



# Energy Evolved: What Sets TPZ Apart in a Changing Investment Landscape



# The Case for Energy Investing in 2025

## The energy landscape is changing—rapidly and profoundly.

Electrification, AI-driven infrastructure, and data center proliferation are reshaping energy demand across the U.S. At the same time, investors face uncertainty around commodity prices, interest rates, and the economic ripple effects of decarbonization.

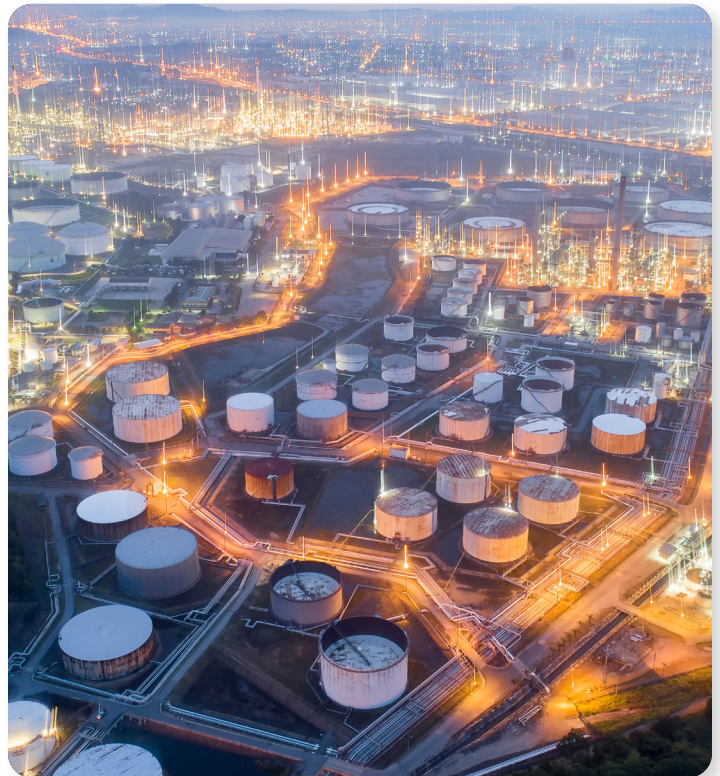
Amid these crosscurrents, one thing remains clear: energy infrastructure is essential, evolving, and investable. For Registered Investment Advisors (RIAs) and portfolio strategists seeking reliable income and real asset exposure, energy ETFs remain a compelling allocation.

However, not all energy ETFs are created equal. Some concentrate narrowly on upstream producers or MLPs. Others are rigidly tied to static indexes. Still other ETFs chase speculative clean tech themes with unproven earnings and volatile return profiles. That's where this guide comes in.

## The Energy ETF Built for What's Next

In the following pages, we examine how the Tortoise Essential Energy Fund (TPZ) compares to other energy-focused ETFs. You'll see how TPZ's actively managed, multi-asset approach offers a differentiated blend of income, growth potential, and portfolio flexibility—especially in the face of today's market and macro challenges.

Whether you're optimizing client income, diversifying from traditional equities, or allocating toward the electrification megatrend, TPZ may be the strategic tool your portfolio is missing.



# —• More Than an Energy ETF—A Strategic Way to Help Power Portfolios

In a sea of energy ETFs that track the same benchmarks and lean heavily on commodity price momentum, TPZ offers a refreshing alternative: an actively managed, income-focused strategy built for the real drivers of today's energy economy. This isn't just about investing in oil and gas—it's about tapping into the backbone of America's electrification.

Let's break down what potentially gives TPZ its edge.

## A Broader Universe Means More Opportunity

Where many ETFs are confined to a narrow market segment—think MLPs only or equity positions in the oil majors—**TPZ expands the playing field.**

Its portfolio spans:

- **Electrification-Driven Growth:** The ETF focuses on regulated assets tied to rising electricity demand from AI, EVs, and grid modernization.
- **Natural Gas as a Bridge Fuel:** Exposure to natural gas infrastructure as a reliable, scalable foundation of the electric future.
- **Utilities with Expansion Opportunity:** Targets electric power providers increasing their capex to meet new grid and demand challenges.
- **Nuclear Resurgence:** Invests in companies connected to nuclear renaissance as a zero-carbon baseload solution.

