Tortoise Capital

Tortoise Essential Energy Fund

1Q 2025 QUARTERLY COMMENTARY

A New Era of Demand Is Powering Performance

The global energy transformation is no longer theoretical—it's accelerating. As artificial intelligence-driven data centers emerge as the next major industrial energy consumer, natural gas has become a critical enabler of this digital age. Simultaneously, the U.S. is solidifying its position as a global energy powerhouse, with its growing natural gas exports is positioning midstream infrastructure as a strategic gateway to global energy security. These intersecting trends—digitalization, onshoring, and decarbonization—are fueling a new investment cycle across the energy value chain, with capital flowing into upstream production, pipelines, LNG facilities, and power generation assets.

Midstream and Utilities: Infrastructure Investment Accelerates

The broad energy sector, as measured by the S&P Energy Select Sector Index, advanced **10.2%** in 1Q25. Midstream and utilities also delivered strong results, with the Alerian Midstream Energy Index rising **6.3%** and the S&P Utility Select Sector Index up **4.9%**. These gains were supported by growing infrastructure investment and surging energy demand, particularly tied to AI data centers and industrial onshoring.

+6.3% Midstream Energy Index return. **+10.2%** S&P Energy Select Sector Index return

Midstream companies highlighted continued opportunities for pipeline development, especially in transporting natural gas. U.S. LNG export growth, rising domestic power consumption, and revised natural gas demand forecasts drove active discussion of new projects. Many companies are engaging directly with data center developers as part of long-term planning. Capital allocation remained disciplined, focused on dividend growth, opportunistic share repurchases, and maintaining strong balance sheets.

Utilities benefited from record electricity consumption, supportive regulatory environments, and elevated capital investment in grid modernization. With electricity consumption rising rapidly due to AI and cryptocurrency data centers, electrification, and reshoring, utilities are expanding capacity while maintaining investment-grade credit profiles and consistent dividend growth.

U.S. Production Outlook: Growth Anchored in the Permian

U.S. energy supply continues to expand, led by higher crude oil and natural gas production. The Energy Information Administration (EIA) projects crude oil output rising from 13.50 million barrels per day (bpd) in 1Q25 to 13.81 million bpd by 1Q26. For the full year, 2025 production is expected to surpass 2024 levels by 2.6%, with another 1.1% increase projected for 2026, averaging 13.76 million bpd. The Permian Basin remains the dominant contributor, accounting for nearly half of U.S. output.

Crude oil prices (WTI) averaged $71.43 per barrel in 1Q25, holding steady with $70.29 in 4Q24. This stability reflects a balance between OPEC+'s gradual supply increases and the potential for stricter sanctions on key exporters such as Iran, Venezuela, and Russia.

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Natural gas production is also expected to rise modestly, from 105 billion cubic feet per day (Bcf/d) in 1Q25 to 106.2 Bcf/d by 1Q26. A colder-than-expected winter drew down inventories and lifted prices, with 1Q25 natural gas averaging $4.06 per MMBtu, up sharply from $2.98 in 4Q24. The EIA expects full-year 2025 production to reach 105.2 Bcf/d, up from 103.2 Bcf/d in 2024. While weather will continue to drive short-term price swings, the commissioning of new LNG export facilities in late 2024 could further increase demand.

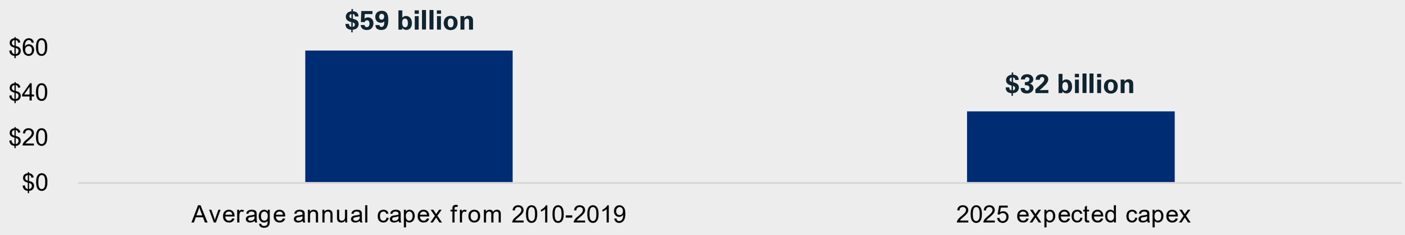
Capital Deployment and Infrastructure Expansion

Fourth-quarter earnings for the energy infrastructure sector largely met expectations, supported by sustained volume growth, particularly for natural gas liquids. Companies raised capital expenditure budgets to capture rising opportunities driven by LNG exports, AI-driven power demand, and growing volumes of natural gas liquids to transport to the Gulf Coast.

