TORTOISE ENERGY INFRASTRUCTURE CORP
Form N-30B-2
October 23, 2014

Company at a Glance

Tortoise Energy Infrastructure Corp. (NYSE: TYG) is a pioneering closed-end investment company investing primarily in equity securities of publicly-traded Master Limited Partnerships (MLPs) and their affiliates in the energy infrastructure sector.

Investment Goals: Yield, Growth and Quality

TYG seeks a high level of total return with an emphasis on current distributions paid to stockholders.

In seeking to achieve **yield,** we target distributions to our stockholders that are roughly equal to the underlying yield on a direct investment in MLPs. In order to accomplish this, we maintain our strategy of investing primarily in energy infrastructure MLPs with attractive current yields and growth potential.

We seek to achieve distribution **growth** as revenues of our underlying companies grow with the economy, with the population and through rate increases. This revenue growth generally leads to increased operating profits, and when combined with internal expansion projects and acquisitions, is expected to provide attractive growth in distributions to us. We also seek distribution growth through timely debt and equity offerings.

TYG seeks to achieve **quality** by investing in companies operating energy infrastructure assets that are critical to the U.S. economy. Often these assets would be difficult to replicate. We also back experienced management teams with successful track records. By investing in us, our stockholders have access to a portfolio that is diversified through geographic regions and across product lines, including natural gas, natural gas liquids, crude oil and refined products.

About Energy Infrastructure Master Limited Partnerships

MLPs are limited partnerships whose units trade on public exchanges such as the New York Stock Exchange (NYSE), the NYSE Alternext US and NASDAQ. Buying MLP units makes an investor a limited partner in the MLP. There are currently more than 100 MLPs in the market in industries related to energy and natural resources.

We primarily invest in MLPs and their affiliates in the energy infrastructure sector. Energy infrastructure MLPs are engaged in the transportation, storage and processing of crude oil, natural gas and refined products from production points to the end users. Our investments are primarily in midstream (mostly pipeline) operations, which typically produce steady cash flows with less exposure to commodity prices than many alternative investments in the broader energy industry. With the growth potential of this sector, along with our disciplined investment approach, we endeavor to generate a predictable and increasing distribution stream for our investors.

A TYG Investment Versus a Direct Investment in MLPs

We provide our stockholders an alternative to investing directly in MLPs and their affiliates. A direct MLP investment potentially offers an attractive distribution with a significant portion treated as return of capital, and a historically low correlation to returns on stocks and bonds. However, the tax characteristics of a direct MLP investment are generally undesirable for tax-exempt investors such as retirement plans. We are structured as a C Corporation accruing federal and state income taxes, based on taxable earnings and profits. Because of this innovative structure, pioneered by Tortoise Capital Advisors, institutions and retirement accounts are able to join individual stockholders as investors in MLPs.

Additional features include:

- One Form 1099 per stockholder at the end of the year, thus avoiding multiple K-1s and multiple state filings for individual partnership investments;
- A professional management team, with more than 130 years combined investment experience, to select and manage the portfolio on your behalf;

- The ability to access investment grade credit markets to enhance stockholder return; and
- Access to direct placements and other investments not available through the public markets.

September 29, 2014

Dear Fellow Stockholders,

The third fiscal quarter ending Aug. 31, 2014 was an upbeat one for midstream MLPs. Their success was driven by the continued and critical need for energy infrastructure build-out to transport the robust volumes of crude oil and natural gas produced out of North American shales, as well as proposed merger and acquisition activity.

Broader market performance also was strong during the third fiscal quarter, despite the intensifying and increasingly complex conflict in the Middle East. Interest rates remained low, although in July Federal Reserve Chairwoman Janet Yellen, testifying before the Senate Banking Committee, said that the Fed may need to raise interest rates sooner than expected. Also during the quarter, a steady stream of upbeat economic data reflected economic growth. For the three- and nine-month periods ending Aug. 31, 2014, the S&P 500 Index® returned 4.7 percent and 12.7 percent, respectively.

Master Limited Partnership Sector Review and Outlook

MLPs once again outperformed the broader market, with the Tortoise MLP Index® posting 12.0 percent and 27.1 percent total returns for the three- and nine-month periods ending Aug. 31, 2014, respectively. Midstream MLPs slightly outperformed upstream MLPs during the quarter, driven largely by the continued need for greater pipeline takeaway capacity. The Tortoise Midstream MLP Index gained 12.9 percent for the quarter while the Tortoise Upstream MLP Index returned 10.1 percent. Midstream MLPs handily outperformed their upstream counterparts fiscal year to date, with the midstream index returning 28.8 percent for the nine months ending Aug. 31, 2014, compared to the upstream index s 17.5 percent gain for the same time period.

