanges.
- An equity security of a company acquired in a private placement transaction without registration is subject to restrictions on resale that can affect the security's liquidity and value. Such securities that are convertible into shares of publicly traded common stock or securities that may be sold pursuant to Rule 144 generally will be valued based on the value of the freely tradable common stock counterpart less an applicable discount. Generally, the discount will initially be equal to the discount at which we purchased the securities. To the extent that such securities are convertible or otherwise become freely tradable within a time frame that may be reasonably determined, an amortization schedule may be determined for the discount.

- Fixed income securities (other than the short-term securities as described below) are valued by (1) using readily available market quotations based upon the last updated sale price or a market value from an approved pricing service generated by a pricing matrix based upon yield data for securities with similar characteristics or (2) by obtaining a direct written broker-dealer quotation from a dealer who has made a market in the security.
- A fixed income security acquired in a private placement transaction without registration is subject to restrictions on resale that can affect the security's liquidity and value. Among the various factors that can affect the value of a privately placed security are (1) whether the issuing company has freely trading fixed income securities of the same maturity and interest rate (either through an initial public offering or otherwise); (2) whether the company has an effective registration statement in place for the securities; and (3) whether a market is made in the securities. The securities normally will be valued at amortized cost unless the portfolio company's condition or other factors lead to a determination of value at a different amount.
- Short-term securities, including bonds, notes, debentures and other fixed income securities, and money market instruments such as certificates of deposit, commercial paper, bankers' acceptances and obligations of domestic and foreign banks, with remaining maturities of 60 days or less, for which reliable market quotations are readily available are valued on an amortized cost basis.
- Other assets will be valued at market value pursuant to written valuation procedures adopted by our Board of Directors, or if a market value cannot be obtained or if our Adviser determines that the value of a security as so obtained does not represent value as of the measurement date (due to a significant development subsequent to the time its price is determined or otherwise), value will be determined pursuant to the methodologies established by our Board of Directors.

Valuations of public company securities determined pursuant to fair value methodologies will be presented to our Board of Directors or a designated committee thereof for approval at the next regularly scheduled board meeting.

## MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a general summary of material U.S. federal income tax considerations affecting the Fund and its shareholders. The discussion reflects applicable U.S. federal income tax laws as of the date of this statement of additional information, which tax laws may be changed or subject to new interpretations by the courts or the Internal Revenue Service (the “IRS”), possibly with retroactive effect. No attempt is made to present a detailed explanation of all U.S. federal income, estate, gift, state, local or foreign tax considerations affecting the Fund and its shareholders (including shareholders owning large positions in the Fund). The discussion set forth herein does not constitute tax advice. Investors are urged to consult their own tax advisers to determine the specific tax consequences to them of investing in the Fund, including applicable federal, state, local and foreign tax consequences to them or the effect of possible changes in tax laws.

In addition, no attempt is made to address tax considerations applicable to an investor with a special tax status, such as a financial institution, REIT, insurance company, regulated investment company, individual retirement account, other tax-exempt organization, dealer in securities or currencies, person holding shares of the Fund as part of a hedging, integrated, conversion or straddle transaction or constructive sale, or conversion transaction, constructive sale or straddle, trader in securities that has elected the mark-to-market method of accounting for its securities, U.S. holder (as defined below) whose functional currency is not the U.S. dollar, investor with “applicable financial statements” within the meaning of section 451(b) of the Internal Revenue Code of 1986, as amended (the “Code”), or non-U.S. investor. Furthermore, this discussion does not reflect possible application of the alternative minimum tax. Unless otherwise noted, this discussion assumes the Fund’s shares are held by U.S. persons and that such shares are held as capital assets.

A U.S. holder is a beneficial owner that is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States (including certain former citizens and former long-term residents);
- a corporation or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions or the trust has made a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

A “Non-U.S. holder” is a beneficial owner of shares of the Fund that is an individual, corporation, trust or estate and is not a U.S. holder. If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) holds shares of the Fund, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership.

### **Taxation as a RIC**

The Fund intends to elect to be treated as, and to qualify each year for the special tax treatment afforded, a regulated investment company (a “RIC”) under Subchapter M of the Code. As long as the Fund meets certain requirements that govern the Fund’s source of income, diversification of assets and distribution of earnings to shareholders, the Fund will not be subject to U.S. federal income tax on income distributed (or treated as distributed, as described below) to its shareholders. With respect to the source of income requirement, the Fund must derive in each taxable year at least 90% of its gross income (including tax-exempt interest) from (1) dividends, interest, payments with respect to certain securities loans, gains from the sale or other disposition of stock, securities or foreign currencies or other income (including, but not limited to, gains from options, futures and forward contracts) derived with respect to its business of investing in such stock, securities or

currencies and (2) net income derived from interests in qualified publicly traded partnerships. A qualified publicly traded partnership is generally defined as a publicly traded partnership under section 7704 of the Code, but does not include a publicly traded partnership if 90% or more of its gross income is described in (1) above. For purposes of the income test, the Fund will be treated as receiving directly its share of the gross income of any partnership that is not a qualified publicly traded partnership.

With respect to the diversification of assets requirement, the Fund must diversify its holdings so that, at the end of each quarter of each taxable year, (1) at least 50% of the value of the Fund's total assets is represented by cash and cash items, U.S. government securities, the securities of other RICs and other securities, with such other securities limited for purposes of such calculation, in respect of any one issuer, to an amount not greater than 5% of the value of the Fund's total assets and not more than 10% of the outstanding voting securities of such issuer and (2) not more than 25% of the value of the Fund's total assets is invested in the securities (other than U.S. government securities or the securities of other RICs) of any one issuer, the securities (other than the securities of other RICs) of two or more issuers that the Fund controls and that are determined to be engaged in the same, similar or related trades or businesses or the securities of one or more qualified publicly traded partnerships.

If the Fund qualifies as a RIC and distributes to its shareholders at least 90% of the sum of (1) its "investment company taxable income," as that term is defined in the Code (which includes, among other items, dividends, taxable interest and the excess of any net short-term capital gains over net long-term capital losses, as reduced by certain deductible expenses) without regard to the deduction for dividends paid and (2) the excess of its gross tax-exempt interest, if any, over certain deductions attributable to such interest that are otherwise disallowed, the Fund will be relieved of U.S. federal income tax on any income of the Fund, including long-term capital gains, distributed to shareholders. However, if the Fund retains any investment company taxable income or "net capital gain" (i.e., the excess of net long-term capital gain over net short-term capital loss), it will be subject to U.S. federal income tax at regular corporate federal income tax rates on the amount retained. The Fund intends to distribute at least annually substantially all of its investment company taxable income, net tax-exempt interest and net capital gain. Under the Code, the Fund generally will also be subject to a nondeductible 4% federal excise tax on the undistributed portion of its ordinary income and capital gains if it fails to meet certain distribution requirements with respect to each calendar year. In order to avoid the 4% federal excise tax, the required minimum distribution is generally equal to the sum of (1) 98% of the Fund's ordinary income (computed on a calendar year basis), (2) 98.2% of the Fund's capital gain net income (generally computed for the one-year period ending on October 31), and (3) certain amounts from previous years to the extent such amounts have not been treated as distributed or been subject to tax under Subchapter M of the Code. The Fund generally intends to make distributions in a timely manner in an amount at least equal to the required minimum distribution and therefore, under normal conditions, does not currently expect to be subject to this excise tax. In addition, a domestic Subsidiary generally will be subject to U.S. federal income tax at regular corporate rates on its taxable income, which taxes (and any other taxes borne by Subsidiaries) would adversely affect the returns from investments held through the Subsidiaries.

