TORTOISE POWER & ENERGY INFRASTRUCTURE FUND INC
Form N-CSRS
July 25, 2018

**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# FORM N-CSR

# CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number **811-22106**

**Tortoise Power and Energy Infrastructure Fund, Inc.**
(Exact name of registrant as specified in charter)

**11550 Ash Street, Suite 300, Leawood, KS 66211**
(Address of principal executive offices) (Zip code)

**P. Bradley Adams**
**Diane Bono**
**11550 Ash Street, Suite 300, Leawood, KS 66211**
(Name and address of agent for service)

**913-981-1020**
Registrant's telephone number, including area code

Date of fiscal year end: **November 30**

Date of reporting period: **May 31, 2018**

**Item 1. Report to Stockholders.**

**Quarterly Report** | May 31, 2018

# 2018 2nd Quarter Report

Closed-End Funds

**Tortoise**

2018 2nd Quarter Report to Stockholders

## This combined report provides you with a comprehensive review of our funds that span the entire energy value chain.

Tortoise specializes in energy investing across the energy value chain, including infrastructure and MLPs.

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## TTP and TPZ distribution policies

Tortoise Pipeline & Energy Fund, Inc. ("TTP") and Tortoise Power and Energy Infrastructure Fund, Inc. ("TPZ") are relying on exemptive relief permitting them to make long-term capital gain distributions throughout the year. Each of TTP and TPZ, with approval of its Board of Directors (the "Board"), has adopted a distribution policy (the "Policy") with the purpose of distributing over the course of each year, through periodic distributions as nearly equal as practicable and any required special distributions, an amount closely approximating the total taxable income of TTP and TPZ during such year and, if so determined by the Board, all or a portion of the return of capital paid by portfolio companies to TTP and TPZ during such year. In accordance with its Policy, TTP distributes a fixed amount per common share, currently $0.4075, each quarter to its common shareholders and TPZ distributes a fixed amount per common share, currently $0.125, each month to its common shareholders. These amounts are subject to change from time to time at the discretion of the Board. Although the level of distributions is independent of TTP's and TPZ's performance, TTP and TPZ expect such distributions to correlate with its performance over time. Each quarterly and monthly distribution to shareholders is expected to be at the fixed amount established by the Board, except for extraordinary distributions in light of TTP's and TPZ's performance for the entire calendar year and to enable TTP and TPZ to comply with the distribution requirements imposed by the Internal Revenue Code. The Board may amend, suspend or terminate the Policy without prior notice to shareholders if it deems such action to be in the best interests of TTP, TPZ and their respective shareholders. For example, the Board might take such action if the Policy had the effect of shrinking TTP's or TPZ's assets to a level that was determined to be detrimental to TTP or TPZ shareholders. The suspension or termination of the Policy could have the effect of creating a trading discount (if TTP's or TPZ's stock is trading at or above net asset value), widening an existing trading discount, or decreasing an existing premium. You should not draw any conclusions about TTP's or TPZ's investment performance from the amount of the distribution or from the terms of TTP's or TPZ's distribution policy. Each of TTP and TPZ estimates that it has distributed more than its income and net realized capital gains; therefore, a portion of your distribution may be a return of capital. A return of capital may occur, for example, when some or all of the money that you invested in TTP or TPZ is paid back to you. A return of capital distribution does not necessarily reflect TTP's or TPZ's investment performance and should not be confused with "yield" or "income." The amounts and sources of distributions reported are only estimates and are not being provided for tax reporting purposes. The actual amounts and sources of the amounts for tax reporting purposes will depend upon TTP's and TPZ's investment experience during the remainder of their fiscal year and may be subject to changes based on tax regulations. TTP and TPZ will send you a Form 1099-DIV for the calendar year that will tell you how to report these distributions for federal income tax purposes.

**2018 2nd Quarter Report** | May 31, 2018

## Closed-end fund comparison

| Name/Ticker | Primary focus | Structure | Total assets ($ millions)[1] | Portfolio mix by asset type[2] | Portfolio mix by structure[2] |
|---|---|---|---|---|---|
| Tortoise Energy Infrastructure Corp. NYSE: TYG Inception: 2/2004 | Midstream MLPs | C-corp | $2,306.0 | | |
| Tortoise MLP Fund, Inc. NYSE: NTG Inception: 7/2010 | Natural gas infrastructure MLPs | C-corp | $1,314.4 | | |
| Tortoise Pipeline & Energy Fund, Inc. NYSE: TTP Inception: 10/2011 | North American pipeline companies | Regulated investment company | $261.9 | | |
| Tortoise Energy Independence Fund, Inc. NYSE: NDP Inception: 7/2012 | North American oil & gas producers | Regulated investment company | $249.1 | | |
| Tortoise Power and Energy Infrastructure Fund, Inc. NYSE: TPZ Inception: 7/2009 | Power & energy infrastructure companies (Fixed income & equity) | Regulated investment company | $195.9 | | |

[1] As of 6/30/2018
[2] As of 5/31/2018

(unaudited)

## Tortoise

Second quarter 2018 report to closed-end fund stockholders

Dear stockholders,

The broad energy sector had a strong recovery in the second fiscal quarter with the S&P Energy Select Sector® Index, returning 14.7% during the fiscal quarter ending May 31, 2018. We believe that energy fundamentals remained intact throughout the volatility, while technicals drove market sentiment. In our view, the missing piece of the puzzle for a sustained recovery has been an increase in fund flows and institutional investment into the energy sector. During the fiscal quarter, these catalysts have started making an impact and we believe it bodes well for the energy sector, which was the top performing sector in the S&P 500 during the period.

### Upstream

With improving commodity prices, performance of upstream oil and gas producers, as represented by the Tortoise North American Oil and Gas Producers Index℠, returned a robust 19.2% for the second fiscal quarter.

Crude oil prices hit another milestone during the second fiscal quarter, with West Texas Intermediate (WTI) crossing $70 per barrel in early May. Oil prices opened the fiscal quarter at $61.64 per barrel, peaked at $72.24 on May 21, 2018 and dipped back to below $70 to end the fiscal quarter at $67.04. Increased geopolitical risk partly drove performance as Venezuelan production continued to decline and sanctions likely result in reduced Iranian production later this year. Further, OPEC agreed to modestly increase supply to account for declines, though agreed upon levels remained below the previously agreed upon quota.

Yet not all crude oil prices are the same. During the second quarter, the average price per barrel of oil sold in Midland, TX, the heart of the Permian basin, was approximately $8 cheaper than a barrel of oil sold in Cushing, OK, the WTI pricing hub. For context, during the first quarter of 2018, the differential was just $0.37, according to Bloomberg. We believe the differential widened due to the lack of infrastructure to transport the increasing supply of oil produced in the Permian. We expect the trend to continue, and may widen even further until new pipeline infrastructure is expected to become operational in late 2019. The spread between WTI and Brent also grew to its widest levels since 2014, with rising U.S. production and reduced supply from foreign producers with Venezuela and Iran as the key culprits.

U.S. crude oil production is expected to average 10.8 million barrels per day (MMbbl/d)[1] in 2018, as estimates continue to increase[1]. Though specifically from the Permian basin, we expect a temporary slowdown in production growth to allow infrastructure to catch up with the prolific supply. Due to increased domestic production, total net imports of crude oil and petroleum product are expected to fall from an annual average of 3.7 million b/d in 2017 to an average of 2.5 million b/d in 2018 and fall further to 1.6 million b/d in 2019, which if achieved would be the lowest level since 1959[1].

Natural gas prices were relatively stable during the second fiscal quarter, though prices were inconsistent throughout the country. The Northeast saw higher prices with additional takeaway capacity coming out of the Marcellus. In the Permian, pressure continued to mount with the additional associated natural gas production leading to significant basis differentials. Natural gas prices opened the fiscal quarter at $2.66 per million British thermal units (MMBtu), hit the low for the quarter at $2.58 on March 23, 2018, then peaked to end the fiscal quarter at $2.94.

Natural gas production is expected to average 79.5 billion cubic feet per day (bcf/d) in 2018 and 85.5 bcf/d in 2019[2]. Growing U.S. production supports more exports of liquefied natural gas (LNG) as exports are forecast to increase by nearly 60% from 2017-2018 and another 70% from 2018-2019[1] with existing facilities ramping and new facilities expected to come on-line.

