



TORTOISE GLOBAL WATER  
ESG INDEX<sup>SM</sup>  
(TGWESG/TGWESGT/TGWESGNT)

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## Index Methodology Guide

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## Company background

Tortoise Capital offers passively managed products based on actively researched indices. Our goal is to identify investable asset classes that lack benchmarks that accurately represent those asset classes via exposure, investability, and/or quality.

Quality benchmarks are vitally important for investment professionals, research analysts and industry executives to analyze relative performance. Our research-driven indices provide thought leadership in the universe of essential assets, and many can be used as a realistic basis for exchange-traded products.

## Index introduction

Water is an essential asset - critical to economic growth and social stability. The companies that manage, treat, and distribute water are vital not only to our survival, but also our ability to thrive and prosper. Significant investment must be made to maintain our current infrastructure and to develop new infrastructure to more sustainably utilize and distribute this vital resource.

Additionally, scrutiny by investors, advisors and asset managers regarding the environmental, social, and governance impact of potential investments has increased, and we have taken note. Tortoise Capital consciously strives to maximize our positive impact by holding our portfolio companies to high standards of positive impact as well. This index utilizes ESG Risk Ratings provided by Sustainalytics to screen potential candidates for its universe. Sustainalytics is a leading global provider of ESG and corporate governance research. We believe that the Tortoise Global Water ESG Index<sup>SM</sup> ("the Index") is comprised of companies that represent the current global water landscape, make conscious efforts to positively impact the world environmentally, socially, and with solid governance, and are poised to participate and benefit from growth in the water industry.

The Tortoise Global Water ESG Index<sup>SM</sup> is a proprietary, rules-based, modified capitalization-weighted, float-adjusted index comprised of companies that are materially engaged in the water infrastructure or water management industries. They are listed and traded on global developed market exchanges as listed below on page 5.

The index level is calculated on a USD price-return, a USD total-return, and a USD net total-return basis. The real-time index level for the price-return version of the Index is available from major market data providers under the ticker "TGWESG." The real-time total-return index level is available under the ticker "TGWESGT." The USD real-time net total-return index level is available under the ticker "TGWESGNT."

The Index is independently calculated by S&P Dow Jones Indices. It has a base level of 100 as of December 31, 2007.

## Constituent eligibility criteria

The global water industry is a fragmented market with many companies deriving substantial revenues from non-water related activities. As a matter of fact, some larger companies generally classified in the water industry receive only a minority of overall company revenues from water industry activities. For the purposes of this index, those companies will be excluded, as our goal is to include companies that have the most direct exposure to the water industry.

### Index eligibility

To be eligible for inclusion in the Tortoise Global Water ESG Index<sup>SM</sup>, a company must be publicly traded and meet the following eligibility requirements:

**Water companies** In order to be included in the Index, companies must (i) derive at least 50% of their revenues from water industry related activities, or (ii) derive at least 40% of its revenues from the water industry, be ranked in the top five companies by total revenue derived from any one water sub-industry, and whose principal source of revenue comes from the water industry. Water industry related activities we categorize in the segments described below:

**Water infrastructure** Defined as a company whose principal business is providing public water distribution or supporting/enhancing water distribution infrastructure via engineering, construction and or consulting.

**Water equipment/services** Defined as a company whose principal business is producing water equipment, such as pipes, pumps, valves and water efficiency products, or water services, such as filtration, treatment, and testing of water. Water equipment/services companies often provide technologies or products that manage or facilitate the management of water distribution and usage including the fields of water efficiency, water treatment and irrigation.

Water revenues for each current constituent will be reviewed annually, and adjustments made at the March rebalance. New securities, generally via IPO or spin-off, that meet our index criteria will be reviewed and added to the index at the next quarterly rebalance. Specific corporate actions such as spin-offs, mergers, and acquisitions will trigger a special review of the water exposure of any constituent(s) involved, and adjustments to these names will be made at the next quarterly rebalance.

