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Ecofin Tax-Advantaged Social Impact Fund **(TSIFX)**

2Q 2020 QUARTERLY COMMENTARY

Fund update

The fund produced a total return of 3.05% during the second quarter, with income returning 1.36% and a rebound in the market price returning 1.69%. This moved year-to-date performance into positive territory at 0.25%. Following the quarter end, the fund's performance has continued to improve and year-to-date performance as of July 15, 2020 was 0.94%. At the end of the quarter, the fund's allocation to direct origination securities was 79% and the distribution rate stood at 5.35%. With the 10-year Treasury yield closing the quarter at 0.66% and bond market yields currently near all-time lows, we will continue to maintain a low duration posture and focus on income generation.

Market update

Credit markets bounced back sharply during the second quarter with equity and high yield debt indices recapturing most of the losses experienced earlier in the year. Sentiment shifted positively as investors began to price in expectations for a strong economic recovery during the second half of 2020. This view was supported by the unprecedented amount of liquidity and stimulus injected into the markets by the Fed as well as direct support provided to households and businesses by the U.S. Government.

Technicals in the municipal bond market improved drastically from the liquidity constrained environment in March where mutual funds and ETFs were conducting fire sales to meet redemptions. Fund flows stabilized during the second quarter for both investment grade and high yield municipal bond funds, which caused supply in the market to be met with firm demand. Additionally, AAA-rated, tax-exempt municipal bonds yields were significantly higher than Treasuries, which is a relationship that breaches historical norms and has attracted investors to the sector. We believe that with the Fed involvement in the market, the mismatch between supply and demand is likely to keep yields low. As this dynamic exists, strategies that provide excess income through diversified investments can improve the risk-return profile of portfolios.

COVID-19 has required almost every industry to rethink how they do business and provide services, and education is no exception. Schools have had to rely exclusively on virtual learning, putting a strain on teachers and parents. It is our belief that education inside of facilities is imperative. Parents and children need brick and mortar facilities not only for education, but also for face-to-face social interaction, security, discipline, and in many cases, for a reliable meal. There are some full-time virtual charter schools, but data shows that in a given year full-time virtual charter school students overall make no gains in math and less than half the gains in reading realized by their peers in traditional schools.[1]

Investment highlights

- Investment objective is to seek to generate attractive total return with an emphasis on tax-advantaged income
- Exposure to social purpose providers and 501(c)(3) organizations focusing on social infrastructure
- Focus on directly originated credit securities
- Seeks to capitalize on market inefficiencies where there is capital dislocation

Key reasons to invest

- Compelling market opportunity potential
- Attractive after-tax return potential, including tax-advantaged income
- Seeks diversification through generally uncorrelated alternative assets
- Shorter expected duration in a rising interest rate environment
- Experienced team

Structure highlights

- Seeks to capture illiquidity premium of private investments
- Provides transparency of registered fund
- Daily mark-to-market valuations
- Low minimum investment
- 1099 tax treatment
- Scalability to clients

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The key to handling any crisis is communication. In the case of COVID-19, and its effect on senior living facilities, over communication, being open and very honest with families and employees through not only written communication, but also through webinars and meetings has been essential. It is important to be very clear about the protocols in place to give families, residents and employees comfort that it is a safe environment. Another effect of the pandemic has been the increased expense of PPE, disinfectant supplies, and staffing. Facilities have always had these items on hand but not at current levels. Cleaning products and anything related to sanitation have increased in price and quantity needed. Many facilities will be tracking four categories of PPEs in key performance indicator formats and will be breaking out the surge pay for those differentials. Additional staff has been hired in some facilities to help maintain distancing of residents. For example, additional staff has been transporting meals three times a day to each room. If outside staffing agencies are utilized, some are now charging $35 - $40 an hour for a nurse's aide that is typically paid $14.

Fortunately, there has been access to financial support through the government initiatives in the form of PPP loans. It is required that 75% of those funds go toward payroll, which can be used for the additional hazard pay. The majority of our operating partners have received PPP to help offset additional payroll and PPE expenses.

