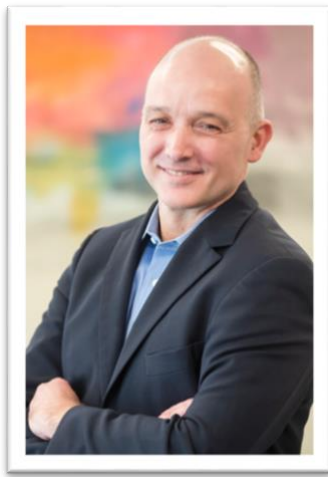




Tortoise's Thummel Says It's 'The Best Time I've Ever Seen' For Energy Investing

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Chuck Jaffe, in this episode of The NAVigator podcast interviews Rob Thummel, Senior Portfolio Manager at Tortoise Capital. Rob says that this is "the best time I have ever seen" in a three-decade career to be investing in energy. Thummel, who manages Tortoise Energy Infrastructure, notes that the U.S. has grown into the largest energy producer and energy exporter in the world, but that it now needs expanded infrastructure to build on that leadership position. Moreover, the energy sector and technology sector have come together with the development of artificial intelligence, which needs

high levels of energy and which should drive demand for "decades to come," particularly in the natural gas sector.

The podcast can be found on AICA's website by clicking here: <https://aicalliance.org/alliance-content/pod-cast/>

CHUCK JAFFE: We're talking about the changing world of energy infrastructure investing with Rob Thummel, manager of the Tortoise Energy Infrastructure Fund, this is The NAVigator. Welcome to The NAVigator, where we talk about all-weather active investing and plotting a course to financial success with the help of closed-end funds. The NAVigator is brought to you by the Active Investment Company Alliance, which is a unique industry organization representing the full spectrum of the closed-end fund business from investors and users to fund sponsors and creators. If you're looking for excellence beyond indexing, The NAVigator will point you in the right direction. And today we're looking in the direction

of infrastructure investing with Rob Thummel, senior portfolio manager at Tortoise Capital, where among many things he runs the Tortoise Energy Infrastructure Fund, that's ticker symbol TYG. You can learn more about the fund, the firm, and Rob by going to TortoiseCapital.com. And if you want to learn more generally about closed-end funds, interval funds, and business-development companies, check out AICAlliance.org, the website for the Active Investment Company Alliance. Rob Thummel, great to chat with you on The NAVigator.

ROB THUMMEL: Thanks for having me, Chuck. Good to see you again.

CHUCK JAFFE: For those who listen to us only in The NAVigator's standalone format, you and I just did an interview talking really about specific stocks and specific stock investing for my show *Money Life*, they can find that, it was on the September 3rd *Money Life*, but let's jump in. When it comes to energy infrastructure investing, these are really interesting times, you've got all kinds of things happening when it comes to the politics and the policies, you've got changing demand curve, and in our other chat you raised a couple of issues that we're going to talk about here that are certainly changing the face of energy infrastructure investing. So where are we right now in this cycle? Because energy infrastructure investing has not really ridden the rest of the crest that the market has been on.

ROB THUMMEL: No, it hasn't, Chuck, and I'll tell you what, I've been investing in energy for 30 years and I'm honest when I say this, this is one of the best times, or it is the best time that I can remember investing in energy. For several reasons. If you just think about it from a macro perspective, where are we in the energy sector? First of all, everybody uses energy, our lives depend on energy, it's so basic and so fundamental, and so the US, because of US shale technology, has grown into the largest producer of energy in the world. This is a great advantage going forward, the US is the largest energy exporter in the world, fantastic advantage for the US. All this needs though, energy infrastructure to keep it going, to keep it flowing, and so as a result of that it's a really great opportunity in the energy sector. The other opportunity, it's a new one, and for me as a long-time energy investor it's an exciting one because for the first time in my career the energy sector and the technology sector have really come together and both are necessary to be successful because we need to develop AI. So for AI to be successful and AI applications to be successful, you need energy and you need

the technology, so bringing those together just creates another growth opportunity for energy infrastructure and frankly a lot of infrastructure for decades to come.

CHUCK JAFFE: But as you talk about decades to come, that brings us to the policy issues and concerns that we might have, because the current administration has been backing away from the alternative energy initiatives that we saw in the last administration. And I'm not going to talk politics, but I simply look at it as the coal industry in this country has like 40,000 jobs, the alternative energy industry has like 400,000 jobs, and we have this dramatically increasing demand for power. How much do you worry right now policy will hold back what these companies can do? Or is the policy, good, bad, or otherwise, actually creating more opportunity?

ROB THUMMEL: A couple things there, so first of all, when you look at where do we generate our energy from? Over 80% of the US as well as global energy supply comes from hydrocarbons, oil, natural gas, coal is thrown in there as well, but as we look forward, we think the natural gas and nuclear are really the future in terms of the global energy supply. Now what will happen from a policy perspective to help that? Well, there's been some executive orders to help develop nuclear frankly, and that's going to happen, and we're going to see the fruits of that labor probably in 2030 and beyond, but for natural gas, the US has a lot of natural gas. It's a really efficient source of energy, it's a really low-cost source of energy, and it's frankly a clean source of energy relative to things like coal, so I think that natural gas plays a really important role. And oh by the way, we don't need a lot of regulatory approvals to drill for natural gas, a lot of this natural gas is available on private lands and some of these great oil and gas producers that are running around the US have done a great job of extracting it. That is the opportunity going forward, especially in natural gas as electricity demand, as you highlight, starts to grow for the first time in 20 years, and it's going to grow really probably three to four, maybe three to five percent for decades to come.

