

# Closed-end fund Q&A

July 8, 2020

**Q: Why reinstate the distribution now?**

**A:** Earlier this year, TYG and NTG announced a temporary suspension of their distributions through year-end 2020. At that time of extreme volatility in the market, there was not a well-defined path of how and when the market prices in the space might recover and how the distributable cash flow (DCF) of these funds would be impacted. As the stock market and energy markets evolved during calendar Q2 2020, we saw significant rebounds in market prices and coming through earnings season have a clearer view on the overall economy and energy demand.

**Q: Are the distributions announced today the run-rate distribution or are these higher or lower than what investors should expect for distributions in future quarters?**

**A:** The Board discusses and evaluates the funds' distributions at each of the regularly scheduled quarterly Board meetings. The distribution rates announced today would be the run-rate distribution until the Board reevaluates the distribution at the next regularly scheduled meeting.

**Q: Why the change in distribution policy?**

**A:** Changing to a NAV-based distribution policy aligns with the goal of growing NAV. The Board has not pegged an exact percent of NAV to distribute annually, but generally anticipates that these funds will distribute 5% to 7% of NAV. The change in policy will also provide the portfolio management team the flexibility to own investments with the most compelling total return potential across a broader set of energy infrastructure companies.

**Q: How does changing to an NAV-based distribution allow more flexibility to the investment team?**

**A:** By focusing the investment process on total returns and the resulting growth in NAV, the investment team can make investment decisions without a primary focus on DCF. The funds could own securities that pay low or even no yield but are anticipated to provide attractive gains.

**Q: Is it anticipated that the distributions will be in excess of DCF?**

**A:** Currently, it's anticipated that annual distributions will be less than DCF. Cash flow not distributed can be used to make additional investments in portfolio securities, fund share repurchases or reduce leverage.

**Q: Is there a target % discount in which shares would be bought back?**

**A:** There is no absolute target discount for the repurchase, but repurchases are expected to be made if shares are trading at a discount to NAV in excess of 10%.

**Q: Will share repurchases be made even if Fund distributions are higher than the net cash flow?**

**A:** The funds can execute on the Board approved share repurchase regardless of the DCF or net cash flow of the fund.

**Q: Would the funds add leverage to repurchase shares?**

**A:** The Board reiterated that leverage utilizations in the fund will vary, but normally be in the 20%-30% of total assets range. Share repurchases can be funded with cash on the balance sheet, DCF, proceeds from the issuance of leverage and portfolio sales.

**Q: Where would excess cash flow go if shares are trading at less than a 10% discount to NAV?**

**A:** If shares are trading at less than a 10% discount to NAV, share repurchases would be halted and the program reviewed by management and the Board. If the program is not reinstated, excess cash flow could be used to invest in underlying portfolio securities and/or reduce leverage.

**Q: Is there a guarantee that the repurchase dollar amounts will happen or are these targets?**

**A:** There is no guarantee that the amounts mentioned in the press release will be repurchased. The share repurchase program for each fund will follow SEC Rule 10b-18 requirements including the following:

Purchases must be effected at a purchase price that does not exceed the highest independent bid or the last independent transaction price, whichever is higher;

The total volume of 10b-18 purchases effected in a single day may not exceed 25% of the average daily trading volume for that security.

**Q: Will share buyback info/updates be provided to investors?**

**A:** The funds will report on share repurchases at least quarterly.

**Q: What sorts of strategic options might the Board consider in the future?**

**A:** As mentioned previously, the Board tries to consider all options that could positively impact shareholder value. These could include but not limited to, modifying investment strategies and merging one or more funds.

**Q: What about the other funds?**

**A:** There are no changes regarding the other funds to be announced at this time. The next regularly scheduled Board meeting is anticipated the first half of August.

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