This flexibility enables TPZ to capture a broader set of income and growth opportunities while maintaining exposure to mission-critical assets that support rising demand from data centers and AI-driven infrastructure.



### Key takeaway

TPZ invests in essential, scalable, and reliable energy infrastructure—without the volatility of speculative clean tech.

## Dynamic Allocation That Moves with the Market

Static index funds have one speed. TPZ shifts gears when the market does.  
With the ability to pivot across:

Equities

Fixed Income

Covered calls

TPZ can position offensively in growth periods and defensively during drawdowns. That means the potential for greater adaptability across economic cycles, interest rate regimes, and commodity price swings.

Translation for advisors: TPZ doesn't just ride the market—it actively navigates it.

Income-First Thinking—Even When Markets Get Choppy

Income remains top-of-mind for many advisors and their clients—and it’s income where TPZ is focused. Whereas many energy ETFs pay **quarterly distributions**, TPZ seeks to provide **monthly income**, supported by a **covered call overlay** strategy designed to enhance yield potential even in flat or declining markets.

With a 30-day SEC yield of **4.32%** as of March 31, 2025, and a track record of **consistent payouts**, TPZ is engineered to help generate real income, not just paper gains.



Key takeaway

Looking for steady income from real assets? TPZ is built with that in mind.

Built for Better Risk-Adjusted Returns

The energy sector can be volatile. However, TPZ’s structure and strategy aim to smooth the ride. With an **80% active share**, a diversified mix of asset classes, and a focus on regulated utilities and infrastructure, TPZ seeks to deliver strong **risk-adjusted performance**, not just high returns in bull markets.



Key takeaway

Less whiplash. More consistency. That’s what TPZ is designed to deliver.

How TPZ Stacks Up: A Side-by-Side Snapshot

Feature	TPZ	Passive Energy ETF
Management Style	Active	Passive
Income Frequency	Monthly	Quarterly
Asset Flexibility	Equities, bonds, options	Typically equities only
Focus	Infrastructure + Electrification	Upstream oil & gas
Tax Form	1099 (no K-1)	1099 (no K-1)
Active Share	80%	Varies, often <10%
Strategy	Total return with/ income overlay	Index-tracking



Key takeaway

TPZ offers a differentiated approach that blends the predictability of infrastructure with the dynamism of active management.

# Resilient Returns in a Changing Energy Market

When assessing an energy ETF's value, returns only tell part of the story. The real test? How it performs when the market changes—and whether it can adapt. That is a distinguishing characteristic of TPZ.

Since the fund transitioned to an ETF structure in late 2024, TPZ has shown a strong performance trajectory—outpacing broad energy benchmarks and demonstrating strategic resilience through multiple economic environments.

Let's take a closer look.

## By the Numbers: TPZ vs. the S&P 500 Energy Index (as of 3/31/2025)

Class / Name	QTD	Calendar YTD	1 Year	3 Year	5 Year	10 Year	Since Inception <sup>1</sup>
Market Price	3.93%	3.93%	40.67%	22.83%	33.90%	5.49%	7.89%
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%

<sup>1</sup>7/28/2009. 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.

The S&P 500® Energy comprises those companies included in the S&P 500 that are classified as members of the GICS® energy sector.



## Navigating Market Cycles with Active Intelligence

### 2022: Oil Price Surge

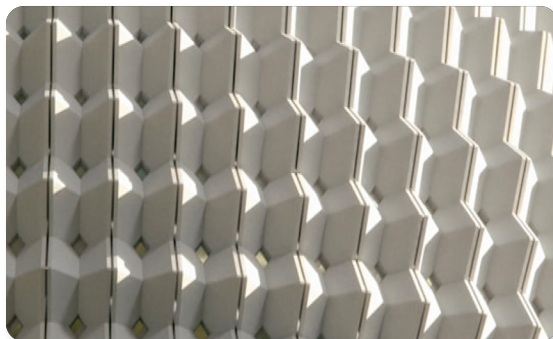
While traditional energy funds surged on oil prices, TPZ's diversified structure helped it participate—without overexposure to the boom-bust risk of upstream equities.