As oil and natural gas production continues to exceed estimates, it also continues to drive the need for changes in our nation s pipeline infrastructure. Despite its 2.6 million miles of natural gas and liquid petroleum products pipelines,[1] takeaway capacity for the copious volumes of oil and natural gas being produced out of North American shales remains insufficient. Midstream MLPs are continuing to respond to the need for more infrastructure. Several new projects have come on line recently and additional projects are scheduled to begin operations later this year. In just the next three years through 2016, we project approximately $77 billion in MLP projects.

Capital markets continued to underpin sector growth, with MLPs raising approximately $7.9 billion in equity and $4.9 billion in debt offerings during the third fiscal quarter. This infusion of capital brought the totals for equity and debt raised during the fiscal year to date to approximately $27.5 billion and $25.6 billion, respectively. There were seven new initial public offerings in the third quarter, with activity in each sector of the energy value chain, ranging from a bituminous thermal coal producer, to an owner and operator of petroleum terminals, to a petrochemical company.

Merger and acquisition (M&A) activity was a key driver during the fiscal quarter, with approximately $12 billion in MLP transactions. One additional announced deal that affected MLPs was Kinder Morgan, Inc. (KMI) s proposed approximately $70 billion acquisition of three affiliates: Kinder Morgan Energy Partners, L.P. (KMP), Kinder Morgan Management, LLC (KMR) and El Paso Pipeline Partners, L.P. (EPB), consolidating four publicly traded pipeline companies into one entity, pending shareholder approval. This brings the total for all MLP and pipeline transactions to approximately $104 billion in announced deals thus far during the fiscal year, with nearly $27 billion in MLPs alone.

Fund Performance Review

The fund s total assets increased from approximately $2.6 billion on May 31, 2014, to $4.6 billion on Aug. 31, 2014, primarily from the merger of TYN and TYY into the fund as of June 23, 2014 and from net realized and unrealized gains on investments. Leverage (including bank debt, senior notes and preferred stock) as a percent of total assets decreased from 19.7 percent on May 31, 2014, to 18.1 percent at the end of the fiscal quarter.

At fiscal quarter end, the fund paid a distribution of $0.61 per common share ($2.44 annualized) to stockholders, an increase of 5.2 percent quarter over quarter and 6.6 percent year over year. The distribution represented an annualized distribution rate of 5.0 percent based on the fund s fiscal quarter closing price of $49.00. In managing the fund, Tortoise places particular emphasis on distribution coverage: distributable cash flow (DCF) earned by the fund divided by distributions paid to stockholders. Our goal is to declare what we believe to be sustainable quarterly distributions with increases safely covered by earned distributable cash flow. The distribution payout coverage was 105.5 percent for the fiscal quarter and 108.3 percent for the last four quarters.

For the third fiscal quarter, the fund s market-based total return was 2.6 percent and its NAV-based total return was 10.6 percent (2.2 percent and 29.3 percent, respectively, for the nine months ending Aug. 31, 2014), including the reinvestment of distributions. As such, the discount in the fund s stock price relative to its NAV widened during the period. Discounts have widened over the past several months across the broader

(Unaudited)

closed-end fund market, including energy MLP closed-end funds. We believe this is due in part to concerns about rising interest rates. This more technical market pressure has occurred at the same time as the fund s strong NAV performance, magnifying the discount. We continue to believe in our investment focus on quality, sustainable distributions and growth.

Key Quarterly Asset Performance Drivers

A number of factors drove the fund s strong asset performance during the fiscal quarter:

- Natural gas pipeline MLPs benefited from the increasing need for greater pipeline takeaway capacity.
- Gathering and processing MLPs performed well due to increased transportation of natural gas liquids (NGLs).
- Crude oil pipeline MLPs continued to benefit from increased production, while refined product pipeline MLPs performance was driven by increasing refinery utilization.
- As a result of the fund s midstream investment strategy, it was not exposed to upstream, propane and coal MLPs, which lagged during the quarter. This boosted the fund s relative results.