### **Failure to Qualify as a RIC**

If the Fund fails to qualify as a RIC in any taxable year, it will be taxed in the same manner as an ordinary corporation on its taxable income and distributions to the Fund's shareholders will not be deductible by the Fund in computing its taxable income. In such event, the Fund's distributions, to the extent derived from the Fund's current or accumulated earnings and profits, would be taxed to shareholders as dividend income. Such distributions would generally be eligible for the dividends received deduction available to corporate shareholders, and non-corporate shareholders would generally be able to treat such distributions as "qualified dividend income" eligible for reduced rates of U.S. federal income taxation, provided in each case that certain holding period and other requirements are satisfied. Distributions in excess of the Fund's current and accumulated earnings and profits would be treated first as a return of capital to the extent of the shareholders' tax basis in their Fund shares, and any remaining distributions would be treated as a capital gain. Current earnings and profits are generally treated, for federal income tax purposes, as first being used to pay distributions on preferred shares and

then to the extent remaining, if any, to pay distributions on common shares. To qualify as a RIC in a subsequent taxable year, the Fund would be required to satisfy the source-of-income, the asset diversification and the annual distribution requirements for that year and dispose of any earnings and profits from any year in which the Fund failed to qualify as a RIC. Subject to a limited exception applicable to RICs that qualified as such under the Code for at least one year prior to disqualification and that requalify as a RIC no later than the second year following the nonqualifying year, the Fund would be subject to tax on any unrealized built-in gains in the assets held by it during the period in which the Fund failed to qualify as a RIC that are recognized within the subsequent five years, unless the Fund made an election to pay corporate-level tax on such built-in gain at the time of its requalification as a RIC.

## **Taxation of Certain Fund Investments**

### *MLP Equity Securities*

MLPs are generally treated as publicly traded partnerships under the Code. The Code generally requires publicly traded partnerships to be treated as corporations for federal income tax purposes. If, however, a publicly traded partnership satisfies certain requirements, the publicly traded partnership will be treated as a partnership for federal income tax purposes. Specifically, if a publicly traded partnership derives 90% or more of its gross income from qualifying sources, such as interest, dividends, real property rents, gain from the sale or other disposition of real property, income and gain from certain mineral or natural resources activities, income and gain from the transportation or storage of certain fuels, gain from the sale or disposition of a capital asset held for the production of such income, and in certain circumstances, income and gain from commodities or futures, forwards and options with respect to commodities, then the publicly traded partnership will be treated as a partnership for federal income tax purposes. Mineral or natural resources activities include exploration, development, mining or production, processing, refining, transportation (including pipelines transporting gas, oil or products thereof) and the marketing of any mineral or natural resource (including fertilizer, geothermal energy and timber) or industrial source carbon dioxide. Most of the MLPs in which the Fund will invest are expected to be treated as partnerships for federal income tax purposes, but this will not always be the case and some of the MLPs in which the Fund invests may be treated as corporations. References in this discussion to MLPs include only those MLPs that are treated as partnerships for federal income tax purposes.

MLPs treated as partnerships for federal income tax purposes are taxed differently from corporations. A corporation is required to pay federal income tax on its income, and to the extent the corporation makes distributions to its stockholders in the form of dividends from current or accumulated earnings and profits, its stockholders are required to pay federal income tax on such dividends. For this reason, it is said that corporate income is taxed at two levels. Partnerships, in contrast, generally pay no federal income tax at the entity level. The partnership's items of taxable income, gain, loss, deductions, expenses and credits are generally allocated among all the partners based on their interests in the partnership. Each partner is required to include in income its allocable shares of these tax items. Partnership income is thus said to be generally taxed only at one level—at the partner level.

When the Fund invests in the equity securities of an MLP taxed as a partnership, the Fund will be a partner in such MLP. Accordingly, the Fund will be required to include in its taxable income its allocable share of the income, gains, losses, deductions and tax credits recognized by each such MLP, regardless of whether the MLP distributes cash to the Fund. Cash distributions from an MLP to the Fund will be treated as a return of capital to the extent of the Fund's basis in the MLP interest and as gain from the sale or exchange of the MLP interest to the extent the distribution exceeds the Fund's basis in the MLP interest. As discussed above, in order to qualify as a RIC, the Fund must distribute to shareholders at least annually all or substantially all of its investment company taxable income (determined without regard to the deduction for dividends paid), including such income that is allocated to the Fund from an MLP regardless of whether the MLP makes a cash distribution of such income to the Fund. As a result, if the taxable income allocated to the Fund from an MLP exceeds the cash distributions received from the MLP, the Fund may be required to sell other securities under disadvantageous

circumstances to generate cash, or may have to leverage itself by borrowing the cash, in order to satisfy these distribution requirements.

The Fund will recognize gain or loss on the sale, exchange or other taxable disposition of an MLP interest equal to the difference between the amount realized by the Fund on the sale, exchange or other taxable disposition and the Fund's basis in the MLP interest. The amount realized by the Fund generally will be the amount paid by the purchaser of the MLP interest plus the Fund's allocable share, if any, of the MLP's debt that was allocated to the Fund prior to such sale, exchange or other taxable disposition. The Fund's basis in an MLP interest generally is equal to the amount the Fund paid for the MLP interest, (1) increased by the Fund's allocable share of the MLP's net taxable income and certain MLP debt, if any, and (2) decreased by the Fund's allocable share of the MLP's net losses and any distributions received by the Fund from the MLP. Although any distribution by an MLP to the Fund in excess of the Fund's allocable share of such MLP's net taxable income may create a temporary economic benefit to the Fund, such distribution will decrease the Fund's basis in its MLP interest and will therefore increase the amount of gain (or decrease the amount of loss) that will be recognized on the sale of the MLP interest by the Fund. A portion of any gain or loss recognized by the Fund on a disposition of an MLP interest (or by an MLP on a disposition of an underlying asset) may be taxed as ordinary income under the Code to the extent attributable to assets of the MLP that give rise to depreciation recapture, intangible drilling and development cost recapture or other "unrealized receivables" or "inventory items" under the Code. Any such gain may exceed net taxable gain realized on the disposition and will be recognized even if there is a net taxable loss on the disposition. The Fund's net capital losses may be used only to offset capital gains and therefore could not be used to offset gains that are treated as ordinary income. Thus, the Fund could recognize both gain that is treated as ordinary income and a capital loss on a disposition of an MLP interest (or on an MLP's disposition of an underlying asset) and would not be able to use the capital loss to offset that ordinary income.

As discussed above, net income derived from an interest in a qualified publicly traded partnership is included in the sources of income from which a RIC must derive at least 90% of its gross income. However, not more than 25% of the value of a RIC's total assets can be invested in the securities of qualified publicly traded partnerships. No more than 25% of the value of the Fund's total assets will be invested in the securities of qualified publicly traded partnerships.

The Fund's allocable share of certain percentage depletion deductions and intangible drilling costs of MLPs taxed as partnerships may be treated as items of tax preference for purposes of the federal alternative minimum tax (the "AMT"). The Fund intends to apportion these items in the same proportion that dividends (other than capital gain dividends) paid to each shareholder bear to the Fund's taxable income (determined without regard to the dividends paid deduction).