**Market capitalization** Companies must have a total equity market capitalization of at least U.S. \$400 million for two consecutive quarters prior to the reference date at the time of inclusion in the Index. To remain in the Index, a company must maintain an average equity market capitalization of at least U.S. \$300 million for a minimum of 20 trading days prior to rebalance reference dates

**Liquidity** Companies must obtain a minimum liquidity turnover of at least 0.15 for two consecutive quarters prior to the reference date to be eligible to enter the index. (Liquidity turnover is calculated by dividing a company's 3-month average daily trading volume in USO, by the total market cap at the end of that 3-month period.) The Index is weighted by modified market cap, but the liquidity of potential constituents can materially deviate from the resulting index weight. Including a liquidity threshold that is proportional to market cap results in an index that represents a universe that is potentially investible.

Current index components will be dropped from this index if they fail to meet a minimum of 0.10 liquidity turnover for two consecutive quarters. Any constituent that does not meet at least a 0.05 liquidity turnover will be dropped from the index without the two-quarter requirement.

**ESG filter** At least 80% of the market cap of the index must be comprised of companies that meet the required ESG Risk Rating criteria. ESG Risk Ratings are provided by Sustainalytics. The Sustainalytics ESG Risk Ratings measure the degree to which a company's economic value is at risk driven by ESG factors or, more technically speaking, the magnitude of the company's unmanaged ESG risks. Each company's ESG Risk Rating is comprised of a quantitative score and a risk category (negligible, low, medium, high, severe). The quantitative score is measured on an open-ended scale starting at zero, with lower scores representing lower levels of unmanaged ESG risk. The ESG Risk Ratings are made up of three building blocks that include the foundational building block of Corporate Governance (a quality measure), a core building block focused on Material ESG Issues (including Human Capital, Occupational Health & Safety, and other industry specific issues); and a third building block considering Idiosyncratic Issues (which can be unpredictable or unexpected, industry-specific, event driven issues). The ESG Risk Ratings seek to incorporate the extent to which companies are exposed to material ESG risks and their ability to manage those risks.

New additions to the index will be limited to companies with an ESG Risk Rating less than 30. Existing constituents must maintain a score less than 40 to remain in the index.

Any existing constituent whose ESG Risk Rating is between 30 and 39.99 and does not improve for three consecutive quarters will be removed from the index, and any constituent whose ESG Risk Rating increases to 40 or above will be removed at the next rebalance.

Companies that meet all other criteria but are not rated by Sustainalytics may be included, but will be limited to 20% of the overall market capitalization of the index.

**Security limits** The index will include a minimum of 30 securities. Should the number of securities that meet the index inclusion criteria fall below 30, the index may include additional securities that have an ESG Risk Rating above the threshold for existing constituents or below the liquidity turnover threshold otherwise required for inclusion. This will ensure the index remains investable and diversified.

**Listing exchange** A water company must be listed on a developed market exchange. A list of countries that Tortoise Capital considers developed, along with exchanges for each country that we consider as eligible.

| Country        | Exchanges  |
|----------------|--|
| Austria        | Vienna   |
| Belgium        | Euronext Brussels  |
| Canada         | Toronto, Venture   |
| Denmark        | Copenhagen, First North Denmark                                      |
| Finland        | Helsinki, First North Finland  |
| France         | Euronext Paris   |
| Germany        | Xtera, Frankfurt, Hamburg  |
| Hong Kong      | Hong Kong  |
| Ireland        | Dublin   |
| Israel         | Tel Aviv   |
| Italy          | Borsa Italiana   |
| Japan          | Tokyo, Nagoya  |
| Luxembourg     | Luxembourg   |
| Netherlands    | Euronext Amsterdam   |
| New Zealand    | New Zealand Stock Exchange   |
| Norway         | Oslo   |
| Portugal       | Euronext Lisbon  |
| Singapore      | Singapore Exchange   |
| Spain          | Sociedad de Bolsas, BME Electronic Outcry                            |
| Sweden         | Stockholm, First North Stockholm, Nordic Growth Market, Aktie Torget |
| Switzerland    | Berne, SIX Swiss Exchange  |
| United Kingdom | London, London International, NEX                                    |
| United States  | NYSE, NASDAQ   |
| United States  | NYSE, NASDAQ   |

## Constituent weightings

No individual security in the index may be more than a 7.5% weight of the total float adjusted market cap of the index as of the reference date. Should the weighting of any individual security be more than 7.5% of the total float adjusted index market cap as of the reference date for the next rebalance, excess weight will be distributed evenly to other constituents of the index that do not currently exceed the 7.5% threshold.