The fund s performance was restrained by the following factors:

- Proposed M&A activity in the natural gas and gathering and processing pipeline space during the quarter, including Kinder Morgan, Inc. s proposed acquisition of Kinder Morgan Energy Partners restrained results. The fund was underweight Kinder Morgan Energy Partners because of its limited distribution growth outlook, but the stock performed well in the period following the announcement of the proposed acquisition.
- Exposure to crude oil pipeline and refined product MLPs with previously strong performance that pulled back during the quarter also dampened relative results.

Additional information about the fund s financial performance, distributions and leverage is available in the Key Financial Data and Management s Discussion sections of this report.

Concluding Thoughts

In our view, midstream MLPs with strategically located assets will continue to benefit from the robust volumes of oil and natural gas being produced in the premier North American shales, thus driving the continued need for significant infrastructure build-out. We believe that TYG offers stockholders a long-term investment opportunity with the potential for a high level of total return with sustainable distributions.

Sincerely,
The Managing Directors
Tortoise Capital Advisors, L.L.C.
The adviser to Tortoise Energy Infrastructure Corp.

The Tortoise MLP Index® is a float-adjusted, capitalization-weighted index of energy master limited partnerships (MLPs). The Tortoise Midstream MLP Index, a sub-index of the Tortoise MLP Index® is comprised of all constituents included in the following sub sectors: Crude Oil Pipelines, Gathering & Processing, Natural Gas pipelines and Refined Products Pipelines. The Tortoise Upstream MLP Index is comprised of all constituents included in the Tortoise MLP Index s Coal and Oil & Gas Productions sub sector indices. The S&P 500 Index is an unmanaged market-value-weighted index of stocks, which is widely regarded as the standard for measuring large-cap U.S. stock market independence.

[1] U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration

Past performance is no guarantee of future results.

(Unaudited)

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 we believe is meaningful to understanding our operating performance. The Distributable Cash Flow Ratios include the functional equivalent of EBITDA for non-investment companies, and we believe 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 our full financial statements.

	2013		2014		
	Q3(1)	Q4(1)	Q1(1)	Q2(1)	
Total Income from Investments					
Distributions received from master limited partnerships	$25,660	$27,024	$26,172	$27,393	$
Dividends paid in stock	1,537	1,597	1,637	1,479	
Distributions from common stock			52	71	
Other income		94			
Total from investments	27,197	28,715	27,861	28,943	
Operating Expenses Before Leverage Costs and Current Taxes					
Advisory fees, net of fees waived	4,895	4,957	5,119	5,774	
Other operating expenses	351	349	362	365	
	5,246	5,306	5,481	6,139	
Distributable cash flow before leverage costs and current taxes	21,951	23,409	22,380	22,804	
Leverage costs(3)	3,835	4,184	4,691	4,982	
Current income tax expense(4)					
Distributable Cash Flow(5)	$18,116	$19,225	$17,689	$17,822	$
As a percent of average total assets(6)					
Total from investments	5.28%	5.44%	5.01%	4.73%	
Operating expenses before leverage costs and current taxes	1.02%	1.00%	0.99%	1.00%	
Distributable cash flow before leverage costs and current taxes	4.26%	4.44%	4.02%	3.73%	
As a percent of average net assets(6)					
Total from investments	8.91%	9.51%	9.03%	8.43%	
Operating expenses before leverage costs and current taxes	1.72%	1.76%	1.78%	1.79%	
Leverage costs and current taxes	1.26%	1.39%	1.52%	1.45%	
Distributable cash flow	5.93%	6.36%	5.73%	5.19%	
Selected Financial Information					
Distributions paid on common stock	$16,321	$16,442	$16,643	$16,730	$
Distributions paid on common stock per share	0.5725	0.5750	0.5775	0.5800	
Distribution coverage percentage for period(7)	111.0%	116.9%	106.3%	106.5%	
Net realized gain, net of income taxes, for the period	3,363	31,391	8,609	5,695	
Total assets, end of period	2,031,736	2,188,730	2,294,312	2,579,795	4,
Average total assets during period(8)	2,043,631	2,118,177	2,253,941	2,428,481	4,
Leverage(9)	339,400	407,600	454,000	507,000	
Leverage as a percent of total assets	16.7%	18.6%	19.8%	19.7%	
Net unrealized appreciation, end of period	660,779	705,678	749,365	907,206	1,
Net assets, end of period	1,180,576	1,245,761	1,280,942	1,425,918	2,
Average net assets during period(10)	1,210,359	1,211,261	1,251,952	1,361,662	2,
Net asset value per common share	41.41	43.36	44.41	49.43	
Market value per share	43.34	49.76	44.65	48.34	
Shares outstanding (000 s)	28,509	28,733	28,844	28,844	

(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) Q3 2014 includes amounts from TYY and TYN for the period from June 1, 2014 through June 22, 2014.
(3) Leverage costs include interest expense, distributions to preferred stockholders, interest rate swap expenses and other recurring leverage expenses.
(4)

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).