### Midstream

The midstream energy market stabilized in the second fiscal quarter following greater clarity on those companies most impacted by the FERC income tax allowance ruling in March. Midstream companies continued to simplify their structure by eliminating incentive distribution rights (IDRs) and through M&A activity. We think the proliferation of IDR elimination will continue, which will be beneficial in the long term, in our view. We continue to have high conviction for the MLP model due to its value of not having entity level tax exposure.

It is notable that on July 18, the FERC issued its final notice of proposed rule-making related to the treatment of income taxes for natural gas cost of service pipelines and it included a few changes from the March ruling. We think the final notice provides clarifications and believe changes will positively impact MLPs that operate cost of service pipelines.

As part of the evolution of midstream energy, many companies have continued to strengthen their balance sheets. In addition, increased U.S. production translated to strong midstream cash flow growth, improving distribution coverage and leverage ratios. Higher distribution coverage is expected over the next several years as a result of operating leverage driven by volume growth, new projects coming online and slowed distribution growth by some companies. With higher coverage, companies are expected to direct an increasing amount of internal cash flow to funding capital expenditures. Companies are also expected to benefit from balance sheet capacity as leverage is projected to decline over the next three years. We believe higher distribution coverage and lower leverage results in greater distribution sustainability.

Pipeline companies, as measured by the Tortoise North American Pipeline Index℠, returned 8.6% in the second fiscal quarter. MLPs, as represented by the Tortoise MLP Index®, also improved, returning 5.5% for the same period. Our outlook for capital investments is approximately $120 billion for 2018 to 2020 in MLPs, pipelines and related organic projects. We believe these projects are critical to relieve takeaway capacity constraints, particularly in the aforementioned Permian basin where additional infrastructure is needed to reach its full production capabilities.

(unaudited)

### Downstream

The International Maritime Organization requires a reduction in marine fuel sulphur in 2020, otherwise known as IMO 2020. This regulation is expected to significantly reduce greenhouse gas emissions. Approximately 3 MMbbl/d of high sulphur fuel oil will be displaced by low sulphur fuel oil. Given the increased demand, low sulphur fuel oil prices are forecasted to rise. In addition, other light refined products like gasoline, may experience higher prices as well due to greater demand for cleaner products. U.S. refiners stand to profit from this development, along with benefitting from the aforementioned price differential between WTI and Midland priced crude oil.

As a result of coal to natural gas switching, the share of U.S. total utility-scale electricity generation from natural gas-fired power plants is expected to rise by 2% in 2018 and coal production is expected to decline by 2% in 2018 as domestic coal consumption is expected to decline by 5% and exports are anticipated to decline by 4% in 2018[1].

### Capital markets

Capital markets activity slowed during the second fiscal quarter with MLPs and other pipeline companies raising nearly $14 billion in total capital, with the majority of the issuance in debt. There were no initial public offerings (IPOs) during the period. We believe that many companies have continued to embrace the self-funding model for growth projects in lieu of accessing the capital markets.

Merger and acquisition activity among MLPs and other pipeline companies was consistent with the previous fiscal quarter with more than $20 billion in activity announced. The largest announced transaction of the second fiscal quarter was The Williams Companies plan to acquire Williams Partners L.P. as part of its simplification efforts valued at nearly $10 billion.

### Concluding thoughts

As we transition into the second half of 2018, we see tremendous opportunity unfolding across the energy sector with crude oil supply tightening in the face of strong demand, and the U.S. in an enviable position to become the incremental supplier of natural gas to the world. In our view, the fundamental health of midstream companies continues to only strengthen, valuations are near multi-year lows and wide natural gas and crude oil price locational differentials provide clear demand for more infrastructure. We think midstream energy is well positioned for years to come.

Sincerely,

The Tortoise Energy Team

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The S&P Energy Select Sector® Index is a capitalization-weighted index of S&P 500® Index companies in the energy sector involved in the development or production of energy products. The Tortoise North American Oil and Gas Producers Index℠ is a float-adjusted, capitalization-weighted index of North American energy companies engaged primarily in the production of crude oil, condensate, natural gas or natural gas liquids (NGLs). The Tortoise North American Pipeline Index℠ is a float adjusted, capitalization-weighted index of energy pipeline companies domiciled in the United States and Canada. The Tortoise MLP Index® is a float-adjusted, capitalization-weighted index of energy master limited partnerships.



**It is not possible to invest directly in an index.**

**Performance data quoted represent past performance; past performance does not guarantee future results. Like any other stock, total return and market value will fluctuate so that an investment, when sold, may be worth more or less than its original cost.**

1 Energy Information Administration, June 2018
2 PIRA Natural Gas, June 2018

(unaudited)

# Tortoise
Energy Infrastructure Corp. (TYG)

## Fund description

TYG seeks a high level of total return with an emphasis on current distributions paid to stockholders. TYG invests primarily in equity securities of master limited partnerships (MLPs) and their affiliates that transport, gather, process or store natural gas, natural gas liquids (NGLs), crude oil and refined petroleum products.

## Fund performance review

The midstream energy market stabilized in the second fiscal quarter following greater clarity on those companies most impacted by the FERC income tax allowance ruling in March. Many midstream companies have experienced improving distribution coverage and leverage ratios over the last several quarters. Average coverage ratios for the fund's portfolio companies has increased from 1.22x in 1Q 2016 to 1.30x in 1Q 2018 and the average leverage ratio has declined from 4.3x to 3.7x during the same period. We believe this improvement helps insulate the fund's distribution. The fund's market-based and NAV-based returns for the fiscal quarter ending May 31, 2018 were both 6.0% (including the reinvestment of distributions). Comparatively, the Tortoise MLP Index® returned 5.5% for the same period.

### Second fiscal quarter highlights

| | |
|---|---|
| Distributions paid per share | $0.6550 |
| Distribution rate (as of 5/31/2018) | 9.1% |
| Quarter-over-quarter distribution increase | 0.0% |
| Year-over-year distribution increase | 0.0% |
| Cumulative distributions paid per share to stockholders since inception in February 2004 | $31.7725 |
| Market-based total return | 6.0% |
| NAV-based total return | 6.0% |
| Premium (discount) to NAV (as of 5/31/2018) | 8.2% |

## Key asset performance drivers

| Top five contributors | Company type | Performance driver |
|---|---|---|
| Magellan Midstream Partners, L.P. | Midstream refined product pipeline MLP | Raised 2018 guidance with potential for further increase on fundamental improvement |
| Enterprise Products Partners L.P. | Midstream natural gas/natural gas liquids pipeline MLP | Delivered steady cash flow and healthy project backlog |
| Energy Transfer Partners, L.P. | Midstream natural gas/natural gas liquids pipeline MLP | Strong volume growth across integrated pipeline network |
| Western Gas Partners, LP | Midstream gathering and processing MLP | Positive outlook from parent company's Permian basin footprint |
| Plains All American Pipeline, L.P. | Midstream crude oil pipeline MLP | Expected crude oil production growth from Permian basin |
| **Bottom five contributors** | **Company type** | **Performance driver** |
| Buckeye Partners, L.P. | Refined product pipeline MLP | Weaker than expected earnings tied to storage market fundamentals |
| Enbridge Energy Partners, L.P. | Midstream crude oil pipeline MLP | Strategic review with lower distribution viewed unfavorably by market |
| Spectra Energy Partners, LP | Natural gas pipeline MLP | FERC income tax allowance ruling |
| Dominion Energy Midstream Partners, LP | Midstream natural gas/natural gas liquids pipeline MLP | Parent company activity and equity offering |
| Andeavor Logistics LP | Midstream crude oil pipeline MLP | Concern on drop-down inventory following proposed acquisition of parent company |

***Unlike the fund return, index return is pre-expenses and taxes.***

***Performance data quoted represent past performance; past performance does not guarantee future results. Like any other stock, total return and market value will fluctuate so that an investment, when sold, may be worth more or less than its original cost. Portfolio composition is subject to change due to ongoing management of the fund. References to specific securities or sectors should not be***

***construed as a recommendation by the fund or its adviser. See Schedule of Investments for portfolio weighting at the end of the fiscal quarter.***

(unaudited)

## Fund structure and distribution policy

The fund is structured as a corporation and is subject to federal and state income tax on its taxable income. The fund has adopted a distribution policy in which the Board of Directors considers many factors in determining distributions to stockholders. Particular emphasis is given to Distributable cash flow ("DCF") and distribution coverage. Distribution coverage is DCF divided by distributions paid to stockholders. Over the long term, the fund expects to distribute substantially all of its DCF to holders of common stock. The fund's Board of Directors reviews the distribution rate quarterly, and may adjust the quarterly distribution throughout the year. Although the level of distributions is independent of the funds' performance in the short term, the fund expects such distributions to correlate with its performance over time.