The COVID-19 pandemic and related economic shutdown impacted the project finance sector late in the first quarter and throughout the second quarter. However, the impact did not hit each sub-sector equally. The sub-sectors hardest hit include recycling and liquid fuels. Demand for recycled content, such as plastics and metals, plummeted across several sub-sectors, as many new-product production facilities were temporarily shuttered or operated at significantly reduced capacities. Demand for liquid fuels, including ethanol, renewable diesel, and renewable jet fuel, also plummeted, due to the contraction of the transportation sector. Demand reduction was exacerbated by the hardship-based switch to lower-cost virgin raw materials (instead of recycled content) and fossil fuels (instead of biomass-based fuels). Finally, many planned or under-construction facilities were paused until economic re-openings bolster the demand for finished products. We expect the recovery in these sectors to follow the general recovery of the overall economy in general and the transportation sector in particular.

Follow-on investment: Athenian Academy

The only follow-on investment during the quarter was the last of a series of investments for Athenian Academy, a charter school project located in Fort Myers, FL. The investment funded the final of a series of three scheduled investments into this project, and will be used to continue construction of the school campus. This is an attractive investment opportunity given that demand analysis of this school district indicates a strong market for charter schools with a lack of competitors. The Lee County School District is supportive of this new charter school as it presents a solution for their student enrollment capacity issues.

Athenian Academy opened its doors in fall 2018 at a leased location, serving students in kindergarten through eighth grade. It moved into its current location, which was funded with the first round of investment, in fall 2019. At full capacity, the charter school will accommodate about 1,145 students. Investment proceeds are being used to fund construction of a 68,950 square foot building on 10 acres of land that will include an airnasium, soccer field and playground. The new campus is scheduled to open in fall 2020.

Investment details
Series A

- **Investment type:** debt; senior secured bonds
- **Investment size:** $3,390,000
- **Tax status:** tax-exempt
- **Maturity date:** July 1, 2049
- **Yield to worst:** 8.5%

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Market outlook

Funding for K-12 public education has proven extremely reliable over time. State level public school funding increased every year from 1985 through 2017, including during the recessions of the late 80's and late 90's. The only exception of positive state level growth was due to the recession in 2009 and 2010. Even in 2009, when state level funding declined, the federal stimulus kicked in and continued to demonstrate positive year-over-year growth for total funding (state and federal) in that year. Public school funding growth year-over-year in 2010 was negative for the first time with a nearly 2% decline. Since then, year-over-year growth has been positive. State level funding grew every year since 2011 with the exception of the stimulus pull back in 2012 due to the funding rebound at the state levels.[2]

To reach full enrollment, we typically need less than 3% of the age-based population in a catchment area. In the event that there is a population shift in a given area or a broad change in parent sentiment regarding allowing their children back into a school building, our underwriting strategy should allow for quite a bit of attrition before showing signs of weakness. For funding, there is a buffer in the revenue side of our underwriting in that we underestimate projected enrollment, funding per pupil, and the year-over-year growth of the revenue per child. In addition, we have cushion in debt service coverage (DSC), so a deal with a 1.20x DSC could handle a 17% revenue cut before being below breakeven. We think the expertise of our underwriting strategy is a key advantage of working with a strong and experienced team.

We believe that the spectrum of senior living options will see different levels of demand in the near future. After COVID-19, because of the strict visitation restrictions in place, some families may want to modify their homes to accommodate their aging parents in lieu of senior living facilities, but it's very hard to provide the level of care and socialization that residents thrive on. There will be little to no change in the tremendous need for memory care because of the specific nature of the care. The need for independent living facilities may slow down a bit because it can be considered discretionary depending on the healthcare needs of the individual.

From an investment standpoint, we believe that cap rates may increase. Evaluations may change somewhat because of the perceived risk, particularly with institutional investors. Facilities that are successful, should not have trouble accessing capital or refinancing. We continue to be bullish on the senior living sector and believe that there will continue to be a strong need once our communities bounce back, which will take some time.