### 2023: Rate Hikes + Yield Volatility

Rising rates challenged many dividend-heavy sectors, but TPZ's allocation to regulated utilities and option overlays helped **stabilize income and reduce drawdowns**. The energy infrastructure sector also rebounded in 2023.

### 2024: Volatility Meets Opportunity

As AI infrastructure and data center demand drove electrification themes, TPZ was positioned to benefit, thanks to its forward-looking exposure to natural gas, nuclear, and electric power providers.



#### Key takeaway

Passive ETFs followed the index. TPZ was actively positioned for what came next.

## Risk-Adjusted Appeal: Built for Volatility Without the Whiplash

For income-seeking investors, upside is valuable—but consistency is key. That's why TPZ's ability to balance equity upside with fixed income and options overlays is crucial.

While some energy ETFs may deliver a rollercoaster ride tied to commodity swings, TPZ aims to steady the journey.

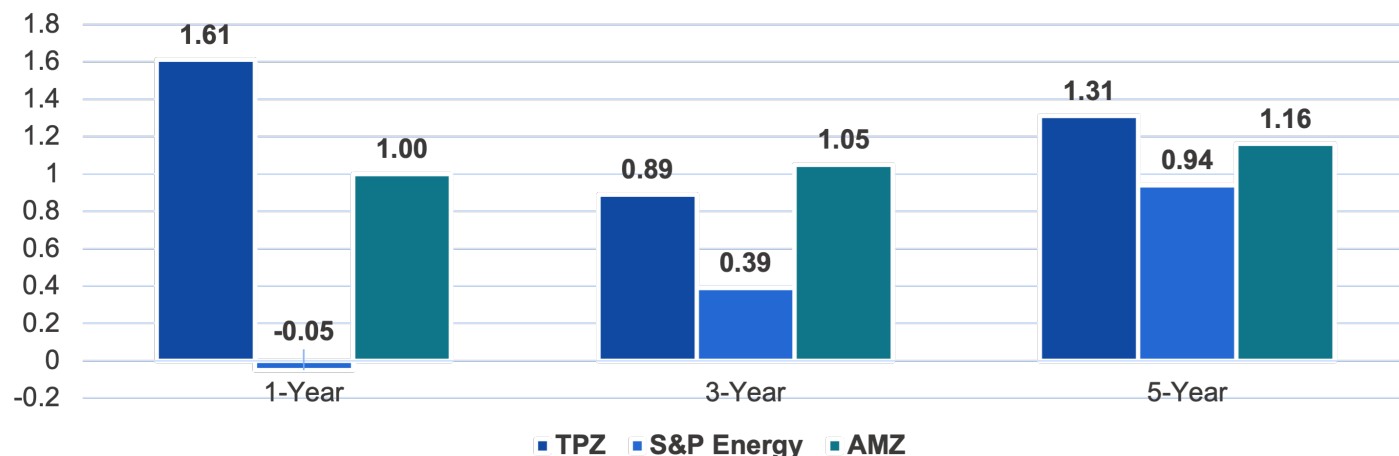
- Lower correlation to oil spot prices
- Multi-asset diversification reduces downside beta
- Monthly distributions help reinforce income stability



#### Key takeaway

Most advisors aren't simply looking for strong returns—they're looking for dependable performance. TPZ aims to deliver both.

## TPZ Relative Performance (Sharpe Ratio)



The S&P 500® Energy comprises those companies included in the S&P 500 that are classified as members of the GICS® energy sector. The Alerian MLP Index (AMZ) is the leading gauge of energy infrastructure Master Limited Partnerships (MLPs). Sharpe ratio measures risk-adjusted performance. It is calculated by subtracting the risk-free rate from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance has been.