## Distributable cash flow and distributions

DCF is distributions received from investments less expenses. The total distributions received from investments include the amount received as cash distributions from investments, paid-in-kind distributions, and dividend and interest payments. Income also includes the premiums received from sales of covered call options, net of amounts paid to buy back out-of-the-money options. The total expenses include current or anticipated operating expenses, leverage costs and current income taxes. Current income taxes include taxes paid on net investment income, in addition to foreign taxes, if any. Taxes incurred from realized gains on the sale of investments, expected tax benefits and deferred taxes are not included in DCF.

Distributions received from investments increased approximately 2.6% as compared to 1st quarter 2018 primarily due to the impact of trading activity within the fund's portfolio. Operating expenses, consisting primarily of fund advisory fees, decreased approximately 6.7% during the quarter due to lower asset-based fees. Overall leverage costs increased approximately 2.2% as compared to 1st quarter 2018 primarily due to increased leverage utilization during the quarter. As a result of the changes in income and expenses, DCF increased approximately 4.4% as compared to 1st quarter 2018. During the quarter, the fund issued 1,216,545 shares in a private placement transaction. This transaction had a one-time negative impact to distribution coverage of 2.3%. The fund paid a quarterly distribution of $0.655 per share, which was equal to the distribution paid in the prior quarter and 2nd quarter 2017. The fund has paid cumulative distributions to stockholders of $31.7725 per share since its inception in Feb. 2004.

The Key Financial Data table discloses the calculation of DCF and should be read in conjunction with this discussion. The difference between distributions received from investments in the DCF calculation and total investment income as reported in the Statement of Operations, is reconciled as follows: the Statement of Operations, in conformity with U.S. generally accepted accounting principles ("GAAP"), recognizes distribution income from MLPs and other investments on their ex-dates, whereas the DCF calculation may reflect distribution income on their pay dates; GAAP recognizes that a significant portion of the cash distributions received from MLPs and other investments are characterized as a return of capital and therefore excluded from investment income, whereas the DCF calculation includes the return of capital; and distributions received from investments in the DCF calculation include the value of dividends paid-in-kind (additional stock or MLP units), whereas such amounts may not be included as income for GAAP purposes, and includes distributions related to direct investments when the purchase price is reduced in lieu of receiving cash distributions. Net premiums on options written (premiums received less amounts paid to buy back out-of-the-money options) with expiration dates during the fiscal quarter are included in the DCF calculation, whereas GAAP recognizes the net effect of options written as realized and unrealized gains (losses). Income for DCF purposes is reduced by amortizing the cost of certain investments that may not have a residual value after a known time period. The treatment of expenses in the DCF calculation also differs from what is reported in the Statement of Operations. In addition to the total operating expenses, including fee waiver, as disclosed in the Statement of Operations, the DCF calculation reflects interest expense, realized and unrealized gains (losses) on interest rate swap settlements, distributions to preferred stockholders, other recurring leverage expenses, as well as taxes paid on net investment income.

"Net Investment Income (Loss), before Income Taxes" on the Statement of Operations is adjusted as follows to reconcile to DCF for YTD and 2nd quarter 2018 (in thousands):

| | YTD 2018 | 2nd Qtr 2018 |
|---|---|---|
| Net Investment Loss, before Income Taxes | $ (31,986) | $ (25,004) |
| Adjustments to reconcile to DCF: | | |
| Distributions characterized as return of capital | 96,139 | 58,132 |
| Other | 673 | (24) |
| DCF | $ 64,826 | $ 33,104 |

## Leverage

The fund’s leverage utilization increased $19.5 million during 2nd quarter 2018 and represented 29.5% of total assets at May 31, 2018. The fund has maintained compliance with its applicable coverage ratios. At quarter-end, including the impact of interest rate swaps, approximately 78% of the leverage cost was fixed, the weighted-average maturity was 4.2 years and the weighted-average annual rate on leverage was 3.69%. These rates will vary in the future as a result of changing floating rates, utilization of the fund’s credit facilities and as leverage and swaps mature or are redeemed. During the quarter, $10 million Senior Notes with a fixed interest rate of 4.35% matured. The fund utilized its credit facilities to facilitate the maturity of the Senior Notes.

## Income taxes

During 2nd quarter 2018, the fund’s deferred tax liability increased by $23.5 million to $235.4 million, primarily as a result of the increase in value of its investment portfolio. The fund had net realized gains of $25.2 million during the quarter. To the extent that the fund has taxable income, it will owe federal and state income taxes. Tax payments can be funded from investment earnings, fund assets, or borrowings.

Please see the Financial Statements and Notes to Financial Statements for additional detail regarding critical accounting policies, results of operations, leverage, taxes and other important fund information.

For further information regarding the calculation of distributable cash flow and distributions to stockholders, as well as a discussion of the tax impact on distributions and results and recent tax reform, please visit www.tortoiseadvisors.com.

(unaudited)

**TYG Key Financial Data** (supplemental unaudited information)
(dollar amounts in thousands unless otherwise indicated)

**The information presented below regarding Distributable Cash Flow and Selected Financial Information is supplemental non-GAAP financial information, which the fund believes is meaningful to understanding operating performance. The Distributable Cash Flow Ratios include the functional equivalent of EBITDA for non-investment companies, and the fund believes they are an important supplemental measure of performance and promote comparisons from period-to-period. This information is supplemental, is not inclusive of required financial disclosures (e.g. Total Expense Ratio), and should be read in conjunction with the full financial statements.**

| | 2017 | | | 2018 | |
|---|---|---|---|---|---|
| | Q2[1] | Q3[1] | Q4[1] | Q1[1] | Q2[1] |
| **Total Income from Investments** | | | | | |
| Distributions and dividends from investments | $ 44,556 | $ 45,456 | $ 44,323 | $ 43,107 | $ 4 |
| Dividends paid in stock | — | — | — | 910 | |
| Premiums on options written | 478 | 415 | 27 | 11 | |
| Total from investments | 45,034 | 45,871 | 44,350 | 44,028 | 4 |
| **Operating Expenses Before Leverage Costs and Current Taxes** | | | | | |
| Advisory fees | 6,533 | 5,950 | 5,533 | 5,487 | |
| Other operating expenses | 443 | 441 | 443 | 430 | |
| | 6,976 | 6,391 | 5,976 | 5,917 | |
| Distributable cash flow before leverage costs and current taxes | 38,058 | 39,480 | 38,374 | 38,111 | 3 |
| Leverage costs[2] | 6,319 | 6,362 | 6,365 | 6,389 | |
| Current income tax expense[3] | — | — | — | — | |
| **Distributable Cash Flow[4]** | $31,739 | $33,118 | $32,009 | $31,722 | $33,1 |
| **As a percent of average total assets[5]** | | | | | |
| Total from investments | 6.49 % | 7.13 % | 7.53 % | 7.78 % | |
| Operating expenses before leverage costs and current taxes | 1.01 % | 0.99 % | 1.01 % | 1.04 % | 0.99 |
| Distributable cash flow before leverage costs and current taxes | 5.48 % | 6.14 % | 6.52 % | 6.74 % | |
| **As a percent of average net assets[5]** | | | | | |
| Total from investments | 11.88 % | 13.48 % | 14.12 % | 12.90 % | |
| Operating expenses before leverage costs and current taxes | 1.84 % | 1.88 % | 1.90 % | 1.73 % | |
| Leverage costs and current taxes | 1.67 % | 1.87 % | 2.03 % | 1.87 % | 2.00 |
| Distributable cash flow | 8.37 % | 9.73 % | 10.19 % | 9.30 % | |
| | | | | | |
| **Selected Financial Information** | | | | | |
| Distributions paid on common stock | $ 32,115 | $ 32,253 | $ 32,299 | $ 33,604 | $ 3 |
| Distributions paid on common stock per share | 0.6550 | 0.6550 | 0.6550 | 0.6550 | 0 |
| Distribution coverage percentage for period[6] | 98.8 % | 102.7 % | 99.1 % | 94.4 % | |
| Net realized gain, net of income taxes, for the period | 7,226 | 35,440 | 4,981 | 7,427 | 2 |
| Total assets, end of period[7] | 2,596,302 | 2,467,104 | 2,235,315 | 2,212,708 | 2,32 |
| Average total assets during period[7][8] | 2,751,522 | 2,552,438 | 2,363,776 | 2,296,522 | 2,20 |
| Leverage[9] | 700,700 | 700,000 | 690,200 | 667,300 | 68 |
| Leverage as a percent of total assets | 27.0 % | 28.4 % | 30.9 % | 30.2 % | |
| Net unrealized depreciation, end of period | (223,262) | (330,549) | (418,421) | (311,939) | (23 |
| Net assets, end of period | 1,400,652 | 1,296,782 | 1,181,528 | 1,315,850 | 1,39 |
| Average net assets during period[10] | 1,504,136 | 1,349,973 | 1,259,521 | 1,383,798 | 1,29 |
| Net asset value per common share | 28.53 | 26.30 | 23.93 | 25.59 | |
| Market value per share | 31.76 | 28.47 | 25.86 | 27.70 | |
| Shares outstanding (000's) | 49,093 | 49,311 | 49,379 | 51,416 | 5 |

(1) Q1 is the period from December through February. Q2 is the period from March through May. Q3 is the period from June through August. Q4 is the period from September through November.