Despite budgets rising, capex remains well below pre-2020 levels, allowing companies to direct significant free cash flow toward shareholder returns. Importantly, new projects are not expected to require equity market financing. In line with disciplined financial management, companies executed over $580 million in share buybacks during 4Q24, bringing 2024 total repurchases to $4.0 billion, meeting expectations.

CapEx rising but still below pre-2020 levels

$4.0B in share repurchases for 2024



No equity capital market access needed with significant cash flow to allocate toward shareholders in 2025

Strategic Activity: M&A Quiet, but Infrastructure IPOs Signal Growth

Merger and acquisition (M&A) activity in early 2025 remained subdued in the midstream space. Kinder Morgan announced a $640 million acquisition of a natural gas gathering and processing system in North Dakota, supported by long-term contracts and integrated with its existing Bakken assets.

In contrast, the power sector saw more robust M&A activity. Notably, Constellation Energy (CEG) announced a $26.6 billion acquisition of Calpine Corporation, combining nuclear, natural gas, and geothermal capacity to establish the country's largest and most diversified clean energy platform. The merger enhances the combined company's ability to meet rising demand in key U.S. markets including Texas, California, and the Mid-Atlantic.

The quarter also marked the notable IPO of Venture Global (VG), a pure-play LNG exporter operating two facilities in Louisiana—Calcasieu Pass (in operation since 2022) and Plaquemines (launched at the end of 2024). VG is planning expansions at both sites, positioning itself as one of the world's most cost-competitive LNG providers.

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Fund Commentary: Focused Exposure to Energy and Power Growth

The Fund maintains a disciplined focus on North American energy and power infrastructure. Core holdings include companies with strong balance sheets, consistent dividend growth, and high-quality assets positioned to benefit from rising energy and power demand.

The strategy maintains significant exposure to both natural gas and power infrastructure, aligned with increased demand for natural gas, expansion of LNG export capacity and the accelerating electricity needs of data centers and industrial onshoring. We believe portfolio companies will benefit from the competitive cost advantages of U.S. energy, favorable regulatory environments, and a robust pipeline of capital deployment opportunities.

The fund also holds meaningful positions in the Permian Basin, in key Gulf Coast natural gas infrastructure, and in regions experiencing tightening power reserve margins—supporting long-term growth driven by sustained load increases.

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Top 10 holdings (as of 3/31/2025)

1.	MPLX LP	7.8%
2.	Targa Resources Corp.	7.6%
3.	Energy Transfer LP	7.1%
4.	ONEOK Inc	6.6%
5.	Hess Midstream LP	5.2%
6.	Williams Companies, Inc.	5.2%
7.	Cheniere Energy, Inc.	5.1%
8.	Enterprise Products Partners L.P.	5.1%
9.	TC Energy Corp	5.0%
10.	Plains GP Holdings, L.P.	4.8%

Fund holdings are subject to change and are not recommendations to buy or sell any security. Reflected as a percentage of long-term investments.

Performance (as of 3/31/2025)

Total return	QTD	Calendar YTD	1 year	3 year	5 year	10 year	Since inception*
Market price	3.93%	3.93%	40.67%	22.83%	33.90%	5.49%	7.98%
NAV	3.62%	3.62%	23.73%	16.12%	26.55%	3.97%	7.59%
S&P 500 Energy Index	10.21%	10.21%	2.49%	11.08%	31.58%	6.24%	7.42%

*7/28/2009. Note: For periods over one year, performance reflected is for the average annual returns.

On December 5, 2024, the stockholders of Tortoise Pipeline & Energy Fund, Inc., Tortoise Energy Independence Fund, Inc. and Tortoise Power and Energy Infrastructure Fund, Inc., each a Maryland corporation that is registered as a closed-end management investment company (the "Target Funds"), approved an Agreement and Plan of Merger (the "Plan") by and between the Target Funds, and the Trust, on behalf of the Fund, pursuant to which each Target Fund would be merged with and into a wholly-owned subsidiary of the Fund (the "Mergers"). As a result of the Mergers, the Fund has assumed the performance history of Tortoise Essential Energy Fund ("TPZ", formerly known as Tortoise Power and Energy Infrastructure Fund, or the "Predecessor Fund". The Predecessor Fund and the ETF have certain differences, including investment policies and practices and the Predecessor Fund was a closed-end fund that utilized leverage while the Fund is an exchange traded fund that does not utilize leverage. Thus, the Predecessor Fund's past performance is not indicative of how the Fund will, or is expected to, perform in the future.