# — Beyond Returns: What You Keep Matters More

For advisors building portfolios with tax-sensitive clients, returns are only part of the story. After all, **the real value of an ETF lies in what investors keep after taxes and fees.**

That's why structural considerations—like ETF tax treatment, expense ratios, and fund complexity—can have a meaningful impact on long-term outcomes.

Let's examine how TPZ is designed to help RIAs and wealth managers address these factors proactively.

## The ETF Structure Advantage: Efficiency Built In

Unlike traditional closed-end funds or MLPs, TPZ leverages the inherent tax advantages of the ETF wrapper:

- **No K-1s**  
Tax Reporting: Standard 1099—no K-1, no surprises, no extra paperwork.
- **In-kind creation/redemption mechanism**  
This structure helps limit taxable capital gains distributions—a meaningful benefit when managing after-tax returns across client accounts.



### Key takeaway

Advisors avoid tax headaches. Clients avoid surprises.

## Expense Ratio: Competitive for an Active Strategy

At **0.85%**, TPZ's total expense ratio is notably competitive for an actively managed, multi-asset strategy. Unlike index-tracking ETFs that may be cheaper on the surface but limited in scope, TPZ delivers:

- **Active sector and security selection**
- **Income overlays (covered calls)**
- **Tactical asset allocation across equities, bonds**

The value isn't just in cost savings—it's in the added flexibility and professional judgment.



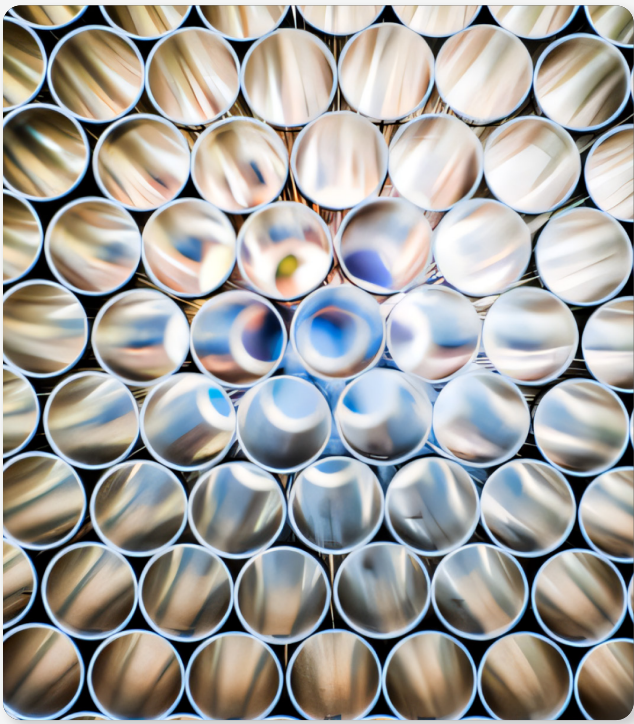
### Key takeaway

The value isn't just in cost savings—it's in the added flexibility and professional judgment.

Key Features of TPZ: What Advisors Should Know

Metric	TPZ
Structure	ETF (active)
Tax-Reporting	1099
Capital Gain Distributions	Minimized via in-kind transfers
Expense Ratio	0.85%

TPZ offers flexibility and structure, without the administrative friction that often comes with other energy strategies. TPZ 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.



Why It Matters for RIAs and Portfolio Builders

When managing tax-sensitive portfolios, the devil is in the details. Advisors must account not just for alpha, but for:

- After-tax yield
- Client experience (reporting simplicity)
- Turnover drag and cap gain distributions.

TPZ’s ETF structure, monthly income, and streamlined tax profile help advisors build more frictionless exposure to energy infrastructure, without compromising on strategy depth or diversification.



# — Built for Advisors Who Want More Than Just “Energy Exposure”

Not every ETF fits every client. But for RIAs, model builders, and portfolio strategists who want energy sector exposure that goes beyond oil price beta, TPZ offers a compelling fit. This solution is designed to help solve real portfolio challenges—not just track an index.

So who’s using TPZ? And where does it belong in a diversified allocation?