(2) Leverage costs include interest expense, distributions to preferred stockholders, interest rate swap expenses and other recurring leverage expenses.

(3) Includes taxes paid on net investment income and foreign taxes, if any. Taxes related to realized gains are excluded from the calculation of Distributable Cash Flow ("DCF").

(4) "Net investment income (loss), before income taxes" on the Statement of Operations is adjusted as follows to reconcile to DCF: increased by the return of capital on distributions, the dividends paid in stock and increased liquidation value, the premium on dividends paid in kind, the net premiums on options written and amortization of debt issuance costs; and decreased by realized and unrealized gains (losses) on interest rate swap settlements, and amortization on certain investments.

(5) Annualized.
(6) Distributable Cash Flow divided by distributions paid.
(7) Includes deferred issuance and offering costs on senior notes and preferred stock.
(8) Computed by averaging month-end values within each period.
(9) Leverage consists of senior notes, preferred stock and outstanding borrowings under credit facilities.
(10) Computed by averaging daily net assets within each period.

**2018 2nd Quarter Report** | May 31, 2018

# Tortoise
MLP Fund, Inc. (NTG)

## Fund description

NTG seeks to provide stockholders with a high level of total return with an emphasis on current distributions. NTG invests primarily in master limited partnerships (MLPs) and their affiliates that own and operate a network of pipeline and energy-related logistical infrastructure assets with an emphasis on those that transport, gather, process and store natural gas and natural gas liquids (NGLs). NTG targets midstream MLPs benefiting from U.S. natural gas production and consumption expansion with minimal direct commodity exposure.

## Fund performance review

The midstream energy market stabilized in the second fiscal quarter following greater clarity on those companies most impacted by the FERC income tax allowance ruling in March. Many midstream companies have experienced improving distribution coverage and leverage ratios over the last several quarters. Average coverage ratios for the fund's portfolio companies has increased from 1.24x in 1Q 2016 to 1.30x in 1Q 2018 and the average leverage ratio has declined from 4.4x to 3.8x during the same period. We believe this improvement helps insulate the fund's distribution. The fund's market-based and NAV-based returns for the fiscal quarter ending May 31, 2018 were 7.4% and 5.7%, respectively (including the reinvestment of distributions). Comparatively, the Tortoise MLP Index® returned 5.5% for the same period.

**Second fiscal quarter highlights**

| | |
|---|---|
| Distributions paid per share | $0.4225 |
| Distribution rate (as of 5/31/2018) | 9.2% |
| Quarter-over-quarter distribution increase | 0.0% |
| Year-over-year distribution increase | 0.0% |
| Cumulative distributions paid per share to stockholders since inception in July 2010 | $12.9250 |
| Market-based total return | 7.4% |
| NAV-based total return | 5.7% |
| Premium (discount) to NAV (as of 5/31/2018) | 8.7% |

## Key asset performance drivers

| | | |
|---|---|---|
| Enterprise Products Partners L.P. | Midstream natural gas/natural gas liquids pipeline MLP | Delivered steady cash flow and healthy project backlog |
| Energy Transfer Partners, L.P. | Midstream natural gas/natural gas liquids pipeline MLP | Strong volume growth across integrated pipeline network |
| EnLink Midstream Partners, LP | Midstream gathering and processing company | Midcontinent (STACK) volume growth expectations |
| Western Gas Partners, LP | Midstream gathering and processing MLP | Positive outlook from parent company's Permian basin footprint |
| Plains All American Pipeline, L.P. | Midstream crude oil pipeline MLP | Expected crude oil production growth from Permian basin |
| Dominion Energy Midstream Partners, LP | Midstream natural gas/natural gas liquids pipeline MLP | FERC income tax allowance ruling |
| Buckeye Partners, L.P. | Refined product pipeline MLP | Weaker than expected earnings tied to storage |

| | | |
|---|---|---|
| | | market fundamentals |
| Enbridge Energy Partners, L.P. | Midstream crude oil pipeline MLP | Strategic review with lower distribution viewed unfavorably by market |
| Spectra Energy Partners, LP | Natural gas pipeline MLP | FERC income tax allowance ruling |
| EQT Midstream Partners, LP | Midstream natural gas/natural gas liquids pipeline MLP | Uncertainty around simplification transaction |

***Unlike the fund return, index return is pre-expenses and taxes.***

***Performance data quoted represent past performance; past performance does not guarantee future results. Like any other stock, total return and market value will fluctuate so that an investment, when sold, may be worth more or less than its original cost. Portfolio composition is subject to change due to ongoing management of the fund. References to specific securities or sectors should not be construed as a recommendation by the fund or its adviser. See Schedule of Investments for portfolio weighting at the end of the fiscal quarter.***

(unaudited)

# Tortoise

MLP Fund, Inc. (NTG) (continued)

## Fund structure and distribution policy

The fund is structured as a corporation and is subject to federal and state income tax on its taxable income. The fund has adopted a distribution policy in which the Board of Directors considers many factors in determining distributions to stockholders. Particular emphasis is given to Distributable cash flow ("DCF") and distribution coverage. Distribution coverage is DCF divided by distributions paid to stockholders. Over the long term, the fund expects to distribute substantially all of its DCF to holders of common stock. The fund's Board of Directors reviews the distribution rate quarterly, and may adjust the quarterly distribution throughout the year. Although the level of distributions is independent of the funds' performance in the short term, the fund expects such distributions to correlate with its performance over time.

## Distributable cash flow and distributions

DCF is distributions received from investments less expenses. The total distributions received from investments include the amount received as cash distributions from MLPs, paid-in-kind distributions, and dividend and interest payments. Income also includes the premiums received from sales of covered call options, net of amounts paid to buy back out-of-the-money options. The total expenses include current or anticipated operating expenses, leverage costs and current income taxes. Current income taxes include taxes paid on net investment income in addition to foreign taxes, if any. Taxes incurred from realized gains on the sale of investments, expected tax benefits and deferred taxes are not included in DCF.

Distributions received from investments decreased approximately 0.4% as compared to 1st quarter 2018 due primarily to the impact of trading activity within the fund's portfolio. Operating expenses, consisting primarily of fund advisory fees, decreased approximately 6.5% during the quarter due to lower asset-based fees. Leverage costs increased approximately 1.7% as compared to 1st quarter 2018 due to increased leverage utilization as well as higher interest rates during the quarter. As a result of the changes in income and expenses, DCF increased approximately 0.2% as compared to 1st quarter 2018. The fund paid a quarterly distribution of $0.4225 per share, which was equal to the distribution paid in the prior quarter and 2nd quarter 2017. The fund has paid cumulative distributions to stockholders of $12.925 per share since its inception in July 2010.

The Key Financial Data table discloses the calculation of DCF and should be read in conjunction with this discussion. The difference between distributions received from investments in the DCF calculation and total investment income as reported in the Statement of Operations, is reconciled as follows: the Statement of Operations, in conformity with U.S. generally accepted accounting principles ("GAAP"), recognizes distribution income from MLPs, common stock and other investments on their ex-dates, whereas the DCF calculation may reflect distribution income on their pay dates; GAAP recognizes that a significant portion of the cash distributions received from MLPs, common stock and other investments are characterized as a return of capital and therefore excluded from investment income, whereas the DCF calculation includes the return of capital; and distributions received from investments in the DCF calculation include the value of dividends paid-in-kind (additional stock or MLP units), whereas such amounts may not be included as income for GAAP purposes, and includes distributions related to direct investments when the purchase price is reduced in lieu of receiving cash distributions. Net premiums on options written (premiums received less amounts paid to buy back out-of-the-money options) with expiration dates during the fiscal quarter are included in the DCF calculation, whereas GAAP recognizes the net effect of options written as realized and unrealized gains (losses). The treatment of expenses in the DCF calculation also differs from what is reported in the Statement of Operations. In addition to the total operating expenses, including fee waiver, as disclosed in the Statement of Operations, the DCF calculation reflects interest expense, distributions to preferred stockholders, other recurring leverage expenses, as well as taxes paid on net investment income.