The renewable natural gas (RNG) sector was relatively unaffected during the crisis, with the landfill gas, wastewater treatment plant, and anaerobic digester sub-sectors performing particularly well. From a supply perspective, the production of methane at landfills and water treatment facilities, the collection of manure at farms, and the production of food processing waste remained relatively consistent. From a demand perspective, RNG production is typically contracted and benefits from various tax credits, such as the federal Renewable Identification Number (RIN) and California's Low Carbon Fuel Standard (LCFS). Pricing for RINs and LCFS has held steady during the crisis, which helped insulate RNG-producing facilities from economic hardship. We expect these sectors to receive further underlying support as other states pass LCFS mandates similar to California's standard.

We continue to feel optimistic about the remainder of the year, once we move past the pandemic. We continue to feel optimistic about the remainder of the year, once we move past the pandemic. We think that the lessons learned across all of the segments will allow our investments to continue to improve their facilities and practices. As industries continue to create their new normal, these assets and services will continue to be an essential part of our daily lives.

[1]NWEA, The COVID-19 Slide: What summer learning loss can tell us about the potential on student academic achievement, April 2020
[2]BMO Capital Markets, The Education Industry: 2018

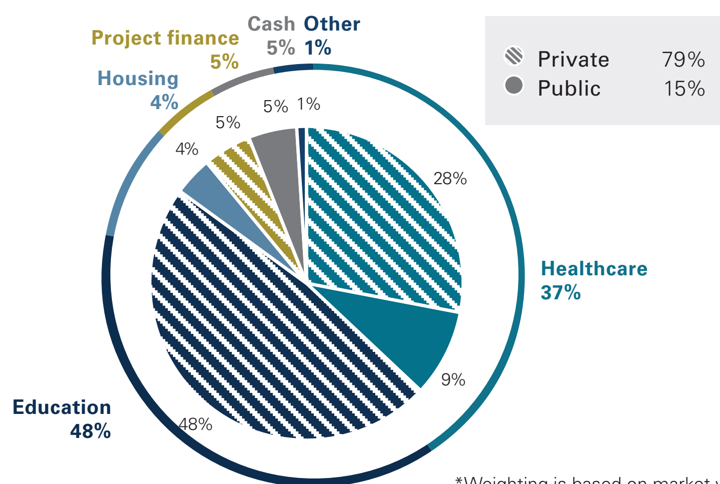
Performance (as of 6/30/2020)

	2Q 2020	1 year	Since inception*
TSIFX | Ecofin Tax-Advantaged Social Impact Fund	3.05%	1.63%	2.71%

Note: For periods over one year, performance reflected is for the average annual returns. *The fund commenced operations on 3/26/2018.

Performance data shown is net of fees and reflects fee waivers in effect. In the absence of such waivers, total return would be reduced. Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 855-TCA-Fund (855-822-3863) or visiting www.ecofininvest.com.

Portfolio allocation[4] (as of 6/30/2020)



*Weighting is based on market value.

Portfolio statistics
(as of 6/30/2020)

Duration[1]	1.67 yrs
Yield to worst[2]	6.70%
Gross current yield[3]	6.52%
30-Day SEC Yield (unsubsidized)[4]	4.47%
30-Day SEC Yield (subsidized)[4]	4.42%

Distribution
(as of 6/30/2020)

Distribution rate[5]	5.35%

Fees
(as of 6/30/2020)

Gross expense ratio	1.57%
Net expense ratio[6]	1.50%

[1] Effective duration is a measure of the price sensitivity of bonds with embedded options (e.g., callable bonds), to changes in benchmark yields. This measure of duration takes into account the fact that expected cash flows will fluctuate as interest rates change. Effective duration can be estimated using modified duration for bonds without option features.