(5) *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 value of paid-in-kind distributions, premium on redemption of MRP stock, amortization of debt issuance costs, non-recurring merger expenses; decreased by realized and unrealized gains (losses) on interest rate swap settlements and current taxes paid on net investment income; and adjusted for pre-merger DCF from TYY and TYN.*

(6) *Annualized for periods less than one full year.*

(7) *Distributable Cash Flow divided by distributions paid.*

(8) *Computed by averaging month-end values within each period.*

(9) *Leverage consists of senior notes, preferred stock and outstanding borrowings under revolving credit facilities.*

(10) *Computed by averaging daily net assets within each period.*

Management s Discussion *(Unaudited)*

The information contained in this section should be read in conjunction with our Financial Statements and the Notes thereto. In addition, this report contains certain forward-looking statements. These statements include the plans and objectives of management for future operations and financial objectives and can be identified by the use of forward-looking terminology such as may, will, expect, intend, anticipate, estimate, or continue or the negative thereof or other variations thereon or comparabl terminology. These forward-looking statements are subject to the inherent uncertainties in predicting future results and conditions. Certain factors that could cause actual results and conditions to differ materially from those projected in these forward-looking statements are set forth in the Risk Factors section of our public filings with the SEC.

Overview

Tortoise Energy Infrastructure Corp. s (the Company) primary investment objective is to seek a high level of total return for our stockholders, with an emphasis on distribution income paid to stockholders. We seek to provide our stockholders with an efficient vehicle to invest in the energy infrastructure sector. While we are a registered investment company under the Investment Company Act of 1940, as amended (the 1940 Act), we are not a regulated investment company for federal tax purposes. Our distributions do not generate unrelated business taxable income (UBTI) and our stock may therefore be suitable for holding by pension funds, IRAs and mutual funds, as well as taxable accounts. We invest primarily in master limited partnerships (MLPs) through private and public market purchases. MLPs are publicly traded partnerships whose equity interests are traded in the form of units on public exchanges, such as the NYSE or NASDAQ. Tortoise Capital Advisors, L.L.C. serves as our investment adviser.

Fund Mergers

On May 28, 2014, the stockholders of the Company, Tortoise Energy Capital Corporation (TYY) and Tortoise North American Energy Corporation (TYN) each approved proposed mergers of TYY and TYN into the Company. The Company acquired the net assets of TYY ($766,488,956) and TYN ($210,449,285) on June 23, 2014. A total of 15,043,739 shares of common stock were issued to common stockholders of TYY and 4,130,451 shares of common stock were issued to common stockholders of TYN. The aggregate net assets of the Company prior to the reorganization totaled $1,469,645,683 and following the mergers the combined net assets of the Company totaled $2,446,583,924.

Following completion of the mergers, the Company entered into an amendment to its Investment Advisory Agreement with the Adviser. Under the terms of the amendment, the Company pays the Adviser a fee equal to an annual rate of 0.95 percent of the Company s average monthly managed assets up to $2.5 billion, 0.90 percent of average monthly managed assets between $2.5 billion and $3.5 billion, and 0.85 percent of average monthly managed assets above $3.5 billion, in exchange for the investment advisory services provided.

Company Update

Comparative financial discussions below are based on 3rd quarter 2014 amounts as reflected in the Key Financial Data table compared to the combined amount for TYG, TYY and TYN as reported on each fund s Key Financial Data table for periods prior to the mergers.

Total assets increased approximately $371 million during the 3rd quarter, primarily as a result of higher market values of our MLP investments. Higher average managed assets resulted in increased asset-based expenses and a lower level of leverage as a percentage of total assets, while the implementation of the tiered advisory fee schedule and elimination of duplicative expenses following the mergers helped to reduce operating expenses. Distribution increases from our MLP investments during the quarter were in line with our expectations and we increased our quarterly distribution to $0.61 per share. Additional information on these events and results of our operations are discussed in more detail below.