"Net Investment Income (Loss), before Income Taxes" on the Statement of Operations is adjusted as follows to reconcile to DCF for YTD and 2nd quarter 2018 (in thousands):

| | YTD 2018 | 2nd Qtr 2018 |
|---|---|---|
| Net Investment Loss, before Income Taxes | $ (16,828) | $ (11,305) |
| Adjustments to reconcile to DCF: | | |
| Distributions characterized as return of capital | 54,566 | 30,412 |
| Other | 785 | 178 |
| DCF | $ 35,523 | $ 19,285 |

## Leverage

The fund's leverage utilization increased by $2.7 million during 2nd quarter 2018 and represented 33.1% of total assets at May 31, 2018. The fund has maintained compliance with its applicable coverage ratios. At quarter-end, approximately 72% of the leverage cost was fixed, the weighted-average maturity was 3.9 years and the weighted-average annual rate on leverage was 3.76%. These rates will vary in the future as a result of changing floating rates, utilization of the fund's credit facility and as leverage matures or is redeemed. During the quarter, $20 million Senior Notes with a weighted-average fixed interest rate of 3.56% matured. The fund utilized its credit facility to facilitate the maturity of the Senior Notes.

## Income taxes

During 2nd quarter 2018, the fund's deferred tax liability increased by $13.3 million to $88.2 million, primarily as a result of the increase in value of its investment portfolio. The fund had net realized gains of $10.0 million during the quarter. As of May 31, 2018, the fund had net operating losses of $55 million for federal income tax purposes. To the extent that the fund has taxable income in the future that is not offset by net operating losses, it will owe federal and state income taxes. Tax payments can be funded from investment earnings, fund assets, or borrowings.

Please see the Financial Statements and Notes to Financial Statements for additional detail regarding critical accounting policies, results of operations, leverage, taxes and other important fund information.

For further information regarding the calculation of distributable cash flow and distributions to stockholders, as well as a discussion of the tax impact on distributions and results and recent tax reform, please visit www.tortoiseadvisors.com.

(unaudited)

## NTG Key Financial Data (supplemental unaudited information)

(dollar amounts in thousands unless otherwise indicated)

**The information presented below regarding Distributable Cash Flow and Selected Financial Information is supplemental non-GAAP financial information, which the fund believes is meaningful to understanding operating performance. The Distributable Cash Flow Ratios include the functional equivalent of EBITDA for non-investment companies, and the fund believes they are an important supplemental measure of performance and promote comparisons from period-to-period. This information is supplemental, is not inclusive of required financial disclosures (e.g. Total Expense Ratio), and should be read in conjunction with the full financial statements.**

| | 2017 | | | 2018 | |
|---|---|---|---|---|---|
| | Q2(1) | Q3(1) | Q4(1) | Q1(1) | Q2(1) |
| **Total Income from Investments** | | | | | |
| Distributions and dividends from investments | $ 26,705 | $ 27,094 | $ 26,506 | $ 26,429 | $ 26,857 |
| Dividends paid in stock | — | — | — | 546 | — |
| Premiums on options written | 297 | 242 | 32 | — | — |
| Total from investments | 27,002 | 27,336 | 26,538 | 26,975 | 26,857 |
| **Operating Expenses Before Leverage Costs and Current Taxes** | | | | | |
| Advisory fees, net of fees waived | 3,828 | 3,490 | 3,279 | 3,294 | 3,054 |
| Other operating expenses | 332 | 324 | 312 | 316 | 321 |
| | 4,160 | 3,814 | 3,591 | 3,610 | 3,375 |
| Distributable cash flow before leverage costs and current taxes | 22,842 | 23,522 | 22,947 | 23,365 | 23,482 |
| Leverage costs(2) | 4,124 | 4,146 | 4,147 | 4,127 | 4,197 |
| Current income tax expense(3) | — | — | — | — | — |
| **Distributable Cash Flow(4)** | $ 18,718 | $ 19,376 | $ 18,800 | $ 19,238 | $ 19,285 |
| **As a percent of average total assets(5)** | | | | | |
| Total from investments | 6.69% | 7.30% | 7.69% | 8.01% | 8.29% |
| Operating expenses before leverage costs and current taxes | 1.03% | 1.02% | 1.04% | 1.07% | 1.04% |
| Distributable cash flow before leverage costs and current taxes | 5.66% | 6.28% | 6.65% | 6.94% | 7.25% |
| **As a percent of average net assets(5)** | | | | | |
| Total from investments | 11.27% | 12.67% | 13.27% | 12.85% | 13.99% |
| Operating expenses before leverage costs and current taxes | 1.74% | 1.77% | 1.80% | 1.72% | 1.76% |
| Leverage costs and current taxes | 1.72% | 1.92% | 2.07% | 1.97% | 2.19% |
| Distributable cash flow | 7.81% | 8.98% | 9.40% | 9.16% | 10.04% |
| **Selected Financial Information** | | | | | |
| Distributions paid on common stock | $ 19,891 | $ 19,925 | $ 19,962 | $ 19,962 | $ 19,997 |
| Distributions paid on common stock per share | 0.4225 | 0.4225 | 0.4225 | 0.4225 | 0.4225 |
| Distribution coverage percentage for period(6) | 94.1% | 97.2% | 94.2% | 96.4% | 96.4% |
| Net realized gain (loss), net of income taxes, for the period | 2,126 | 13,289 | (1,122) | (575) | 9,963 |
| Total assets, end of period(7) | 1,509,815 | 1,437,520 | 1,327,977 | 1,298,112 | 1,338,664 |
| Average total assets during period(7)(8) | 1,601,462 | 1,486,578 | 1,384,718 | 1,365,793 | 1,284,852 |
| Leverage(9) | 442,700 | 439,300 | 443,800 | 440,400 | 443,100 |
| Leverage as a percent of total assets | 29.3% | 30.6% | 33.4% | 33.9% | 33.1% |
| Net unrealized appreciation, end of period | 123,020 | 69,547 | 24,370 | 70,322 | 114,138 |
| Net assets, end of period | 886,964 | 823,888 | 754,085 | 776,371 | 802,440 |
| Average net assets during period(10) | 950,384 | 855,842 | 802,165 | 851,387 | 761,577 |
| Net asset value per common share | 18.81 | 17.44 | 15.96 | 16.40 | 16.93 |
| Market value per common share | 18.99 | 17.70 | 15.90 | 17.54 | 18.40 |
| Shares outstanding (000's) | 47,161 | 47,247 | 47,247 | 47,330 | 47,406 |

(1) Q1 is the period from December through February. Q2 is the period from March through May. Q3 is the period from June through August. Q4 is the period from September through November.

(2) Leverage costs include interest expense, distributions to preferred stockholders and other recurring leverage expenses.

(3) Includes taxes paid on net investment income and foreign taxes, if any. Taxes related to realized gains are excluded from the calculation of Distributable Cash Flow ("DCF").

(4) "Net investment income (loss), before income taxes" on the Statement of Operations is adjusted as follows to reconcile to DCF: increased by the return of capital on distributions, the dividends paid in stock and increased liquidation value, the premium on dividends paid in kind and amortization of debt issuance costs.

(5) Annualized.
(6) Distributable Cash Flow divided by distributions paid.
(7) Includes deferred issuance and offering costs on senior notes and preferred stock.
(8) Computed by averaging month-end values within each period.
(9) Leverage consists of senior notes, preferred stock and outstanding borrowings under the credit facility.
(10) Computed by averaging daily net assets within each period.

# Tortoise
Pipeline & Energy Fund, Inc. (TTP)

## Fund description

TTP seeks a high level of total return with an emphasis on current distributions paid to stockholders. TTP invests primarily in equity securities of North American pipeline companies that transport natural gas, natural gas liquids (NGLs), crude oil and refined products and, to a lesser extent, in other energy infrastructure companies.