[2] *Does not reflect the deduction of management fees and other fund expenses up to the expense cap. If management fees and expenses had been included, returns would be reduced. This calculation includes non-income items such as loan proceeds, borrowings and/or return of capital.*

[3] The gross current yield of a bond or other debt instrument is calculated by dividing the annual coupon amount by the current market price. This measure does not reflect fees or expenses

[4] Reflects the deduction of management fees and other fund expenses up to the expense cap. Subsidized yield reflects fee waivers and/or expense reimbursements recorded by the fund during the period. Without waivers and/or reimbursements, yields would be reduced. Weighting is based on market value.

[5] Distribution rate is not performance and is calculated by annualizing the daily distribution per share for the preceding 3-month period and dividing it by the net asset value as of the reported date. This calculation does not include any non-income items such as loan proceeds or borrowings.

[6] The advisor has contractually agreed to reimburse expenses of the fund so that certain of the fund's expenses will not exceed 0.25% of managed assets (annualized) through February 28, 2021. Under the advisory agreement, the advisor receives compensation of 1.25% of our daily managed assets for the services rendered on an annual basis. Net expense ratio is as of the most recent prospectus and is applicable to investors.

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TCA Advisors is the adviser and Ecofin Advisors, LLC is the sub-adviser to the Ecofin Tax-Advantaged Social Impact Fund.

Before investing in the fund, investors should consider their investment goals, time horizons and risk tolerance. The fund's investment objective, risks, charges and expenses must be considered carefully before investing. The statutory and summary prospectus contain this and other important information about the fund. Copies of the fund's prospectus may be obtained by visiting www.ecofininvest.com or calling 855-TCA-FUND. Read it carefully before investing.

Investing involves risks. Principal loss is possible. The fund is suitable only for investors who can bear the risks associated with the limited liquidity of the fund and should be viewed as a long-term investment. The fund will ordinarily accrue and pay distributions from its net investment income, if any, once a quarter; however, the amount of distributions that the fund may pay, if any, is uncertain. There currently is no secondary market for the fund's shares and the advisor does not expect that a secondary market will develop. Limited liquidity is provided to shareholders only through the fund's quarterly Repurchase Offers for no less than 5% of the fund's shares outstanding at net asset value. There is no guarantee that shareholders will be able to sell all of the shares they desire in a quarterly Repurchase Offer. The fund invests in Municipal-Related Securities. Litigation, legislation or other political events, local business or economic conditions or the bankruptcy of the issuer could have a significant effect on the ability of an issuer of municipal bonds to make payments of principal and/or interest. Changes related to taxation, legislation or the rights of municipal security holders can significantly affect municipal bonds. Because the fund concentrates its investments in Municipal-Related Securities the fund may be subject to increased volatility. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investment by the fund in lower-rated and non-rated securities presents a greater risk of loss to principal and interest than higher-rated securities. The fund may invest in derivative securities, which derive their performance from the performance of an underlying asset, index, interest rate or currency exchange rate. Derivatives can be volatile and involve various types and degrees of risks. Depending on the characteristics of the particular derivative, it could become illiquid. The fund may utilize leverage, which is a speculative technique that may adversely affect common shareholders if the return on investments acquired with borrowed fund or other leverage proceeds do not exceed the cost of the leverage, causing the fund to lose money.

Basis point (bp) is a unit equal to 1/100th of 1% and is used to denote the change in a financial instrument.

Yield to worst is the lowest yield an investor can expect when investing in a callable bond.

Debt Service Coverage (DSC) measures the ability of a company to use its operating income to repay all its debt obligations, including repayment of principal and interest on both short-term and long-term debt.

Duration is a commonly used measure of the potential volatility of the price of a debt security, or the aggregate market value of a portfolio of debt securities, prior to maturity. Securities with a longer duration generally have more volatile prices than securities of comparable quality with a shorter duration. The municipal investments in the portfolio may be tax-exempt at the federal level, but taxes may still be applicable at the state and/or local level.

Diversification does not assure a profit nor protect against loss in a declining market.

Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any security.

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