For taxable years beginning after December 31, 2017 and before January 1, 2026, certain income from investments in MLPs is included in the "combined qualified business income amount" that is eligible for a 20% federal income tax deduction in the case of individuals, trusts and estates. RICs currently cannot pass the special character of this income through to shareholders. The IRS is currently evaluating whether it is appropriate to provide conduit treatment for such income. However, without any further legislation or guidance from the IRS, if the Fund invests in MLPs, shareholders of the Fund will not be entitled to this deduction while direct investors in MLPs may be entitled to this deduction.

### ***Municipal Securities and Other Debt Instruments***

The Fund expects that it will invest less than 50% of its total assets in municipal securities and that the municipal securities in which it invests will typically be taxable municipal securities whose income is subject to U.S. federal income tax. As a result, the Fund does not expect to be eligible to pay "exempt-interest dividends" to its shareholders, and interest on municipal securities will be taxable to shareholders of the Fund when received as a distribution from the Fund. In addition, gains realized by the Fund on the sale or exchange of municipal securities will be taxable to shareholders of the Fund when distributed to them.

The Fund may acquire debt securities that are market discount bonds. A market discount bond is a security acquired in the secondary market at a price below its redemption value (or its adjusted issue price if it is also an original issue discount bond). If the Fund invests in a market discount bond, it will be required to treat any gain recognized on the disposition of such market discount bond as ordinary taxable income to the extent of the accrued market discount unless the Fund elects to include the market discount in taxable income as it accrues.

If the Fund invests in certain pay-in-kind securities, zero coupon securities, deferred interest securities or, in general, any other securities with original issue discount (or with market discount if the Fund elects to include market discount in income currently), the Fund must accrue income on such investments for each taxable year, which generally will be prior to the receipt of the corresponding cash payments. However, the Fund must distribute to shareholders, at least annually, all or substantially all of its investment company taxable income (determined without regard to the deduction for dividends paid), including such income it is required to accrue, to qualify as a RIC and avoid federal income and excise taxes. Therefore, the Fund may have to dispose of its portfolio securities under disadvantageous circumstances to generate cash, or may have to leverage itself by borrowing the cash, to satisfy these distribution requirements.

The Fund's investment in lower rated or unrated debt securities may present tax risks for the Fund if the issuers of these securities default on their obligations because the federal income tax consequences to a holder of such securities are not certain.

#### ***Options and Other Derivative Instruments***

The Fund's transactions in options and other derivative instruments will be subject to special provisions of the Code that, among other things, may affect the character of gains and losses realized by the Fund (i.e., may affect whether gains or losses are ordinary or capital or short-term or long-term), may accelerate recognition of income to the Fund and may defer Fund losses. These rules could, therefore, affect the character, amount and timing of distributions to shareholders. These provisions (1) will also require the Fund to mark-to-market certain positions in its portfolio (i.e., treat them as if they were closed out), and (2) may cause the Fund to recognize income without receiving cash with which to make distributions in amounts necessary to satisfy the distribution requirements for qualifying to be taxed as a RIC and for avoiding federal income and excise taxes. The Fund will monitor its transactions, will make the appropriate tax elections and will make the appropriate entries in its books and records in order to mitigate the effect of these rules and prevent disqualification of the Fund from being taxed as a RIC.

The taxation of options is generally governed by Code section 1234. Pursuant to Code section 1234, if an option written by the Fund expires unexercised, the premium received is short-term capital gain to the Fund. If the Fund enters into a closing transaction, the difference between the amount paid to close out its position and the premium received for writing the option is short-term capital gain or loss. If a call option written by the Fund is cash settled, any resulting gain or loss generally will be short-term capital gain or loss.

Offsetting positions held by the Fund involving certain derivative instruments, such as options, forward and futures, as well as its long and short positions in portfolio securities, may be considered "straddles" for U.S. federal income tax purposes. The Code contains special rules that apply to straddles, defined generally as the holding of "offsetting positions with respect to personal property." For example, the straddle rules normally apply when a taxpayer holds stock and an offsetting option with respect to such stock or substantially identical stock or securities. In general, investment positions will be offsetting if there is a substantial diminution in the risk of loss from holding one position by reason of holding one or more other positions. If two or more positions constitute a straddle, long-term capital gain may be recharacterized as short-term capital gain or short-term capital loss as long-term capital loss. In addition, recognition of a realized loss from one position must generally be deferred to the extent of unrecognized gain in an offsetting position and distributions attributable to dividends, if any, on the stocks held as part of a straddle may not qualify as qualified dividend income or for the corporate dividends received deduction. Interest and other carrying charges allocable to personal property that is part of a straddle are not currently deductible but must instead be capitalized. The application of the straddle rules to certain offsetting Fund positions can therefore affect the amount, timing and/or character of distributions to

shareholders and may result in significant differences from the amount, timing and/or character of distributions that would have been made by the Fund if it had not entered into offsetting positions in respect of certain of its portfolio securities.

To the extent that the call options that the Fund writes on its portfolio securities are “qualified covered call options,” the holding of the call options and the underlying securities generally will not be treated as a straddle subject to the straddle rules described above. In general, a qualified covered call option is an option that is written (sold) with respect to stock that is held or acquired by a taxpayer in connection with granting the option which meets certain requirements, including: the option is exchange-traded or, if over-the-counter, meets certain IRS requirements, is granted more than 30 days prior to expiration, is not “deep-in-the-money” (within the meaning of section 1092), is not granted by an options dealer (within the meaning of section 1256(g)(8)) in connection with the option dealer’s activity of dealing in options and gain or loss with respect to such option is not ordinary income or loss. Provided the Fund’s covered calls meet the definition of qualified covered calls and are not part of a larger straddle, the general tax straddle holding period termination rules will not apply. As a result, dividends received with respect to stock held as part of the straddle may be eligible for qualified dividend income treatment and the corporate dividends received deduction (assuming all other relevant requirements are met). In addition, the general tax straddle rules requiring loss deferral and the capitalization of certain interest expense and carrying charges will not apply. Qualified covered call option positions are, however, subject to special rules in the case of options which are in-the-money (but still not “deep-in-the-money”) or for positions which are closed near year end (and not within the same year end).

The Fund may enter into transactions that are treated as “section 1256 contracts” under the Code. In general, the Fund would be required to treat any section 1256 contracts as if they were sold for their fair market value (i.e., mark-to-market) at the end of the Fund’s taxable year (and on October 31 of each year for purposes of the 4% excise tax) and would be required to recognize gain or loss on such deemed sale for federal income tax purposes even though the Fund did not actually sell the contract and receive cash. Sixty percent of the gain or loss on such deemed sales or any actual sales of section 1256 contracts would be treated as long-term capital gain or loss and 40% of such gain or loss would be treated as short-term capital gain or loss (“60/40 gain or loss”).

The Code permits a taxpayer to elect to offset gains and losses from positions that are part of a “mixed straddle.” A “mixed straddle” is any straddle in which one or more but not all positions are section 1256 contracts. The Fund may be eligible to elect to establish one or more mixed straddle accounts for certain of its mixed straddle trading positions. The mixed straddle account rules require a daily “mark-to-market” of all open positions in the account and a daily netting of gains and losses from all positions in the account. At the end of a taxable year, the annual net gains or losses from the mixed straddle account are recognized for federal income tax purposes. The net capital gain or loss is treated as 60/40 gain or loss if it is attributable to the section 1256 contract positions or all short-term capital gain or loss if it is attributable to the non-section 1256 contract positions.

The wash sale rules may apply to prevent the recognition of loss by the Fund from the disposition of stock or securities at a loss in a case in which identical or substantially identical stock or securities (or an option to acquire such property) is or has been acquired within a prescribed period.

The Fund’s entry into a short sale transaction, an option or certain other contracts could be treated as the constructive sale of an appreciated financial position, causing the Fund to realize gain, but not loss, on the position.