Critical Accounting Policies

The financial statements are based on the selection and application of critical accounting policies, which require management to make significant estimates and assumptions. Critical accounting policies are those that are both important to the presentation of our financial condition and results of operations and require management s most difficult, complex, or subjective judgments. Our critical accounting policies are those applicable to the valuation of investments, tax matters and certain revenue recognition matters as discussed in Note 2 in the Notes to Financial Statements.

Determining Distributions to Stockholders

Our portfolio generates cash flow from which we pay distributions to stockholders. Our Board of Directors has adopted a policy of declaring what it believes to be sustainable distributions. In determining distributions, our Board of Directors considers a number of current and anticipated factors, including, among others, distributable cash flow (DCF), realized and unrealized gains, leverage amounts and rates, current and deferred taxes payable, and potential volatility in returns from our investments and the overall market. While the Board considers many factors in determining distributions to stockholders, particular emphasis is given to DCF and distribution coverage. Distribution coverage is DCF divided by distributions paid to stockholders and is discussed in more detail below. Over the long-term, we expect to distribute substantially all of our DCF to holders of common stock. Our Board of Directors reviews the distribution rate quarterly and may adjust the quarterly distribution throughout the year.

Determining DCF

DCF is distributions received from investments, less expenses. The total distributions received from our investments include the amount received by us as cash distributions from investments, paid-in-kind distributions, and dividend and interest payments. The total expenses include current or anticipated operating expenses, leverage costs and current income taxes. Current income taxes include taxes paid on our 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.

Management s Discussion *(Unaudited)*

(Continued)

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 common stock 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 are not 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. 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. Non-recurring expenses related to the mergers are excluded from DCF. For 3rd quarter 2014, our DCF includes DCF from TYY and TYN for the portion of the quarter prior to the mergers (June 1, 2014 through June 22, 2014). A reconciliation of Net Investment Loss, before Income Taxes to DCF is included below in Distributable Cash Flow.

Distributions Received from Investments

Our ability to generate cash is dependent on the ability of our portfolio of investments to generate cash flow from their operations. In order to maintain and grow distributions to our stockholders, we evaluate each holding based upon its contribution to our investment income, our expectation for its growth rate, and its risk relative to other potential investments.

We concentrate on MLPs we believe can expect an increasing demand for services from economic and population growth. We seek well-managed businesses with hard assets and stable recurring revenue streams. Our focus remains primarily on investing in fee-based service providers that operate long-haul, interstate pipelines. We further diversify among issuers, geographies and energy commodities to seek a distribution payment which approximates an investment directly in energy infrastructure MLPs. In addition, many crude/refined products and natural gas liquids pipeline companies are regulated and currently benefit from a tariff inflation escalation index of PPI + 2.65 percent. Over the long-term, we believe distributions from our investments will outpace inflation and interest rate increases, and produce positive real returns.

Total distributions received from our investments for the 3rd quarter 2014 were approximately $49.4 million, representing a 9.9 percent increase as compared to 3rd quarter 2013 and a 3.0 percent increase as compared to 2nd quarter 2014 based on combined distributions received for TYG, TYY and TYN for each respective prior period. These changes reflect increases in per share distribution rates on our investments, the distributions received from additional investments funded from leverage proceeds and the impact of various portfolio trading activity.

Expenses

We incur two types of expenses: (1) operating expenses, consisting primarily of the advisory fee, and (2) leverage costs. On a percentage basis, operating expenses before leverage costs and current taxes were an annualized 0.97 percent of average total assets for the 3rd quarter 2014, a decrease of 0.05 percent as compared to 3rd quarter 2013 and a decrease of 0.03 percent as compared to 2nd quarter 2014. Advisory fees for the 3rd quarter 2014 increased 7.7 percent as compared to combined fees for 2nd quarter 2014. The increase in advisory fees reflects increased average managed assets for the quarter and was partially offset by the implementation of the tiered advisory fee schedule at the time of the mergers, which serves to reduce the impact of higher managed assets on operating expenses. Yields on our investments are currently below their 5-year historical average of approximately 7 percent. All else being equal, if yields on our investments decrease and distributions remain constant or grow, asset values will increase as will our managed assets and advisory fees. Other operating expenses decreased by approximately 33 percent as compared to combined expenses for 2nd quarter 2014, which primarily reflects the elimination of duplicative expenses following the mergers.