## Fund performance review

The midstream energy market stabilized in the second fiscal quarter following greater clarity on those companies most impacted by the FERC income tax allowance ruling in March. The fund's market-based and NAV-based returns for the fiscal quarter ending May 31, 2018 were 5.0% and 10.4%, respectively (including the reinvestment of distributions). Comparatively, the Tortoise North American Pipeline Index[SM] returned 8.6% for the same period.

### Second fiscal quarter highlights

| | |
|---|---|
| Distributions paid per share | $0.4075 |
| Distribution rate (as of 5/31/2018) | 9.4% |
| Quarter-over-quarter distribution increase | 0.0% |
| Year-over-year distribution increase | 0.0% |
| Cumulative distributions paid per share to stockholders since inception in October 2011 | $ 10.9125 |
| Market-based total return | 5.0% |
| NAV-based total return | 10.4% |
| Premium (discount) to NAV (as of 5/31/2018) | (7.2)% |

***Please refer to the inside front cover of the report for important information about the fund's distribution policy.***

The fund's covered call strategy, which focuses on independent energy companies that are key pipeline transporters, enabled the fund to generate current income. The notional amount of the fund's covered calls averaged approximately 8.9% of total assets, and their out-of-the-money percentage at the time written averaged approximately 6.2% during the fiscal quarter.

## Key asset performance drivers

| | | |
|---|---|---|
| ONEOK, Inc. | Midstream natural gas/natural gas liquids pipeline company | NGL volume growth benefitting integrated pipeline network |
| Plains GP Holdings, L.P. | Midstream crude oil pipeline company | Expected crude oil production growth from Permian basin |
| EnLink Midstream, LLC | Midstream gathering and processing company | Midcontinent (STACK) volume growth expectations |
| SemGroup Corporation | Midstream crude oil pipeline company | Alleviated equity concerns with preferred offering and higher expected demand for Cushing storage |
| Targa Resources Corp. | Midstream gathering and processing company | Permian basin wet gas volume growth |
| Enbridge Energy Management, L.L.C. | Midstream crude oil pipeline company | Regulation uncertainty on pipeline replacement project |
| Buckeye Partners, L.P. | Refined product pipeline MLP | Weaker than expected earnings tied to storage |

| | | |
|---|---|---|
| | | market fundamentals |
| TransCanada Corporation | Midstream natural gas/natural gas liquids pipeline company | Higher leverage causing need for asset divestitures to fund capital projects |
| Concho Resources Inc. | Upstream oil and gas producer | Widening Permian basin oil price differentials |
| The Williams Companies, Inc. | Midstream natural gas/gathering and processing company | Simplification uncertainty |

***Unlike the fund return, index return is pre-expenses.***

***Performance data quoted represent past performance; past performance does not guarantee future results. Like any other stock, total return and market value will fluctuate so that an investment, when sold, may be worth more or less than its original cost. Portfolio composition is subject to change due to ongoing management of the fund. References to specific securities or sectors should not be construed as a recommendation by the fund or its adviser. See Schedule of Investments for portfolio weighting at the end of the fiscal quarter.***

(unaudited)

## Fund structure and distribution policy

The fund is structured to qualify as a Regulated Investment Company ("RIC") allowing the fund to pass-through to shareholders the income and capital gains earned by the fund, thus avoiding double-taxation. To qualify as a RIC, the fund must meet specific income, diversification and distribution requirements. Regarding income, at least 90 percent of the fund's gross income must be from dividends, interest and capital gains. The fund must meet quarterly diversification requirements including the requirement that at least 50 percent of the assets be in cash, cash equivalents or other securities with each single issuer of other securities not greater than 5 percent of total assets. No more than 25 percent of total assets can be invested in any one issuer other than government securities or other RIC's. The fund must also distribute at least 90 percent of its investment company income. RIC's are also subject to excise tax rules which require RIC's to distribute approximately 98 percent of net income and net capital gains to avoid a 4 percent excise tax.

The fund has adopted a distribution policy which is included on the inside front cover of this report. To summarize, the fund intends to distribute an amount closely approximating the total taxable income for the year and, if so determined by the Board, distribute all or a portion of the return of capital paid by portfolio companies during the year. The fund may designate a portion of its distributions as capital gains and may also distribute additional capital gains in the last calendar quarter of the year to meet annual excise distribution requirements. The fund distributes a fixed amount per common share, currently $0.4075, each quarter to its common shareholders. This amount is subject to change from time to time at the discretion of the Board. Although the level of distributions is independent of the funds' performance in the short term, the fund expects such distributions to correlate with its performance over time.

## Distributable cash flow and distributions

Distributable cash flow ("DCF") is income from investments less expenses. Income from investments includes the amount received as cash or paid-in-kind distributions from common stock, master limited partnerships ("MLPs"), affiliates of MLPs, and pipeline and other energy companies in which the fund invests, and dividend payments on short-term investments. Income also includes the premiums received from sales of covered call options, net of amounts paid to buy back out-of-the-money options. The total expenses include current or anticipated operating expenses and leverage costs.

Distributions received from investments increased approximately 12.5% as compared to 1st quarter 2018, primarily due to non-recurring items including the timing of distributions from investments as well as higher income on premiums from sales of covered call options. Operating expenses, consisting primarily of fund advisory fees, decreased approximately 5.4% during the quarter primarily due to lower asset based fees and other operating expenses. Leverage costs increased 2.6% as compared to 1st quarter 2018 primarily as a result of increased interest rates during the quarter. As a result of the changes in income and expenses, DCF increased approximately 18.8% as compared to 1st quarter 2018. In addition, the fund had net realized losses on investments of $1.1 million during 2nd quarter 2018. The fund paid a quarterly distribution of $0.4075 per share, which was unchanged over the prior quarter and 2nd quarter 2017. The fund has paid cumulative distributions to stockholders of $10.9125 per share since its inception in October 2011.

The Key Financial Data table discloses the calculation of DCF and should be read in conjunction with this discussion. The difference between income from investments in the DCF calculation and total investment income as reported in the Statement of Operations, is reconciled as follows: (1) the Statement of Operations, in conformity with U.S. generally accepted accounting principles ("GAAP"), recognizes distributions and dividend income from MLPs, common stock and other investments on their ex-dates, whereas the DCF calculation may reflect distributions and dividend income on their pay dates; (2) GAAP recognizes that a significant portion of the cash distributions received from MLPs, common stock and other investments are characterized as a return of capital and therefore excluded from investment income, whereas the DCF calculation includes the return of capital; (3) income from investments in the DCF calculation includes the value of dividends paid-in-kind (additional stock or units), whereas such amounts may not be included as income for GAAP purposes; and (4) net premiums on options written (premiums received less amounts paid to buy back out-of-the-money options) with expiration dates during the fiscal quarter are included in the DCF calculation, whereas GAAP recognizes the net effect of options written as realized and unrealized gains (losses).

"Net Investment Income (Loss)" on the Statement of Operations is adjusted as follows to reconcile to DCF for YTD and 2nd quarter 2018 (in thousands):

| | YTD 2018 | 2nd Qtr 2018 |
|---|---|---|
| Net Investment Loss | $ (792) | $ (670) |
| Adjustments to reconcile to DCF: | | |
| Net premiums on options written | 2,419 | 1,294 |

| | | |
|---|---|---|
| Distributions characterized as return of capital | 5,250 | 3,145 |
| Dividends paid in stock | 743 | 346 |
| Other | 79 | 65 |
| DCF | $ 7,699 | $ 4,180 |

## Leverage

The fund's leverage utilization increased by $0.3 million during 2nd quarter 2018 and represented 27.1% of total assets at May 31, 2018. The fund has maintained compliance with its applicable coverage ratios. At quarter-end, approximately 63% of the leverage cost was fixed, the weighted-average maturity was 1.9 years and the weighted-average annual rate on leverage was 3.66%. These rates will vary in the future as a result of changing floating rates, utilization of the fund's credit facility and as leverage matures or is redeemed.

Please see the Financial Statements and Notes to Financial Statements for additional detail regarding critical accounting policies, results of operations, leverage and other important fund information.

For further information regarding the calculation of distributable cash flow and distributions to stockholders, as well as a discussion of the tax impact on distributions, please visit www.tortoiseadvisors.com.