### ***Other Considerations***

The application of certain requirements for qualification as a RIC and the application of certain other federal income tax rules may be unclear in some respects in connection with certain investments. As a result, the Fund may be required to limit the extent to which it invests in such investments and it is also possible that the IRS may



not agree with the Fund's treatment of such investments. In addition, the tax treatment of certain investments may be affected by future legislation, Treasury Regulations and guidance issued by the IRS (which could apply retroactively) that could affect the timing, character and amount of the Fund's income and gains and distributions to shareholders, affect whether the Fund has made sufficient distributions and otherwise satisfied the requirements to maintain its qualification as a RIC and avoid federal income and excise taxes or limit the extent to which the Fund may invest in certain investments in the future.

Certain of the Fund's investment practices are subject to special and complex federal income tax provisions that may, among other things, (1) convert distributions that would otherwise constitute qualified dividend income into ordinary income taxed at the higher rate applicable to ordinary income, (2) treat distributions that would otherwise be eligible for the corporate dividends received deduction as ineligible for such treatment, (3) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (4) convert long-term capital gain into short-term capital gain or ordinary income, (5) convert an ordinary loss or deduction into a capital loss (the deductibility of which is more limited), (6) cause the Fund to recognize income or gain without a corresponding receipt of cash, (7) adversely affect the time as to when a purchase or sale of stock or securities is deemed to occur, (8) adversely alter the characterization of certain complex financial transactions, and (9) produce income that will not be included in the sources of income from which a RIC must derive at least 90% of its gross income each year. While it may not always be successful in doing so, the Fund will seek to avoid or minimize any adverse tax consequences of its investment practices.

The Fund may be subject to withholding and other taxes imposed by foreign countries, including taxes on interest, dividends and capital gains with respect to its investments in those countries, which would, if imposed, reduce the yield on or return from those investments. Tax treaties between certain countries and the United States may reduce or eliminate such taxes in some cases. The Fund does not expect to satisfy the requirements for passing through to its shareholders their pro rata shares of qualified foreign taxes paid by the Fund, with the result that shareholders will not be entitled to a tax deduction or credit for such taxes on their own U.S. federal income tax returns, although the Fund's payment of such taxes will remain eligible for a foreign tax credit or a deduction in computing the Fund's taxable income.

Foreign exchange gains and losses realized by the Fund in connection with certain transactions involving foreign currency-denominated debt securities, certain options and futures contracts relating to foreign currency, foreign currency forward contracts, foreign currencies, or payables or receivables denominated in a foreign currency are subject to section 988 of the Code, which generally causes such gain and loss to be treated as ordinary income or loss.

Recent tax legislation commonly referred to as the Tax Cuts and Jobs Act of 2017 provides a limitation on the deductibility of business interest. Generally, the provision limits the deduction for net business interest expenses to 30% of a taxpayer's adjusted taxable income. The deduction for interest expenses is not limited to the extent of any business interest income, which is interest income attributable to a trade or business and not investment income. The IRS has issued proposed regulations clarifying that all interest expense and interest income of a RIC is treated as properly allocable to a trade or business for purposes of the limitation on the deductibility of business interest. As a result, this limitation may impact the Fund's ability to use leverage (e.g., borrow money, issue debt securities, etc.).

### **Taxation for U.S. Shareholders**

Assuming the Fund qualifies as a RIC, distributions paid to you by the Fund from its investment company taxable income generally will be taxable to you as ordinary income to the extent of the Fund's earnings and profits, whether paid in cash or reinvested in additional shares. A portion of such distributions (if designated by the Fund) may qualify (1) in the case of corporate shareholders, for the dividends received deduction under section 243 of the Code to the extent that the Fund's income consists of dividend income from U.S. corporations, excluding distributions from certain entities, including REITs, or (2) in the case of individual shareholders, as

qualified dividend income eligible to be taxed at the federal income tax rates applicable to net capital gain under section 1(h)(11) of the Code to the extent that the Fund receives qualified dividend income, and provided in each case that certain holding period and other requirements are met at both the Fund and shareholder levels. Qualified dividend income is, in general, dividend income from taxable domestic corporations and qualified foreign corporations (for example, generally, if the issuer is incorporated in a possession of the United States or in a country with a qualified comprehensive income tax treaty with the United States, or if the shares with respect to which such dividend is paid are readily tradable on an established securities market in the United States). To be treated as qualified dividend income, the shareholder must hold the shares paying otherwise qualifying dividend income more than 60 days during the 121-day period beginning 60 days before the ex-dividend date (or, in the case of certain preferred shares, more than 90 days during the 181-day period beginning 90 days before the ex-dividend date). A shareholder's holding period may be reduced for purposes of this rule if the shareholder engages in certain risk reduction transactions with respect to the shares. A qualified foreign corporation generally excludes any foreign corporation that, for the taxable year of the corporation in which the dividend was paid or the preceding taxable year, is a passive foreign investment company. Distributions made to you from an excess of net long-term capital gain over net short-term capital losses ("capital gain dividends"), including capital gain dividends credited to you but retained by the Fund, will be taxable to you as long-term capital gain if they have been properly designated by the Fund, regardless of the length of time you have owned our shares.

Distributions in excess of the Fund's earnings and profits will be treated by you, first, as a tax-free return of capital, which is applied against and will reduce the adjusted basis of your shares and, after such adjusted basis is reduced to zero, generally will constitute capital gain to you. After the close of its taxable year, the Fund will provide you with information on the federal income tax status of the dividends and distributions you received from the Fund during the year.

The Fund intends in general to apportion items of tax preference for purposes of the AMT in the same proportion that dividends (other than capital gain dividends) paid to each shareholder bear to the Fund's taxable income (determined without regard to the dividends paid deduction). For shareholders subject to the AMT this may affect the shareholders' AMT liability.

For taxable years beginning after December 31, 2017 and before January 1, 2026, qualified REIT dividends (i.e., REIT dividends other than capital gain dividends and portions of REIT dividends designated as qualified dividend income) are eligible for a 20% federal income tax deduction in the case of individuals, trusts and estates. If the Fund receives qualified REIT dividends, it may elect to pass the special character of this income through to its shareholders. To be eligible to treat distributions from the Fund as qualified REIT dividends, a shareholder must hold shares of the Fund for more than 45 days during the 91-day period beginning on the date that is 45 days before the date on which the shares become ex-dividend with respect to such dividend and the shareholder must not be under an obligation (whether pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property. If the Fund does not elect to pass the special character of this income through to shareholders or if a shareholder does not satisfy the above holding period requirements, the shareholder will not be entitled to the 20% deduction for the shareholder's share of the Fund's qualified REIT dividend income while direct investors in REITs may be entitled to the deduction.

Sales and other dispositions of the Fund's shares generally are taxable events. You should consult your own tax adviser with reference to your individual circumstances to determine whether any particular transaction in the Fund's shares is properly treated as a sale or exchange for federal income tax purposes and the tax treatment of any gains or losses recognized in such transactions. The sale or other disposition of shares of the Fund generally will result in capital gain or loss to you, equal to the difference between the amount realized and your adjusted basis in the shares sold or exchanged (taking into account any reductions in such basis resulting from prior returns of capital), and will be long-term capital gain or loss if your holding period for the shares is more than one year at the time of sale. Any loss upon the sale or exchange of shares held for six months or less will be treated as long-term capital loss to the extent of any capital gain dividends you received (including amounts credited as an undistributed capital gain dividend) with respect to such shares. A loss you realize on a sale or

exchange of shares of the Fund generally will be disallowed if you acquire other shares of the Fund (whether through the automatic reinvestment of dividends or otherwise) or other substantially identical shares within a 61-day period beginning 30 days before and ending 30 days after the date that you dispose of the shares. In such case, the basis of the shares acquired will be adjusted to reflect the disallowed loss. Present law taxes both long-term and short-term capital gain of corporations at the same rate applicable to ordinary income of corporations. For non-corporate taxpayers, short-term capital gain will currently be taxed at the rate applicable to ordinary income, while long-term capital gain generally will be taxed at the long-term capital gain rates. Capital losses are subject to certain limitations.