Leverage costs consist of two major components: (1) the direct interest expense on our senior notes and credit facilities, and (2) distributions to preferred stockholders. Other leverage expenses include rating agency fees and commitment fees as well as the realized and unrealized gain or loss on our interest rate swap settlements. Total leverage costs for DCF purposes were approximately $7.7 million for the 3rd quarter 2014, an increase of 2.8 percent as compared to combined leverage costs for 2nd quarter 2014 due to increased leverage utilization as well as the impact of refinancing leverage assumed from TYN in the merger at a slightly higher borrowing cost.

The weighted average annual rate of our leverage at August 31, 2014 was 3.65 percent. This rate includes balances on our bank credit facilities which each accrue interest at a variable rate equal to one-month LIBOR plus a fixed spread. We have entered into $110 million notional amount of interest rate swap contracts with an effective date of March 15, 2015 in an attempt to reduce the refinance risk associated with senior notes that mature in April 2015. As a result of the merger with TYN, the Company assumed $25 million notional amount of interest rate swap contracts with The Bank of Nova Scotia. TYG has agreed to pay The Bank of Nova Scotia a fixed rate while receiving a floating rate based upon the one-month LIBOR. The spread between the fixed swap rate and LIBOR is reflected in our Statement of Operations as a realized or unrealized gain when LIBOR exceeds the fixed rate (The Bank of Nova Scotia pays TYG the net difference) or a realized or unrealized loss when the fixed rate exceeds LIBOR (TYG pays The Bank of Nova Scotia the net difference). The interest rate swap contracts have a weighted average fixed rate of 1.70 percent and a weighted average remaining maturity of approximately 4.0 years at August 31, 2014. See Note 11 in our Notes to Financial Statements for additional information on the interest rate swap contracts.

Our weighted average rate may vary in future periods as a result of changes in LIBOR, the utilization of our credit facilities and as our leverage matures or is redeemed. Additional information on our leverage is disclosed below in Liquidity and Capital Resources and in our Notes to Financial Statements.

Management s Discussion *(Unaudited)*
(Continued)
Distributable Cash Flow

For 3rd quarter 2014, our DCF was approximately $30.9 million, an increase of 1.8 percent as compared to combined DCF for 3rd quarter 2013 and an increase of 2.5 percent as compared to combined DCF for 2nd quarter 2014. These changes are the net result of changes in distributions and expenses as outlined above. We paid a distribution of $29.3 million, or $0.61 per share, during the quarter, which was in line with the per share amount expected at the time the mergers were proposed to stockholders earlier in the year. This represents an increase of $0.0375 per share as compared to 3rd quarter 2013 and an increase of $0.0300 per share as compared to 2nd quarter 2014.

Our distribution coverage ratio was 105.5 percent for 3rd quarter 2014, a decrease in the coverage ratio of 5.5 percent as compared to 3rd quarter 2013 and a decrease of 1.0 percent as compared to 2nd quarter 2014. Our goal is to pay what we believe to be sustainable distributions with any increases safely covered by earned DCF. A distribution coverage ratio of greater than 100 percent provides flexibility for on-going management of the portfolio, changes in leverage costs, the impact of taxes from realized gains and other expenses. An on-going distribution coverage ratio of less than 100 percent will, over time, erode the earning power of a portfolio and may lead to lower distributions. We expect to allocate a portion of the projected future growth in DCF to increase distributions to stockholders while also continuing to build critical distribution coverage to help preserve the sustainability of distributions to stockholders for the years ahead.

Net investment loss, before income taxes on the Statement of Operations is adjusted as follows to reconcile to DCF for 2014 YTD and 3rd quarter 2014 (in thousands):

	2014 YTD	**3rd Qtr 2014**
Net Investment Loss, before Income Taxes	$ (22,676)	$ (11,846)
Adjustments to reconcile to DCF:		
Dividends paid in stock	5,156	2,040
Distributions characterized as return of capital	84,578	41,685
Amortization of debt issuance costs	314	147
Non-recurring expenses related to fund mergers	770	605
Pre-merger DCF from TYY	(1,411)	(1,411)
Pre-merger DCF from TYN	(248)	(248)
Interest rate swap expenses	(75)	(75)
DCF	$ 66,408	$ 30,897

Liquidity and Capital Resources

We had total assets of $4.6 billion at quarter-end. Our total assets reflect the value of our investments, which are itemized in the Schedule of Investments. It also reflects cash, interest and other receivables, if any, and any expenses that may have been prepaid. During 3rd quarter 2014, total assets increased approximately $371 million as compared to combined total assets at May 31, 2014, primarily due to an increase in the value of our investments as reflected by the change in realized and unrealized gains on investments (excluding return of capital on distributions).