(unaudited)

**TTP Key Financial Data** (supplemental unaudited information)
(dollar amounts in thousands unless otherwise indicated)

**The information presented below regarding Distributable Cash Flow and Selected Financial Information is supplemental non-GAAP financial information, which the fund believes is meaningful to understanding operating performance. The Distributable Cash Flow Ratios include the functional equivalent of EBITDA for non-investment companies, and the fund believes they are an important supplemental measure of performance and promote comparisons from period-to-period. This information is supplemental, is not inclusive of required financial disclosures (e.g. Total Expense Ratio), and should be read in conjunction with the full financial statements.**

| | 2017 | | | 2018 | |
|---|---|---|---|---|---|
| | **Q2(1)** | **Q3(1)** | **Q4(1)** | **Q1(1)** | **Q2(1)** |
| **Total Income from Investments** | | | | | |
| Dividends and distributions from investments, net of foreign taxes withheld | $3,778 | $3,780 | $3,559 | $3,498 | $4,009 |
| Dividends paid in stock | 238 | 242 | 329 | 397 | 346 |
| Net premiums on options written | 1,135 | 1,126 | 967 | 1,125 | 1,294 |
| Total from investments | 5,151 | 5,148 | 4,855 | 5,020 | 5,649 |
| **Operating Expenses Before Leverage Costs** | | | | | |
| Advisory fees, net of fees waived | 822 | 756 | 729 | 732 | 683 |
| Other operating expenses | 145 | 146 | 132 | 149 | 150 |
| | 967 | 902 | 861 | 881 | 833 |
| Distributable cash flow before leverage costs | 4,184 | 4,246 | 3,994 | 4,139 | 4,816 |
| Leverage costs(2) | 563 | 578 | 579 | 620 | 636 |
| **Distributable Cash Flow(3)** | $3,621 | $3,668 | $3,415 | $3,519 | $4,180 |
| **Net realized gain (loss) on investments and foreign currency translation, for the period** | $(357) | $292 | $354 | $532 | $(1,118) |
| **As a percent of average total assets(4)** | | | | | |
| Total from investments | 6.89% | 7.35% | 7.28% | 7.70% | 9.03% |
| Operating expenses before leverage costs | 1.29% | 1.29% | 1.29% | 1.35% | 1.33% |
| Distributable cash flow before leverage costs | 5.60% | 6.06% | 5.99% | 6.35% | 7.70% |
| **As a percent of average net assets(4)** | | | | | |
| Total from investments | 8.88% | 9.93% | 9.79% | 10.24% | 12.65% |
| Operating expenses before leverage costs | 1.67% | 1.74% | 1.74% | 1.80% | 1.87% |
| Leverage costs | 0.97% | 1.11% | 1.17% | 1.26% | 1.42% |
| Distributable cash flow | 6.24% | 7.08% | 6.88% | 7.18% | 9.36% |
| | | | | | |
| **Selected Financial Information** | | | | | |
| Distributions paid on common stock | $4,081 | $4,082 | $4,082 | $4,082 | $4,081 |
| Distributions paid on common stock per share | 0.4075 | 0.4075 | 0.4075 | 0.4075 | 0.4075 |
| Total assets, end of period(5) | 278,733 | 274,878 | 259,175 | 245,155 | 258,764 |
| Average total assets during period(5)(6) | 296,418 | 278,007 | 267,349 | 264,274 | 248,147 |
| Leverage(7) | 67,400 | 68,000 | 69,300 | 69,800 | 70,100 |
| Leverage as a percent of total assets | 24.2% | 24.7% | 26.7% | 28.5% | 27.1% |
| Net unrealized depreciation, end of period | (13,246) | (21,276) | (27,789) | (38,233) | (17,798) |
| Net assets, end of period | 210,076 | 199,503 | 188,517 | 173,723 | 187,444 |
| Average net assets during period(8) | 230,203 | 205,675 | 198,953 | 198,872 | 177,138 |
| Net asset value per common share | 20.97 | 19.92 | 18.82 | 17.34 | 18.71 |
| Market value per common share | 19.97 | 18.43 | 17.01 | 16.93 | 17.36 |
| Shares outstanding (000's) | 10,016 | 10,016 | 10,016 | 10,016 | 10,016 |

(1) Q1 is the period from December through February. Q2 is the period from March through May. Q3 is the period from June through August. Q4 is the period from September through November.
(2) Leverage costs include interest expense, distributions to preferred stockholders and other recurring leverage expenses.
(3) "Net investment income (loss)" on the Statement of Operations is adjusted as follows to reconcile to Distributable Cash Flow ("DCF"): increased by net premiums on options written, the return of capital on distributions, the dividends paid in stock and increased liquidation value, the premium on dividends paid in kind and amortization of debt issuance costs.
(4) Annualized.
(5) Includes deferred issuance and offering costs on senior notes and preferred stock.
(6) Computed by averaging month-end values within each period.
(7) Leverage consists of senior notes, preferred stock and outstanding borrowings under the revolving credit facility.
(8) Computed by averaging daily net assets within each period.

**2018 2nd Quarter Report** | May 31, 2018

# Tortoise
Energy Independence Fund, Inc. (NDP)

## Fund description

NDP seeks a high level of total return with an emphasis on current distributions paid to stockholders. NDP invests primarily in equity securities of upstream North American energy companies that engage in the exploration and production of crude oil, condensate, natural gas and natural gas liquids that generally have a significant presence in North American oil and gas fields, including shale reservoirs.

## Fund performance review

The fund's market-based and NAV-based returns for the fiscal quarter ending May 31, 2018 were 9.5% and 10.9%, respectively (including the reinvestment of distributions). Comparatively, the Tortoise North American Oil and Gas Producers Index[SM] returned 19.2% for the same period. Liquids producers, particularly those in the Eagle Ford contributed the most to performance during the period.

### Second fiscal quarter highlights

| | |
|---|---|
| Distributions paid per share | $0.4375 |
| Distribution rate (as of 5/31/2018) | 14.0% |
| Quarter-over-quarter distribution increase | 0.0% |
| Year-over-year distribution increase | 0.0% |
| Cumulative distributions paid per share to stockholders since inception in July 2012 | $10.0625 |
| Market-based total return | 9.5% |
| NAV-based total return | 10.9% |
| Premium (discount) to NAV (as of 5/31/2018) | 2.4% |

The fund utilizes a covered call strategy, which seeks to generate income while reducing overall volatility. The premium income generated from this strategy helped to lower NAV volatility during the quarter. The notional amount of the fund's covered calls averaged approximately 72.4% of total assets and their out-of-the-money percentage at the time written averaged approximately 8.6% during the fiscal quarter.

***Unlike the fund return, index return is pre-expenses.***

***Performance data quoted represent past performance: past performance does not guarantee future results. Like any other stock, total return and market value will fluctuate so that an investment, when sold, may be worth more or less than its original cost. Portfolio composition is subject to change due to ongoing management of the fund. References to specific securities or sectors should not be construed as a recommendation by the fund or its adviser. See Schedule of Investments for portfolio weighting at the end of the fiscal quarter.***

## Key asset performance drivers

| Top five contributors | Company type | Performance driver |
|---|---|---|
| Continental Resources, Inc. | Upstream oil and gas producer | Higher oil prices and widening Permian basis differential propelled non-Permian oil producers |
| Devon Energy Corporation | Upstream oil and gas producer | Higher oil prices and widening Permian basis differential propelled non-Permian oil producers |
| EOG Resources, Inc. | Upstream oil and gas producer | Higher oil prices and widening Permian basis differential propelled non-Permian oil producers |
| Anadarko Petroleum Corporation | Upstream oil and gas producer | Higher oil prices and widening Permian basis differential propelled non-Permian oil producers |
| Carrizo Oil & Gas, Inc. | Upstream oil and gas producer | Higher oil prices and widening Permian basis differential propelled non-Permian oil producers |

| Bottom five contributors | Company type | Performance driver |
|---|---|---|
| Concho Resources Inc. | Upstream oil and gas producer | Widening Permian basis differential resulting in lower oil prices for Permian producers |
| | Midstream crude oil pipeline company | Higher leverage causing need for asset divestitures to fund capital projects |

| | | |
|---|---|---|
| Enbridge Energy Management, L.L.C. | | |
| Cabot Oil & Gas Corporation | Upstream liquids producer | Potential to slow production growth due to delays in the completion of a new pipeline in the Northeast |
| Buckeye Partners, L.P. | Midstream refined product/crude oil pipeline company | Weaker than expected earnings tied to storage market fundamentals |
| Diamondback Energy, Inc. | Upstream oil and gas producer | Widening Permian basis differential resulting in lower oil prices for Permian producers |

(unaudited)

# Tortoise

Energy Independence Fund, Inc. (NDP) (continued)

## Fund structure and distribution policy

The fund is structured to qualify as a Regulated Investment Company ("RIC") allowing the fund to pass-through to shareholders the income and capital gains earned by the fund, thus avoiding double-taxation. To qualify as a RIC, the fund must meet specific income, diversification and distribution requirements. Regarding income, at least 90 percent of the fund's gross income must be from dividends, interest and capital gains. The fund must meet quarterly diversification requirements including the requirement that at least 50 percent of the assets be in cash, cash equivalents or other securities with each single issuer of other securities not greater than 5 percent of total assets. No more than 25 percent of total assets can be invested in any one issuer other than government securities or other RIC's. The fund must also distribute at least 90 percent of its investment company income. RIC's are also subject to excise tax rules which require RIC's to distribute approximately 98 percent of net income and net capital gains to avoid a 4 percent excise tax.