Past performance is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. Returns less than one year are not annualized. NAV prices are used to calculate market price performance prior to the date when the fund first traded on the New York Stock Exchange. Market performance is determined using the bid/ask midpoint at 4:00pm Eastern time, when the NAV is typically calculated. Market performance does not represent the returns you would receive if you traded shares at other times. For the fund's most recent month end performance, please call (855) 994-4437.

As stated in the Prospectus, the total annual operating expenses are 0.85%. The adviser has agreed to pay all expenses incurred by the fund except for the advisory fee, interest, taxes, brokerage expenses and other fees, charges, taxes, levies or expenses (such as stamp taxes) incurred in connection with the execution of portfolio transactions or in connection with creation and redemption transactions.

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

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Disclosures

Tortoise Capital Advisors, LLC. (TCA) is the adviser to the Tortoise Essential Energy Fund. TCA is an investment manager specializing in listed energy investments and is experienced in managing portfolios of MLP securities and other energy companies for individual, institutional and closed-end fund investors.

The fund's investment objective, risks, charges and expenses must be considered carefully before investing. The summary and statutory prospectus contains this and other important information about the fund and may be obtained by calling (855) 994-4437 or visiting etp.tortoiseacapital.com/funds/tortoise-essential-energy-fund. Read it carefully before investing.

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

Investing involves risk. Principal loss is possible. The fund is registered as a non-diversified, open-end management investment company under the 1940 Act. Accordingly, there are no regulatory limits under the 1940 Act on the number or size of securities that we hold, and we may invest more assets in fewer issuers compared to a diversified fund. An investment in MLP securities involves some risks that differ from the risks involved in an investment in the common stock of a corporation, including risks relating to the ownership structure of MLPs, the risk that MLPs might lose their partnership status for tax purposes and the risk that MLPs will not make distributions to holders (including us) at anticipated levels or with the expected tax character.

The Fund's strategy of concentrating its assets in the power and energy infrastructure industries means that the performance of the Fund will be closely tied to the performance of these particular market sectors.

We may invest a portion of our assets in fixed income securities rated "investment grade" by nationally recognized statistical rating organizations ("NRSROs") or judged by our investment adviser, Tortoise Capital Advisors, L.L.C. (the "Adviser"), to be of comparable credit quality. Non-investment grade securities are rated Ba1 or lower by Moody's, BB+ or lower by S&P or BB or lower by Fitch or, if unrated, are determined by our Adviser to be of comparable credit quality. Investments in the securities of non-U.S. issuers may involve risks not ordinarily associated with investments in securities and instruments of U.S. issuers, including different accounting, auditing and financial standards, less government supervision and regulation, additional tax withholding and taxes, difficulty enforcing rights in foreign countries, less publicly available information, difficulty effecting transactions, higher expenses, and exchange rate risk.

Restricted securities (including Rule 144A securities) are less liquid than freely tradable securities because of statutory and contractual restrictions on resale. This lack of liquidity creates special risks for us. Rule 144A provides an exemption from the registration requirements of the Securities Act of 1933 (the "1933 Act"), for the resale of certain restricted securities to qualified institutional buyers, such as the Fund. We cannot guarantee that our covered call option strategy will be effective. There are several risks associated with transactions in options on securities. For example, the significant differences between the securities and options markets could result in an imperfect correlation between these markets. Certain securities may trade less frequently than those of larger companies that have larger market capitalizations.

The Alerian Midstream Energy Index is a broad-based composite of North American energy infrastructure companies. The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMNA) and on a total-return basis (AMNAX). The S&P Energy Select Sector Index is a modified market capitalization-based index of S&P 500 companies in the energy sector that develop and produce crude oil and natural gas and provide drilling and other energy related services. Returns include reinvested dividends. The S&P Utilities Select Sector Index is a modified capitalization-weighted index. The Index is intended to track the movements of companies that are constituents of the S&P 500 in the utility sector (as defined by the Global Industry Classification Standard). The S&P 500® Energy Index comprises those companies included in the S&P 500 that are classified as members of the GICS® energy sector.

Natural gas liquid (NGL) is liquid or liquefied hydrocarbons produced in the manufacture, purification and stabilization of natural gas. Their characteristics vary, ranging from those of ethane, butane and propane to heavy oils. NGL's are either distilled with crude oil in refineries, blended with refined petroleum products or used directly depending on their characteristics. Liquefied Natural Gas (LNG) is natural gas that has been cooled to a liquid state for shipping and storage - the volume in this state is about 600 times smaller than in its gaseous state, able to transport for much longer distances when pipeline transport is not feasible. Free cash flow is the cash a company produces through its operations, less the cost of total capital expenditures (growth and maintenance). Capital expenditures (CapEx) are funds used by a company to acquire, upgrade, and maintain physical assets such as property, plants, buildings, technology, or equipment.

Quasar Distributors, LLC, Distributor

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