For purpose of determining (1) whether the annual distribution requirement to maintain RIC status is satisfied for any year and (2) the amount of capital gain dividends paid for that year, the Fund may, under certain circumstances, elect to treat a distribution that is paid during the following taxable year as if it had been paid during the taxable year in question. If the Fund makes such an election, the U.S. shareholder will still be treated as receiving the distribution in the taxable year in which the distribution is made. However, if the Fund pays you a distribution in January that was declared in the previous October, November or December to shareholders of record on a specified date in one of such months, then such distribution will be treated for federal income tax purposes as being paid by the Fund and received by you on December 31 of the year in which the distribution was declared. A shareholder may elect not to have all distributions automatically reinvested in Fund shares pursuant to the Plan. If a shareholder elects not to participate in the Plan, such shareholder will receive distributions in cash. For taxpayers subject to U.S. federal income tax, all distributions generally will be taxable, as discussed above, regardless of whether a shareholder takes them in cash or they are reinvested pursuant to the Plan in additional shares of the Fund.

If a shareholder's distributions are automatically reinvested pursuant to the Plan, for U.S. federal income tax purposes, the shareholder generally will be treated as having received a taxable distribution in the amount of the cash dividend that the shareholder would have received if the shareholder had elected to receive cash. Under certain circumstances, however, if a shareholder's distributions are automatically reinvested pursuant to the Plan and the Plan Agent invests the distribution in newly issued shares of the Fund, the shareholder may be treated as receiving a taxable distribution equal to the fair market value of the shares the shareholder receives.

The Fund intends to distribute substantially all realized capital gains, if any, at least annually. If, however, the Fund were to retain any net capital gain, the Fund may designate the retained amount as undistributed capital gains in a notice to shareholders who, if subject to U.S. federal income tax on long-term capital gains, (1) will be required to include in income as long-term capital gain, their proportionate shares of such undistributed amount and (2) will be entitled to credit their proportionate shares of the federal income tax paid by the Fund on the undistributed amount against their U.S. federal income tax liabilities, if any, and to claim refunds to the extent the credit exceeds such liabilities. If such an event occurs, the basis of the shares owned by a shareholder of the Fund will, for U.S. federal income tax purposes, generally be increased by the difference between the amount of undistributed net capital gain included in the shareholder's gross income and the tax deemed paid by the shareholder.

### **Backup Withholding**

The Fund is required in certain circumstances to backup withhold at a current rate of 24% on distributions and certain other payments paid to certain holders of the Fund's shares who do not furnish the Fund with their correct taxpayer identification number (in the case of individuals, their social security number) and certain certifications or who are otherwise subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld from payments made to you may be refunded or credited against your U.S. federal income tax liability, if any, provided that the required information is furnished to the IRS.

## **Medicare Tax**

An additional 3.8% tax is imposed on the net investment income of certain individuals with a modified adjusted gross income of over \$200,000 (\$250,000 in the case of joint filers) and on the undistributed net investment income of certain estates and trusts. For these purposes, “net investment income” generally will include interest, dividends, annuities, royalties, rent, net gain attributable to the disposition of property not held in a trade or business (including net gain from the sale, exchange or other taxable disposition of shares of the Fund) and certain other income, but will be reduced by any deductions properly allocable to such income or net gain. Thus, certain of our taxable distributions and gains on the sale of our shares to shareholders may be subject to this additional tax.

## **U.S. Federal Income Tax Considerations for Non-U.S. Shareholders**

The following discussion is a general summary of the material U.S. federal income tax considerations applicable to a Non-U.S. holder of our shares (a “Non-U.S. Shareholder”).

This summary does not purport to be a complete description of the income tax considerations for a Non-U.S. Shareholder. For example, the following does not describe income tax consequences that are assumed to be generally known by investors or certain considerations that may be relevant to certain types of holders subject to special treatment under U.S. federal income tax laws. This summary does not discuss any aspects of U.S. estate or gift tax or state or local tax. In addition, this summary does not address (1) any Non-U.S. Shareholder that holds, at any time, more than 5% of the Fund’s shares, directly or under ownership attribution rules applicable for purposes of section 897 of the Code, or (2) any Non-U.S. Shareholder whose ownership of shares of the Fund is effectively connected with the conduct of a trade or business in the United States.

As indicated above, the Fund intends to elect to be treated, and to qualify each year, as a RIC for U.S. federal income tax purposes. This summary is based on the assumption that the Fund will qualify as a RIC in each of its taxable years. Distributions of the Fund’s investment company taxable income to Non-U.S. Shareholders will, except as discussed below, be subject to withholding of U.S. federal income tax at a 30% rate (or lower rate provided by an applicable income tax treaty) to the extent of the Fund’s current and accumulated earnings and profits. In order to obtain a reduced rate of withholding, a Non-U.S. Shareholder will be required to provide the Fund with the applicable IRS Form W-8 certifying its entitlement to benefits under a treaty. The Fund generally will not be required to withhold tax on any amounts paid to a Non-U.S. Shareholder with respect to dividends attributable to “qualified short-term gain” (i.e., the excess of net short-term capital gain over net long-term capital loss) designated as such by the Fund and dividends attributable to certain U.S. source interest income that would not be subject to federal withholding tax if earned directly by a non-U.S. person, provided such amounts are properly designated by the Fund. The Fund may choose not to designate such amounts.

Actual or deemed distributions of the Fund’s net capital gains to a Non-U.S. Shareholder, and gains realized by a Non-U.S. Shareholder upon the sale of the Fund’s shares, will not be subject to withholding of U.S. federal income tax and generally will not be subject to U.S. federal income tax unless the Non-U.S. Shareholder is an individual, has been present in the United States for 183 days or more during the taxable year and certain other conditions are satisfied.

If the Fund distributes its net capital gains in the form of deemed rather than actual distributions (which the Fund may do in the future), a Non-U.S. Shareholder may be entitled to a federal income tax credit or tax refund equal to the shareholder’s allocable share of the tax the Fund paid on the capital gains deemed to have been distributed. In order to obtain the refund, the Non-U.S. Shareholder must obtain a U.S. taxpayer identification number and file a federal income tax return even if the Non-U.S. Shareholder would not otherwise be required to obtain a U.S. taxpayer identification number or file a federal income tax return.

A Non-U.S. Shareholder who is a non-resident alien individual, and who is otherwise subject to withholding of federal income tax, may be subject to information reporting and backup withholding of federal income tax on

dividends unless the Non-U.S. Shareholder provides us or the dividend paying agent with an IRS Form W-8BEN (or an acceptable substitute form) or otherwise meets documentary evidence requirements for establishing that it is a Non-U.S. Shareholder or otherwise establishes an exemption from backup withholding. The amount of any backup withholding from a payment to a Non-U.S. Shareholder will be allowed as a credit against such Non-U.S. Shareholder's United States federal income tax liability and may entitle such holder to a refund, provided that the required information is furnished to the IRS.