The fund has adopted a distribution policy which intends to distribute an amount closely approximating the total taxable income for the year and, if so determined by the Board, distribute all or a portion of the return of capital paid by portfolio companies during the year. The fund may designate a portion of its distributions as capital gains and may also distribute additional capital gains in the last calendar quarter of the year to meet annual excise distribution requirements. Distribution amounts are subject to change from time to time at the discretion of the Board. Although the level of distributions is independent of the funds' performance in the short term, the fund expects such distributions to correlate with its performance over time.

## Distributable cash flow and distributions

Distributable cash flow ("DCF") is income from investments less expenses. Income from investments includes the amount received as cash or paid-in-kind distributions from investments and dividend payments on short-term investments. Income also includes the premiums received from sales of covered call options, net of amounts paid to buy back out-of-the-money options. The total expenses include current or anticipated operating expenses and leverage costs.

Distributions received from investments increased approximately 3.2% as compared to 1st quarter 2018, primarily due to higher income on premiums from sales of covered call options. Operating expenses, consisting primarily of fund advisory fees, decreased approximately 3.4% during the quarter due to lower asset-based fees and other operating expenses. Total leverage costs increased approximately 15.7% as compared to 1st quarter 2018, primarily due to an increase in interest rates during the quarter. As a result of the changes in income and expenses, DCF increased by approximately 3.3% as compared to 1st quarter 2018. In addition, the fund had net realized losses on investments of $17.0 million during 2nd quarter 2018.

The fund maintained its quarterly distribution of $0.4375 per share during 2nd quarter 2018, which was equal to the distribution paid in the prior quarter and 2nd quarter 2017. The fund has paid cumulative distributions to stockholders of $10.0625 per share since its inception in July 2012.

The Key Financial Data table discloses the calculation of DCF and should be read in conjunction with this discussion. The difference between income from investments in the DCF calculation and total investment income as reported in the Statement of Operations, is reconciled as follows: (1) the Statement of Operations, in conformity with U.S. generally accepted accounting principles ("GAAP"), recognizes distributions and dividend income from MLPs, common stock and other investments on their ex-dates, whereas the DCF calculation may reflect distributions and dividend income on their pay dates; (2) GAAP recognizes that a significant portion of the cash distributions received from MLPs, common stock and other investments are characterized as a return of capital and therefore excluded from investment income, whereas the DCF calculation includes the return of capital; (3) income from investments in the DCF calculation includes the value of dividends paid-in-kind (additional stock or units), whereas such amounts may not be included as income for GAAP purposes; and (4) net premiums on options written (premiums received less amounts paid to buy back out-of-the-money options) with expiration dates during fiscal quarter are included in the DCF calculation, whereas GAAP recognizes the net effect of options written as realized and unrealized gains (losses).

"Net Investment Income (Loss)" on the Statement of Operations is adjusted as follows to reconcile to DCF for YTD and 2nd quarter 2018 (in thousands):

| | YTD 2018 | 2nd Qtr 2018 |
|---|---|---|
| Net Investment Loss | $ (2,296) | $ (1,453) |
| Adjustments to reconcile to DCF: | | |
| Net premiums on options written | 11,550 | 5,923 |
| | 2,730 | 1,644 |

| | | |
|---|---|---|
| Distributions characterized as return of capital | | |
| Other | 346 | 152 |
| DCF | $ 12,330 | $ 6,266 |

## Leverage

The fund's leverage utilization decreased $2.2 million as compared to 1st quarter 2018. The fund utilizes all floating rate leverage that had an interest rate of 2.80% and represented 26.8% of total assets at quarter-end. The fund has maintained compliance with its applicable coverage ratios. The interest rate on the fund's leverage will vary in the future along with changing floating rates.

Please see the Financial Statements and Notes to Financial Statements for additional detail regarding critical accounting policies, results of operations, leverage and other important fund information.

For further information regarding the calculation of distributable cash flow and distributions to stockholders, as well as a discussion of the tax impact on distributions, please visit www.tortoiseadvisors.com.

(unaudited)

**NDP Key Financial Data** (supplemental unaudited information)
(dollar amounts in thousands unless otherwise indicated)

**The information presented below regarding Distributable Cash Flow and Selected Financial Information is supplemental non-GAAP financial information, which the fund believes is meaningful to understanding operating performance. The Distributable Cash Flow Ratios include the functional equivalent of EBITDA for non-investment companies, and the fund believes they are an important supplemental measure of performance and promote comparisons from period-to-period. This information is supplemental, is not inclusive of required financial disclosures (e.g. Total Expense Ratio), and should be read in conjunction with the full financial statements.**

| | 2017 Q2[(1)] | Q3[(1)] | Q4[(1)] | 2018 Q1[(1)] | Q2[(1)] |
|---|---|---|---|---|---|
| **Total Income from Investments** | | | | | |
| Distributions and dividends from investments, net of foreign taxes withheld | $1,516 | $1,526 | $1,441 | $1,453 | $1,442 |
| Dividends paid in stock | 129 | 132 | 135 | 194 | 142 |
| Net premiums on options written | 5,425 | 5,754 | 5,720 | 5,627 | 5,923 |
| Total from investments | 7,070 | 7,412 | 7,296 | 7,274 | 7,507 |
| **Operating Expenses Before Leverage Costs** | | | | | |
| Advisory fees, net of fees waived | 791 | 686 | 681 | 693 | 662 |
| Other operating expenses | 140 | 135 | 125 | 141 | 144 |
| | 931 | 821 | 806 | 834 | 806 |
| Distributable cash flow before leverage costs | 6,139 | 6,591 | 6,490 | 6,440 | 6,701 |
| Leverage costs[(2)] | 285 | 322 | 325 | 376 | 435 |
| **Distributable Cash Flow[(3)]** | $5,854 | $6,269 | $6,165 | $6,064 | $6,266 |
| **Net realized gain (loss) on investments and foreign currency translation, for the period** | $(6,084) | $(2,332) | $(18,793) | $5,881 | $(16,976) |
| **As a percent of average total assets[(4)]** | | | | | |
| Total from investments | 9.70 % | 11.55 % | 11.60 % | 11.56 % | 12.33 % |
| Operating expenses before leverage costs | 1.28 % | 1.28 % | 1.28 % | 1.32 % | 1.32 % |
| Distributable cash flow before leverage costs | 8.42 % | 10.27 % | 10.32 % | 10.24 % | 11.01 % |
| **As a percent of average net assets[(4)]** | | | | | |
| Total from investments | 12.60 % | 15.93 % | 15.77 % | 15.42 % | 17.01 % |
| Operating expenses before leverage costs | 1.66 % | 1.76 % | 1.74 % | 1.77 % | 1.83 % |
| Leverage costs | 0.51 % | 0.69 % | 0.70 % | 0.80 % | 0.99 % |
| Distributable cash flow | 10.43 % | 13.48 % | 13.33 % | 12.85 % | 14.19 % |
| | | | | | |
| **Selected Financial Information** | | | | | |
| Distributions paid on common stock | $6,360 | $6,369 | $6,380 | $6,380 | $6,391 |
| Distributions paid on common stock per share | 0.4375 | 0.4375 | 0.4375 | 0.4375 | 0.4375 |
| Total assets, end of period | 264,083 | 238,932 | 255,302 | 236,174 | 245,593 |
| Average total assets during period[(5)] | 289,030 | 254,645 | 252,191 | 255,282 | 241,582 |
| Leverage[(6)] | 64,600 | 64,700 | 64,500 | 68,000 | 65,800 |
| Leverage as a percent of total assets | 24.5 % | 27.1 % | 25.3 % | 28.8 % | 26.8 % |
| Net unrealized depreciation, end of period | (40,654) | (63,116) | (19,852) | | |