CHUCK JAFFE: One of the things that you have talked about is it has created that demand and the AI has created some, I don't know that they want to say strange bedfellows, but strange evolutions, in that at Tortoise Capital, you guys recently opened an AI Infrastructure ETF, that's TCAI for anyone who wants to take a look at it. It's not a closed-end fund, but it's looking at things where you have found Bitcoin-related plays that have morphed from doing

stuff really that was focused on the blockchain, to doing things that make them more of an energy company. Explain how that plays out and what that does for an old-line fund like TYG.

ROB THUMMEL: So yeah, this is really interesting in our research, and we spend a lot of time on this, Chuck, looking back. So really when [inaudible 0:05:58] AI was founded in November of '22 when ChatGPT came out, we recognized that there's a real opportunity here if AI continues to develop for the energy sector. Not a lot of people were talking about it, but we wrote a white paper a little over a year and a half ago, really what we were looking at is AI doesn't run on chips alone, it runs on infrastructure, and so when we looked at the opportunities we said, "Okay, well, what are all these cool applications going to need?" Well, the fundamental thing that all these applications needed that we really knew a lot about at Tortoise was electricity, because electricity demand was going to start to skyrocket and we're starting to see that being reflected in areas across the country. Well, this gives you the perspective, back to your question. Okay, so Bitcoin miners, it takes a lot of electricity mining for Bitcoin, so there's a lot of Bitcoin miners that have been around for a while and they have the access to electricity and have been mining Bitcoin and continue to. However, as AI applications have developed and the need for power generation and power availability has increased, and the need is today, then what has happened is you've seen some of these Bitcoin miners start to enter into deals with some of the hyperscalers, the large AI developers, Googles, Microsoft, Metas, so on and so forth because the deals they're into are the hyperscalers want access to the electricity that the Bitcoin miners have. So these Bitcoin miners have transformed from Bitcoin miners to AI datacenters, and not all of them are created equal, but some of them are starting to change and transform in this area, and it's been really interesting analysis and research to figure this out.

CHUCK JAFFE: And will they have a place alongside the traditional, what we think of as an energy infrastructure pipeline kinds of stocks?

ROB THUMMEL: Yeah, so in our Tortoise AI Infrastructure Fund they definitely have a place, and we are looking at them a little bit closer, even more so as they announce more contracts, potentially they could have a place in some of our funds where we focus on electrification and more of a focus on not only energy exports but also electricity demand going higher in the form of electrification. So that's for instance in our TPZ fund.

CHUCK JAFFE: One thing that we've seen in energy infrastructure, particularly with your fund, has been a bit of feast or famine performance; 2023 was a rough year for your fund and a year in which energy infrastructure significantly lagged, last year your fund was up [inaudible 0:08:20] percent, this year you're up again. I think most people think about energy infrastructure and they're thinking consistency, they're thinking you've got the toll takers and the companies that need to be there so that we can provide energy and power and all the rest. Is there a reason why we've seen as much whipsaw as we have both for the industry and your fund?

ROB THUMMEL: Yeah, Chuck, this has been one of the most frustrating things as a fundamental analyst and frankly portfolio manager, has been the volatility in the stock prices because the cash flows of the underlying energy infrastructure investments have been fairly steady and consistent and we've got a lot of work we've done that's on our website to illustrate that. A lot of it goes back to maybe your original questions about the regulatory environment initially and what role were fossil fuels going to play in the continued development of economies? And I think there was concerns that fossil fuels weren't going to play a role, and that caused a lot of volatility to the downside, that happened in the early 2020s, obviously Covid didn't help at the same time because energy demand was lower, lower volumes. But then what we've seen is, look, oil, natural gas, even coal, but for us it's more natural gas, is going to play a really, really important role going forward, and so then you've seen these stocks rebound, and these rebounds have been supported by just that continued, steady increase in cash flows. And a lot of investors then also like the dividends that come out of these energy infrastructure stocks, some of them were really high when the stock prices were low, and today they're still pretty high relative to what you can get in the S&P 500.

CHUCK JAFFE: Rob, really interesting. I appreciate the perspective and the time, thanks again for joining me on The NAVigator.

ROB THUMMEL: Thanks for having me, Chuck.

CHUCK JAFFE: The NAVigator is a joint production of the Active Investment Company Alliance and Money Life with Chuck Jaffe, and yeah, I'm Chuck Jaffe, I'd love it if you'd check out my show by going to your favorite podcast app or by searching for it at [MoneyLifeShow.com](https://www.MoneyLifeShow.com). Now to learn more about interval funds, closed-end funds, and business-development

companies go to AICalliance.org, that's the website for the Active Investment Company Alliance. Thanks to my guest Rob Thummel, senior portfolio manager at Tortoise Capital, manager of the Tortoise Energy Infrastructure Fund, ticker symbol TYG. Get more information at TortoiseCapital.com. The NAVigator podcast has something new for you every Friday, and we'll have a bonus episode out next week, make sure you never miss an episode by subscribing or following along on your favorite podcast app, and if you like this podcast, leave a review and tell your friends because that stuff really does help. Until next week, happy investing, everybody.

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