Special rules apply to foreign persons who receive distributions from the Fund that are attributable to gain from "United States real property interests" ("USRPIs"). The Code defines USRPIs to include direct holdings of U.S. real property and any interest (other than an interest solely as a creditor) in a "United States real property holding corporation" or a former United States real property holding corporation. The Code defines a United States real property holding corporation as any corporation whose USRPIs make up 50% or more of the fair market value of its USRPIs, its interests in real property located outside the United States, plus any other assets it uses in a trade or business. In general, if the Fund is a United States real property holding corporation (determined without regard to certain exceptions), distributions by the Fund that are attributable to (1) gains realized on the disposition of USRPIs by the Fund and (2) distributions received by the Fund from a lower-tier RIC or REIT that the Fund is required to treat as USRPI gain in its hands will retain their character as gains realized from USRPIs in the hands of the foreign persons and will be subject to U.S. federal withholding tax. In addition, such distributions could result in the foreign shareholder being required to file a U.S. tax return and pay tax on the distributions at regular U.S. federal income tax rates. The consequences to a non-U.S. shareholder, including the rate of such withholding and character of such distributions (e.g., ordinary income or USRPI gain) will vary depending on the extent of the non-U.S. shareholder's current and past ownership of the Fund.

In addition, if the Fund is a United States real property holding corporation or former United States real property holding corporation, the Fund may be required to withhold U.S. tax upon a redemption of shares by a greater-than-5% shareholder that is a foreign person, and that shareholder would be required to file a U.S. income tax return for the year of the disposition of the USRPI and pay any additional tax due on the gain. However, no such withholding is generally required with respect to amounts paid in redemption of shares of a fund if the fund is a domestically controlled qualified investment entity, or, in certain other limited cases, if a fund (whether or not domestically controlled) holds substantial investments in RICs that are domestically controlled qualified investment entities.

Non-U.S. persons should consult their own tax advisers with respect to the U.S. federal income tax and withholding tax and state, local and foreign tax consequences of an investment in the shares.

### **Foreign Account Tax Compliance Act**

Sections 1471-1474 of the Code and the U.S. Treasury and IRS guidance issued thereunder (collectively, "FATCA") generally impose a 30% withholding tax on distributions paid with respect to our shares and the gross proceeds from a disposition of our shares paid to (1) a foreign financial institution (as defined in section 1471(d)(4) of the Code) unless the foreign financial institution enters into an agreement with the U.S. Treasury Department to collect and disclose information regarding its U.S. account holders (including certain account holders that are foreign entities that have U.S. owners) and satisfies certain other requirements, and (2) certain other non-U.S. entities unless the entity provides the payor with certain information regarding direct and indirect U.S. owners of the entity or certifies that it has no such U.S. owners, and complies with certain other requirements. You are encouraged to consult with your own tax adviser regarding the possible implications of FATCA on your investment in our shares.

The foregoing is a general and abbreviated summary of the provisions of the Code and the Treasury regulations in effect as they directly govern the taxation of the Fund and its shareholders. These provisions are subject to change by legislative and administrative action, and any such change may be retroactive. Shareholders are urged to consult their own tax advisers regarding specific questions as to U.S. federal, foreign, state, local income or other taxes based on their particular circumstances.

## PROXY VOTING POLICIES

We, our Adviser and our Subadvisers have adopted proxy voting policies and procedures (“Proxy Policies”), which we and they believe are reasonably designed to ensure that proxies are voted in our best interests and the best interests of our shareholders. Subject to the oversight of the Board of Directors, the Board has delegated responsibility for implementing the Proxy Policies to our Adviser or our Subadvisers. Because of the unique nature of certain essential assets in which we primarily invest, our Adviser or our Subadvisers will evaluate each proxy on a case-by-case basis. Our Adviser and/or our Subadvisers, as applicable, do not believe it is prudent to adopt pre-established voting guidelines with respect to proxies of MLPs, securities of private clean energy and infrastructure companies or fixed income securities. Proxies of MLPs are expected to relate only to extraordinary measures. Proxies of fixed income securities are expected to involve amendments to loan documentation, borrower compliance with restricted financial covenants, registration rights, prepayments, insolvency, and other distressed financial covenants.

In the event requests for proxies are received with respect to the voting of equity securities other than MLP equity units, on routine matters associated with equity securities, such as, for example, election of directors or approval of auditors, the proxies usually will be voted with management unless our Adviser or our Subadvisers determine that they have a conflict or our Adviser or our Subadvisers determine that there are other reasons not to vote with management. On nonroutine matters, such as, for example, amendments to governing instruments and stockholder proposals, our Adviser or our Subadvisers will vote, or abstain from voting if deemed appropriate, on a case by case basis in a manner that they believe to be in the best economic interest of our shareholders. In the event requests for proxies are received with respect to debt securities, our Adviser or our Subadvisers will vote on a case by case basis in a manner that they believe to be in the best economic interest of our shareholders.

The investment team of our Adviser responsible for the Fund, or a Managing Director of our Adviser designated by such investment team is responsible for monitoring our actions and ensuring that: (1) proxies are received and forwarded to the appropriate decision makers; and (2) proxies are voted in a timely manner upon receipt of voting instructions. We are not responsible for voting proxies that we do not receive but will make reasonable efforts to obtain missing proxies. The investment team of our Adviser responsible for the Fund, or a Managing Director of our Adviser designated by such investment team, and the Chief Investment Officer of our Subadvisers will implement procedures to identify and monitor potential conflicts of interest that could affect the proxy voting process, including: (1) significant client relationships; (2) other potential material business relationships; and (3) material personal and family relationships. All decisions regarding proxy voting will be determined by the investment team of our Adviser responsible for the Fund, or a Managing Director of our Adviser designated by such investment team, or our Subadvisers and will be executed by the Chief Executive Officer. Every effort will be made to consult with the portfolio manager and/or analyst covering the security. We may determine not to vote a particular proxy, if the costs and burdens exceed the benefits of voting (e.g., when securities are subject to loan or to share blocking restrictions).

In certain limited circumstances, particularly in the area of structured finance, our Subadvisers may enter into voting agreements or other contractual obligations that govern the voting of shares or other interests and, in such cases, will vote any shares or other interests by proxy in accordance with such agreement or obligation. In addition, where our Subadvisers determine that there are unusual costs and/or difficulties associated with voting a particular security, which more typically might be the case with respect to securities of non-U.S. issuers, our Subadvisers reserve the right not to vote a security by proxy unless our Subadvisers determine that the potential benefits of voting the security exceed the expected cost. Other factors that may influence our Subadvisers’ determination not to vote a debt or equity security include if: (1) the effect on the applicable client’s economic interests or the value of the account’s holding is insignificant in relation to the client’s account as a whole; (2) the cost of voting the security outweighs the possible benefit to the applicable client, including, without limitation, situations where a jurisdiction imposes share blocking restrictions which may affect the ability of the account managers to effect trades in the related security; or (3) our Subadvisers otherwise determine that it is consistent with our Subadvisers’ fiduciary obligations not to vote the security.

If a request for proxy presents a conflict of interest between our shareholders, on the one hand, and our Adviser, our Subadvisers, the principal underwriters, or any affiliated persons of ours, on the other hand, our Adviser's or Subadvisers' management may: (1) disclose the potential conflict to the Board of Directors and obtain consent; or (2) establish an ethical wall or other informational barrier between the persons involved in the conflict and the persons making the voting decisions.