Total leverage outstanding at August 31, 2014 was $832.4 million, an increase of $2.9 million as compared to combined leverage outstanding at May 31, 2014. Outstanding leverage is comprised of $524.4 million in senior notes, $130.0 million in Mandatory Redeemable Preferred (MRP) stock and $178.0 million outstanding under the credit facilities, with 73.2 percent of leverage with fixed rates and a weighted average maturity of 4.5 years including the impact of outstanding interest rate swap contracts.

We assumed the outstanding leverage of TYY and TYN as part of the mergers, which consisted of $174.4 million of senior notes, $50.0 million of MRP C Stock and $96.8 million outstanding under revolving credit facilities. At the time of the mergers, the credit facilities utilized by TYY and TYN were terminated and outstanding borrowings were refinanced through an increase in the borrowing capacity of our existing credit facility from $107.5 million to $157.5 million as well as the addition of a second credit facility. We entered into a $100 million unsecured, revolving credit facility with The Bank of Nova Scotia on June 23, 2014 that matures on June 23, 2016. Outstanding balances generally will accrue interest at a variable annual rate equal to one-month LIBOR plus 1.20 percent and unused portions of the credit facility will accrue a non-usage fee equal to an annual rate of 0.15 percent if the outstanding balance on the facility is below $60 million.

Total leverage represented 18.1 percent of total assets at August 31, 2014, as compared to 19.7 percent as of May 31, 2014 and 16.7 percent as of August 31, 2013. Our leverage as a percent of total assets remains below our long-term target level of 25 percent, allowing the opportunity to add leverage when compelling investment opportunities arise. Temporary increases to up to 30 percent of our total assets may be permitted, provided that such leverage is consistent with the limits set forth in the 1940 Act, and that such leverage is expected to be reduced over time in an orderly fashion to reach our long-term target. Our leverage ratio is impacted by increases or decreases in investment values, issuance of equity and/or the sale of securities where proceeds are used to reduce leverage.

Our longer-term leverage (excluding our bank credit facilities) of $654.4 million is comprised of 80 percent private placement debt and 20 percent publicly traded preferred equity with a weighted average rate of 4.23 percent and remaining weighted average laddered maturity of approximately 5.4 years.

Our MRP B Stock has an optional redemption feature allowing us to redeem all or a portion of the stock after December 31, 2015 and on or prior to December 31, 2016 at $10.10 per share. Any optional redemption after December 31, 2016 and on or prior to December 31, 2017 will be at $10.05 per share. Any redemption after December 31, 2017 will be at the liquidation preference amount of $10.00 per share. Our MRP C Stock has an optional redemption feature allowing us to redeem all or a portion of the stock after May 1, 2014 and on or prior to May 1, 2015 at $10.05 per share. Any redemption after May 1, 2015 will be at the liquidation preference amount of $10.00 per share.

We have used leverage to acquire MLPs and common stock consistent with our investment philosophy. The terms of our leverage are governed by regulatory and contractual asset coverage requirements that arise from the use of leverage. Additional information on our leverage and asset coverage requirements is discussed in Notes 8, 9 and 10 in the Notes to Financial Statements. Our coverage ratios are updated each week on our Web site at www.tortoiseadvisors.com.

Management s Discussion *(Unaudited)*
(Continued)

Subsequent to quarter-end, we issued $20,000,000 of Series HH Notes which carry a floating interest rate based on three-month LIBOR plus 1.30 percent and mature on September 9, 2019. The proceeds were used to reduce the outstanding balance on our bank credit facilities.

Subsequent to quarter-end, we entered into an agreement to issue $85,000,000 of MRP D Stock which carries a fixed distribution rate of 4.01 percent and matures on December 17, 2021. We issued $49,000,000 of MRP D Stock on October 9, 2014 and expect to issue the remaining $36,000,000 on December 17, 2014. We also entered into an agreement to issue $80,000,000 of MRP E Stock which carries a fixed distribution rate of 4.34 percent and matures on December 17, 2024. We issued $45,000,000 of MRP E Stock on October 9, 2014 and expect to issue the remaining $35,000,000 on December 17, 2014. The proceeds will be used to purchase additional portfolio investments consistent with our investment philosophy and to reduce the balance on our bank credit facilities.