## Who TPZ Is Designed For



### Growth-oriented advisors

Seeking access to electrification themes via real assets—not speculative clean tech



### Model portfolio builders

Allocating to infrastructure and income-producing assets across multi-strategy models



### Income-focused RIAs

Serving retirees and HNW clients looking for consistent monthly cash flow without sacrificing long-term growth potential



### Tax-aware wealth managers

Looking for energy exposure that avoids K-1s and minimizes tax friction.

## Where TPZ Fits in a Portfolio

- **Core Infrastructure Allocation**  
TPZ can serve as a foundational energy infrastructure holding built around regulated electric power generation, natural gas, and grid modernization
- **Electrification Exposure with lower potential Volatility**  
Rather than chase volatile clean tech names, TPZ gives clients access to the enablers of electrification—electric power providers, nuclear, and natural gas infrastructure.
- **Diversifier in Income Models**  
With monthly distributions and a dynamic asset mix, TPZ complements dividend equity or credit allocations with a differentiated source of return.



## TPZ Is / Is Not: A Quick Framing Guide

TPZ is ...	TPZ is NOT ...
A growth-oriented infrastructure ETF	A speculative clean tech play
Actively managed across sectors	A static, index-tracking fund
Aligned with electrification megatrends	Constrained to oil & gas only
Designed for income and flexibility	Burdened by K-1 complexity



### Key takeaway

TPZ offers a rare mix of income, growth potential, and structural efficiency—packaged in a single energy ETF designed to meet the evolving needs of today's portfolios.

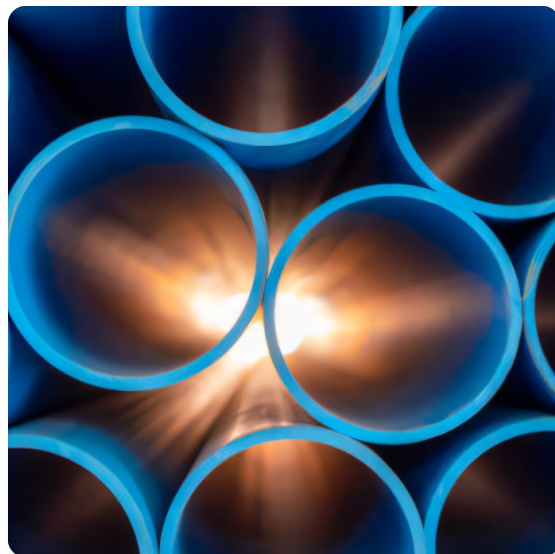
## Conclusion: Why TPZ Deserves a Closer Look

The future of energy investing isn't just about oil prices or the next commodity cycle. It's about the long-term transformation of our energy infrastructure—fueled by electrification, grid modernization, and evolving investor priorities.

That transformation demands a more innovative approach. The Tortoise Essential Energy Fund (TPZ) stands out as a differentiated tool for RIAs and model portfolio builders who seek:

- **Income and growth**
- **Flexibility and focus**
- **Exposure to real assets without added tax or reporting complexity**

In a crowded energy ETF market, TPZ offers something rare: an actively managed, tax-efficient strategy built to navigate volatility, capture structural tailwinds, and deliver real portfolio utility.



## Next Steps: Learn More About TPZ

Ready to see how TPZ might fit into your income or infrastructure allocation strategy? Schedule a call with our Tortoise Capital team.

## Important Information

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.tortoiseadvisors.com/funds/tortoise-essential-energy-fund](http://tortoiseadvisors.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 S&P 500® Energy Index comprises those companies included in the S&P 500 that are classified as members of the GICS® energy sector. A master limited partnership (MLP) is a limited partnership investment vehicle that is traded on public exchanges. MLPs are traded in units rather than shares and consist of a general partner and limited partners. There are certain tax advantages as well as opportunity for more liquidity

The 30-Day SEC Yield reflects annualization of the fund's total net investment income per share for the 30-day period ended on the last day of the month. Active share is a measure of the percentage of stock holdings in a manager's portfolio that differs from the benchmark index. Downside beta is the beta that measures a stock's association with the overall stock market (risk) only on days when the market's return is negative.

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