Information regarding how we vote proxies will be available without charge by calling us at 1-866-362-9331. You also may access this information on the SEC's website at <http://www.sec.gov>. Our Adviser's website at <http://www.tortoiseadvisors.com> provides a link to all of our reports filed with the SEC.

## **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Ernst & Young LLP, 1200 Main Street, Kansas City, Missouri, serves as our independent registered public accounting firm. Ernst & Young LLP provides audit and audit-related services, and tax return preparation and assistance and consultation in connection with review of our filings with the SEC.

## **ADMINISTRATOR, CUSTODIAN AND FUND ACCOUNTANT**

U.S. Bancorp Fund Services, LLC will serve as our administrator and provide certain back-office support such as oversight and supervision of the payment of expenses and preparation of financial statements and related schedules. We will pay the administrator a monthly fee based on the daily net assets of the Fund, subject to an annual minimum.

U.S. Bank, N.A. will serve as our custodian. The principal business address of U.S. Bank, N.A. is 1555 North Rivercenter Drive, Suite 302, Milwaukee, Wisconsin 53212.

U.S. Bancorp Fund Services, LLC, doing business as U.S. Bank Global Fund Services, will serve as our fund accountant.

## **ADDITIONAL INFORMATION**

A registration statement on Form N-2, including amendments thereto, relating to the common shares offered hereby, has been filed by us with the SEC. The prospectus and this statement of additional information do not contain all of the information in our registration statement, including amendments, exhibits and schedules thereto. Please refer to the registration statement for further information with respect to us and the offering of our securities. Statements contained in the prospectus and this statement of additional information as to the contents of any contract or other document are not necessarily complete and in each instance reference is made to the copy of the contract or other document filed as an exhibit to the registration statement, each such statement being qualified in all respects by this reference. Copies of the registration statement or any part thereof may be obtained from the SEC upon the payment of certain fees prescribed by the SEC. Pursuant to a notice of eligibility claiming exclusion from the definition of commodity pool operator, filed with the CFTC and the National Futures Association, we are not deemed to be a “commodity pool operator” under the CEA, and accordingly, are not subject to registration or regulation as such under the CEA.



## INDEX TO FINANCIAL STATEMENTS

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Trustees of  
Tortoise Essential Assets Income Term Fund

### Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities of Tortoise Essential Assets Income Term Fund (the “Fund”), as of January 25, 2019 and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund at January 25, 2019, in conformity with U.S. generally accepted accounting principles.

### Basis for Opinion

These financial statements are the responsibility of the Fund’s management. Our responsibility is to express an opinion on the Fund’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Fund is not required to have, nor were we engaged to perform, an audit of the Fund’s internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as auditor of one or more Tortoise investment companies since 2004.

Minneapolis, Minnesota  
February 15, 2019

**TORTOISE ESSENTIAL ASSETS INCOME TERM FUND**

**STATEMENT OF ASSETS AND LIABILITIES  
JANUARY 25, 2019**

<b>Assets:</b>	
Cash .....	<u>\$100,000</u>
Total assets .....	<u>100,000</u>
<b>Liabilities:</b>	
Total liabilities .....	<u>—</u>
Net assets applicable to common stockholders .....	<u>\$100,000</u>
<b>Net Assets Applicable to Common Stockholders Consist of:</b>	
Capital stock, \$0.001 par value; 5,000 shares issued and outstanding (100,000,000 shares authorized) .....	\$ 5
Additional paid-in capital .....	<u>99,995</u>
Net assets applicable to common stockholders .....	<u>\$100,000</u>
Net Asset Value per common share outstanding (net assets applicable to common stock, divided by common shares outstanding) .....	<u>\$ 20.00</u>

The accompanying notes are an integral part of the Statement of Assets and Liabilities.

**TORTOISE ESSENTIAL ASSETS INCOME TERM FUND**  
**NOTES TO STATEMENT OF ASSETS AND LIABILITIES**  
**JANUARY 25, 2019**

**1. Organization**

Tortoise Essential Assets Income Term Fund (the “Trust” or “Fund”) was organized as a Maryland corporation on February 17, 2017 and converted to a Maryland statutory trust on July 19, 2018, and is a newly organized, non-diversified, closed-end management investment company. The Fund has had no operations other than those actions relating to organizational and registration matters, including the sale and issuance to Tortoise Capital Advisors, LLC (the “Adviser”) of 5,000 shares at an aggregate purchase price of \$100,000. The proceeds of the 5,000 shares were held in cash. The Fund seeks to provide its common shareholders a high level of total return with an emphasis on current distributions.

**2. Significant Accounting Policies**

The following is a listing of the significant accounting policies that the Fund will implement upon the commencement of its operations:

A. *Use of Estimates* – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

B. *Investment Valuation* – The Fund will determine the value of its assets and liabilities in accordance with valuation procedures adopted by the Board of Directors. Securities for which market quotations are readily available will be valued at “market value.” If market values are not readily available or cannot be obtained, or if the Adviser determines that the value of a security as so obtained does not represent value as of the measurement date (due to a significant development subsequent to the time its price is determined or otherwise), value will be determined pursuant to the methodologies established by our Board of Directors. In these circumstances, the Fund will determine fair value in a manner that fairly reflects the market value of the security on the valuation date based on consideration of any information or factors deemed to be appropriate. The Adviser will attempt to obtain current information to value all fair valued securities, but it is anticipated that such information for certain of the private social infrastructure, sustainable infrastructure and energy infrastructure investments in the Fund’s portfolio could be available on no more than a quarterly basis. Fair value pricing may require subjective determinations about the value of an asset or liability and may not always result in adjustments to the prices of securities or other assets or liabilities held by the Fund. It is possible that the fair value determined for a security may be materially different than the value that could be realized upon the sale of such security.

The value for equity securities and equity-related securities will be determined by using readily available market quotations from the principal market. For equity and equity-related securities that are freely tradable and listed on a securities exchange or over the counter market, value will be determined using the last sale price on that exchange or OTC market on the measurement date. If the security is listed on more than one exchange, the Fund will use the price of the exchange that it considers to be the principal exchange on which the security is traded. Securities listed on the NASDAQ Stock Market will be valued at the NASDAQ Official Closing Price, which may not necessarily represent the last sale price. If a security is traded on the measurement date, then the last reported sale price on the exchange or OTC market on which the security is principally traded, up to the time of valuation, will be used. If there were no reported sales on the security’s principal exchange or OTC market on the measurement date, then the average between the last bid price and last ask price, as reported by the pricing service, will be used. The Fund will obtain direct written broker-dealer quotations if a security is not traded on an exchange or quotations are not available from an approved pricing service. Exchange-traded options will be valued at the mean of the best bid and best ask prices across all option exchanges.

An equity security of a company acquired in a private placement transaction without registration is subject to restrictions on resale that can affect the security's liquidity and value. Such securities that are convertible into shares of publicly traded common stock or securities that may be sold pursuant to Rule 144 generally will be valued based on the value of the freely tradable common stock counterpart less an applicable discount. Generally, the discount will initially be equal to the discount at which we purchased the securities. To the extent that such securities are convertible or otherwise become freely tradable within a time frame that may be reasonably determined, an amortization schedule may be determined for the discount.

Fixed income securities (other than the short-term securities as described below) are valued by (1) using readily available market quotations based upon the last updated sale price or a market value from an approved pricing service generated by a pricing matrix based upon yield data for securities with similar characteristics or (2) by obtaining a direct written broker-dealer quotation from a dealer who has made a market in the security.