Taxation of our Distributions and Income Taxes

We invest in partnerships that generally have cash distributions in excess of their income for accounting and tax purposes. Accordingly, the distributions include a return of capital component for accounting and tax purposes. Distributions declared and paid by us in a year generally differ from taxable income for that year, as such distributions may include the distribution of current year taxable income or return of capital.

The taxability of the distribution you receive depends on whether we have annual earnings and profits (E&P). E&P is primarily comprised of the taxable income from MLPs with certain specified adjustments as reported on annual K-1s, fund operating expenses and net realized gains. If we have E&P, it is first allocated to the preferred shares and then to the common shares.

In the event we have E&P allocated to our common shares, all or a portion of our distribution will be taxable at the Qualified Dividend Income (QDI) rate, assuming various holding requirements are met by the stockholder. The QDI rate is variable based on the taxpayer s taxable income. The portion of our distribution that is taxable may vary for either of two reasons. First, the characterization of the distributions we receive from MLPs could change annually based upon the K-1 allocations and result in less return of capital and more in the form of income. Second, we could sell an MLP investment and realize a gain or loss at any time. It is for these reasons that we inform you of the tax treatment after the close of each year as the ultimate characterization of our distributions is undeterminable until the year is over.

E&P for 2013 exceeded total distributions to stockholders. As a result, for tax purposes, distributions to common stockholders for the year ended 2013 were 100 percent qualified dividend income. This information is reported to stockholders on Form 1099-DIV and is available on our Web site at www.tortoiseadvisors.com. For book purposes, the source of distributions to common stockholders for the year ended 2013 was 100 percent return of capital. We currently estimate that 80 to 100 percent of 2014 distributions will be characterized as qualified dividend income for tax purposes, with the remaining percentage, if any, characterized as return of capital. A final determination of the characterization will be made in January 2015.

The unrealized gain or loss we have in the portfolio is reflected in the Statement of Assets and Liabilities. At August 31, 2014, our investments are valued at $4.599 billion, with an adjusted cost of $1.989 billion. The $2.610 billion difference reflects unrealized gain that would be realized for financial statement purposes if those investments were sold at those values. The Statement of Assets and Liabilities also reflects a net deferred tax liability primarily due to unrealized gains (losses) on investments. At August 31, 2014, the balance sheet reflects a net deferred tax liability of approximately $1.164 billion or $24.24 per share. Accordingly, our net asset value per share represents the amount which would be available for distribution to stockholders after payment of taxes.

To the extent we have taxable income in the future, we will owe federal and state income taxes. Tax payments can be funded from investment earnings, fund assets or borrowings. Details of our taxes are disclosed in Note 5 in our Notes to Financial Statements.

Schedule of Investments

August 31, 2014

(Unaudited)

	Shares	Fair Value
Master Limited Partnerships and Related Companies 176.6%[1]		
Crude/Refined Products Pipelines 80.5%[1]		
United States 80.5%[1]		
Buckeye Partners, L.P.	3,287,305	$ 259,697,095
Enbridge Energy Partners, L.P.	4,164,999	151,272,764
Genesis Energy L.P.	657,863	36,642,969
Holly Energy Partners, L.P.	1,886,360	68,456,004
Magellan Midstream Partners, L.P.	4,802,097	403,040,001
MPLX LP	1,496,831	91,306,691
NuStar Energy L.P.	836,150	55,261,154
Oiltanking Partners, L.P.	1,806,646	88,688,252
PBF Logistics LP	225,000	5,616,000
Phillips 66 Partners LP	523,900	38,768,600
Plains All American Pipeline, L.P.[2]	7,006,910	419,924,116
Rose Rock Midstream, L.P.	240,511	14,668,766
Sunoco Logistics Partners L.P.	6,682,971	330,673,405
Tesoro Logistics LP	1,309,100	92,003,548
Valero Energy Partners LP	598,620	31,912,432
		2,087,931,797
Natural Gas/Natural Gas Liquids Pipelines 63.7%[1]		
United States 63.7%[1]		
Crestwood Midstream Partners LP	2,371,165	55,390,414
El Paso Pipeline Partners, L.P.	1,476,131	61,348,004
Energy Transfer Equity, L.P.	2,184,000	132,459,600
Energy Transfer Partners, L.P.	3,181,261	