Additionally, only six securities may have a weight greater than 4% of the index at the reference date. All remaining index constituents will be capped at a maximum weight of 4%.

Companies that are not yet rated by Sustainalytics may be included in the index prior to rating but are limited to a maximum of an aggregated 20% of the index at the reference date. We don't anticipate a material unrated weighting in our index, as the majority of companies that have a material market cap size meeting index requirements are covered by Sustainalytics.

Additionally, as of the reference date, the index will invest at least 40% of its assets in companies in multiple countries outside of the United States, or in companies doing a substantial amount of business outside the United States.

## Security data

### Reference documentation

The following documents are used to calculate shares outstanding:

- Press releases
- Annual reports pursuant to Sections 13 and 15(d) of the Securities Exchange Act of 1934 (10-K, 20-F) and Parts 4, 5 and 6 of National Instrument 51-102 (AIF)
- Quarterly reports pursuant to Section 13 and 15(d) of the Securities Exchange Act of 1934 (10-Q, 6-K) and Parts 4 and 5 of National Instrument 51-102 (IFS)
- Certain registration statements pursuant to Rules 415 and 462 of the Securities Act of 1933 (S-1, S-3)
- Prospectuses and prospectus supplements pursuant to Rule 424(b)
- Proxy statements pursuant to Section 14(a) of the Securities Exchange Act of 1934 (DEF 14A)
- Current reports pursuant to Sections 13 and 15(d) of the Securities Exchange Act of 1934 (8-K, 6-K)

### Shares outstanding

The shares counted for index calculation are shares outstanding and are essentially "basic shares" as defined by the Financial Accounting Standards Board (FASB) in Generally Accepted Accounting Principles (GAAP). This count is float-adjusted to reflect only available shares.

Changes in a company's shares outstanding (and float changes), to include those due to mergers and acquisitions, greater than 5% are applied on a weekly basis by the index calculation agent. All other de minimis changes are accumulated and implemented with quarterly share rebalancing and annual float updates.

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## Index construction and maintenance

### Index calculation equations

The Index is calculated by S&P Dow Jones Indices using the following equations:

$$[\text{Initial Divisor}] = [\text{Base Date Index Market Capitalization}] / [\text{Base Date Index Value}] \text{ (not necessarily 100)}$$

$$[\text{Index Value}] = [\text{Index Market Capitalization}] / [\text{Divisor}]$$

$$[\text{Post-Rebalance Divisor}] = [\text{Post-Rebalance Index Market Capitalization}] / [\text{Pre-Rebalance Index Value}]$$

For a more detailed explanation of these equations, please refer to the Capitalization Weighted Indices section of the S&P Dow Jones Indices' Index Mathematics Methodology, which can be found at <http://us.spindices.com/>.

### Index rebalancings

The Index is rebalanced quarterly on the third Friday of each March, June, September and December, and rebalances are effective at the open of the next trading day. In the event major U.S. exchanges are closed on the third Friday of March, June, September or December, the rebalancing will take place after the market close on the immediately preceding trading day. Reference dates for rebalancing are nine calendar days prior to the rebalance dates.

Underlying constituent shares and constituent caps will be applicable as of the reference dates. As such, due to market fluctuations between reference dates and rebalance dates, constituent caps may not hold on the rebalance dates.

Corporate actions (such as stock splits, stock dividends, spin-offs and rights offerings) are applied after the close of trading on the day prior to the ex-date.

**Additions** No companies will be added to the Index between rebalance dates.

**Deletions** Between rebalance dates, a constituent can be deleted from the Index due to corporate events such as mergers, acquisitions, bankruptcies, takeovers or delistings..

**Industry classifications** Constituents will be reviewed annually, at the December rebalance, to determine the appropriate water classification

**Treatment of dividends and distributions** The price return index does not account for cash dividends or cash distributions. The total return index accounts for cash dividends or cash distributions by reinvesting them across the Index after market close on the ex-date. Stock dividends are treated as corporate actions and result in offsetting adjustments to price and units outstanding.

**Base date** The base date for the Index is December 31, 2010, with a base value of 100.

## Index dissemination

The real-time index level for the price return version of the Index is available from major market data providers under the ticker "TGWESG." The real-time total return index level is available under the ticker "TGWESGT." The real-time net total return index level is available under the ticker "TGWESGNT". For index values, constituents and announcements regarding constituent changes, please visit [www.tortoiseadvisors.com](http://www.tortoiseadvisors.com).