A fixed income security acquired in a private placement transaction without registration is subject to restrictions on resale that can affect the security's liquidity and value. Among the various factors that can affect the value of a privately placed security are (1) whether the issuing company has freely trading fixed income securities of the same maturity and interest rate (either through an initial public offering or otherwise); (2) whether the company has an effective registration statement in place for the securities; and (3) whether a market is made in the securities. The securities normally will be valued at amortized cost unless the portfolio company's condition or other factors lead to a determination of value at a different amount.

Short-term securities, including bonds, notes, debentures and other fixed income securities, and money market instruments such as certificates of deposit, commercial paper, bankers' acceptances and obligations of domestic and foreign banks, with remaining maturities of 60 days or less, for which reliable market quotations are readily available are valued on an amortized cost basis.

Other assets will be valued at market value pursuant to written valuation procedures adopted by the Fund's Board of Directors, or if a market value cannot be obtained or if the Adviser determines that the value of a security as so obtained does not represent value as of the measurement date (due to a significant development subsequent to the time its price is determined or otherwise), value will be determined pursuant to the methodologies established by our Board of Directors.

*C. Security Transactions and Investment Income* – Security transactions will be accounted for on the date the securities are purchased or sold (trade date). Realized gains and losses will be reported on an identified cost basis. Interest income will be recognized on the accrual basis, including amortization of premiums and accretion of discounts. Dividend and distribution income will be recorded on the ex-dividend date. Distributions received from the Fund's investments in master limited partnerships ("MLPs") generally will be comprised of ordinary income, capital gains and return of capital from the MLPs. The Fund will allocate distributions between investment income and return of capital based on estimates made at the time such distributions are received. Such estimates are based on information provided by each MLP and other industry sources. These estimates may subsequently be revised based on actual allocations received from the MLPs after their tax reporting periods are concluded, as the actual character of these distributions is not known until after the fiscal year end of the Fund.

In addition, the Fund may be subject to withholding taxes on foreign-sourced income. The Fund will accrue such taxes when the related income is earned.

*D. Distributions to Shareholders* – Once the Fund is fully invested and to the extent it receives income, the Fund intends to make monthly cash distributions to common shareholders. In addition, on an annual basis, the Fund may distribute additional capital gains in the last fiscal quarter if necessary to meet minimum distribution requirements and thus avoid being subject to excise taxes. The amount of any distributions will be determined by the Board of Directors. Distributions to shareholders will be recorded on the ex-dividend date. The character of distributions made during the year from net investment income, net realized gains, or other sources may differ from their ultimate characterization for federal income tax purposes.

E. *Federal Income Taxation* – The Fund intends to elect to be treated and to qualify each year as a RIC under the U.S. Internal Revenue Code of 1986, as amended (the “Code”). As a result, the Fund generally will not be subject to U.S. federal income tax on income and gains that it distributes each taxable year to shareholders if it meets certain minimum distribution requirements. To qualify as a RIC, the Fund will be required to distribute substantially all of its income, in addition to other asset diversification requirements. The Fund will be subject to a 4 percent non-deductible U.S. federal excise tax on certain undistributed income unless the Fund makes sufficient distributions to satisfy the excise tax avoidance requirement.

F. *Organization Expenses and Offering Costs* – The Adviser has agreed to pay all organizational expenses of the Fund and all offering costs associated with the initial public offering of common shares. The Fund is not obligated to repay any such organizational expenses or offering costs paid by the Adviser.

G. *Derivative Financial Instruments* - The Fund intends to seek to provide current income from gains earned through an option strategy which will normally consist of writing (selling) call options on selected equity securities in the portfolio (“covered calls”). The premium received on a written call option will initially be recorded as a liability and subsequently adjusted to the then current fair value of the option written. Premiums received from writing call options that expire unexercised will be recorded as a realized gain on the expiration date. Premiums received from writing call options that are exercised will be added to the proceeds from the sale of the underlying security to calculate the realized gain (loss). If a written call option is repurchased prior to its exercise, the realized gain (loss) will be the difference between the premium received and the amount paid to repurchase the option.

H. *Indemnifications* - Under the Fund’s organizational documents, its officers and directors are indemnified against certain liabilities arising out of the performance of their duties to the Fund. In addition, in the normal course of business, the Fund may enter into contracts that provide general indemnification to other parties. The Fund’s maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred, and may not occur. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

### **3. Agreements and Affiliations**

A. *Investment Advisory Agreement* – The Fund intends to enter into an agreement with the Adviser to provide for investment advisory services to the Fund. Under the Investment Advisory Agreement between the Fund and the Adviser, the Adviser is entitled to receive, on a quarterly basis, annual compensation in an amount equal to 1.35% of the average monthly “Managed Assets” of the Fund. “Managed Assets” means the total assets of the Fund (including any assets attributable to any leverage that may be outstanding) minus the sum of accrued liabilities (other than debt representing financial leverage and the aggregate liquidation preference of any outstanding preferred shares). The Adviser has agreed to waive its investment advisory fee in the amount of 0.25% of the average monthly Managed Assets for one year following the effective date of the Fund’s registration statement. No investment advisory fees will be charged until the Fund commences operations.

The Adviser intends to enter into a separate subadvisory agreement with each of Tortoise Credit Strategies, LLC and Tortoise Advisers UK Limited (the “Subadvisers”), pursuant to which the Subadvisers each will serve as the Fund’s investment subadviser. Under the subadvisory agreement between the Adviser and each Subadviser, the Adviser pays the Subadviser a subadvisory fee based on the Funds’s average monthly Managed Assets. The subadvisory fee payable to each Subadviser will be paid by the Adviser out of the investment management fee it receives from the Fund. Decisions to increase or decrease the portion of Fund assets allocated to its Subadvisers will not affect the fees the Fund pays for investment advisory services.

B. *Administrator, Custodian, Fund Accountant and Transfer Agent* – The Fund’s custodian is U.S. Bank, N.A. The administrator and fund accountant to the Fund is U.S. Bancorp Global Fund Services, LLC, an affiliate of U.S. Bank, N.A. Computershare Trust Company, N.A. serves as the Fund’s transfer agent, dividend paying agent, and agent for the automatic dividend reinvestment plan.

#### **4. Concentration of Risk**

The Fund seeks to achieve its investment objective by investing at least 80% of its total assets in issuers operating in essential asset sectors. The Fund considers an issuer to be operating in an essential asset sector if (1) at least 50% of its assets are dedicated to, or at least 50% of its cash flow or revenue is derived from, one or more essential asset sectors, including the education, housing, healthcare, social and human services, power, water, energy, infrastructure, basic materials, industrial, transportation and telecommunications sectors; or (2) it is otherwise determined by our Adviser or Subadvisers to be an issuer in one of the sectors mentioned above by (a) its classification or inclusion in an index related to that industry or sector, (b) its GICS classification, (c) its assignment under the NAICS classification, or (d) its assignment of a related code under the SIC system. Under normal conditions, the Fund may invest up to 30% of its total assets in securities of non-U.S. issuers, 40% of its total assets in directly originated loans, 25% of total assets in direct placements in restricted equity securities in listed companies, 25% of total assets in direct equity investments in unlisted companies and, as a RIC, the Fund may invest up to 25% of its total assets in securities of entities treated as qualified publicly traded partnerships for federal income tax purposes, which generally includes MLPs.

#### **5. Subsequent Events**

The Fund has performed an evaluation of subsequent events through the date the statement of assets and liabilities was issued and has determined that no items require recognition or disclosure.

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# **Tortoise Essential Assets Income Term Fund**

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## **STATEMENT OF ADDITIONAL INFORMATION**

**March 26, 2019**

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