The Index is calculated daily throughout the year. The Index is not calculated on days when U.S. and Canada exchanges are officially closed.

In situations where an exchange is forced to close early due to unforeseen events, such as computer or electric power failures, weather conditions or other events, the closing price of the Index will be calculated based on (1) the closing prices published by the exchange, or (2) if no closing price is available, the last regular trade reported for each stock before the exchange is closed. In all cases, the prices will be from the exchange listing included in the Index.

If an exchange fails to open due to unforeseen circumstances, the Index will use the prior day's closing prices. If all exchanges fail to open, the Index may not be published for that day.

## Index Committee

The Index Committee oversees the integrity of the rules governing constituent composition and index computation, and provides clarifying guidance on the rules-based methodology where required. Every effort is made to ensure the rules are clear and non-discretionary. The Index Committee approves quarterly rebalances and directs public announcement relating to the indices.

### Members

Appointment of members: The Index Committee will consist of between three to five voting members, one of whom will act as Chair.

No remuneration: For their work on the Index Committee, Index Committee members will not receive a salary or other financial remuneration (or any benefit in kind).

### Meetings, quorum and voting

Tortoise Index Solutions shall provide at least five business days advance written notice to each Index Committee member prior to any meetings or matters subject to vote. A quorum of committee members is required for all voting matters.

"Quorum" is defined as:

- the Chair; and
- at least one other Index Committee member.

Voting: Each Index Committee member shall be entitled to one vote at each Index Committee meeting. All motion or matters before the Index Committee may be carried by simple majority.

### Confidentiality

Matters discussed or handled by the Index Committee will be considered confidential until such time as they are made public. Without limiting the generality of the foregoing, the minutes of the Index Committee are confidential information and may not be discussed with anyone outside of the Index Committee without the prior written approval of the Chair and the Chief Compliance Officer of Tortoise Index Solutions.

Decisions by the Index Committee regarding rules, ambiguous cases or discretionary additions or deletions from indices may be made public via such mechanic (internet or otherwise) as the Company decides from time to time.

### Conflicts of interest

Any Index Committee member who has a conflict of interest with respect to an issue before the Index Committee must excuse him/herself from participating or voting in relation to that issue. In participating in the Index Committee's activities, all Index Committee members will aim to observe the highest standards of market practice, avoid appearances of impropriety, and remain mindful of their regulatory responsibilities surrounding issues such as market abuse, dealing ahead and insider trading.



## Disclaimer

**This data is provided for informational purposes only and is not intended for trading purposes. This document shall not constitute an offering of any security, product or service. The addition, removal or inclusion of a security in the Index is not a recommendation to buy, sell or hold that security, nor is it investment advice. It is not possible to invest directly in an index. Index performance does not reflect the deduction of any fees and expenses. Past performance is not a guarantee of future returns.**

The information contained in this document is current as of the publication date. Tortoise Capital makes no representations with respect to the accuracy or completeness of these materials and will not accept responsibility for damages, direct or indirect, resulting from an error or omission in this document. The methodology involves rebalancing and maintenance of the Index that is made periodically during each year and may not, therefore, reflect real-time information.

The Tortoise Global Water ESG Index<sup>SM</sup> (the "Index") is the exclusive property of Tortoise Index Solutions, LLC, which has contracted with S&P Opco, LLC (a subsidiary of S&P Dow Jones Indices) to calculate and maintain the Index.

The Index is not sponsored by S&P Dow Jones Indices or its affiliates or its third-party licensors (collectively, "S&P Dow Jones Indices LLC"). S&P Dow Jones Indices will not be liable for any errors or omission in calculating the Index. "Calculated by S&P Dow Jones Indices" and its related stylized mark(s) are service marks of S&P Dow Jones Indices and have been licensed for use by Tortoise Index Solutions, LLC and its affiliates. S&P<sup>®</sup> is a registered trademark of Standard & Poor's Financial Services LLC ("SPFS"), and Dow Jones<sup>®</sup> is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"). No portion of this publication may be reproduced in any format or by any means including electronically or mechanically, by photocopying, or by any other form or manner whatsoever, without the prior written consent of Tortoise Index Solutions, LLC.