

Tortoise Pipeline & Energy Fund, Inc.

2013 3rd Quarter Report • August 31, 2013



In today's environment some investments
are more relevant than ever.

Company at a glance

Tortoise believes Tortoise Pipeline & Energy Fund, Inc. (NYSE: TTP) is the first closed-end fund that focuses particularly on the broader \$400 billion+ North American pipeline universe.

Investment strategy

TTP seeks to provide stockholders with a high level of total return, with an emphasis on current distributions. Our fund focuses particularly on North American pipeline companies that transport natural gas, natural gas liquids, crude oil and refined products, and to a lesser extent, on other energy infrastructure companies.

Because of our traditional flow-through nature as a regulated investment company (RIC), we have the differentiated ability and flexibility to efficiently target and access traditional pipeline corporations alongside master limited partnerships (MLPs). Over 75 percent of our portfolio will generally be in companies structured as corporations or limited liability companies domiciled in the United States, Canada or United Kingdom with the remaining up to 25 percent in MLPs. We believe the broader North American pipeline universe offers strong business fundamentals and expanded growth opportunities.

We also write (sell) covered call options to seek to enhance long-term return potential across economic environments, increase current income and mitigate portfolio risk through option income. Our covered call strategy focuses on other energy infrastructure companies that we believe are integral links in the value chain for pipeline companies.

TTP seeks to provide:

Attractive total return potential with high current income in a defensive sector

Access to real, long-lived pipeline assets essential to the functioning of the US economy

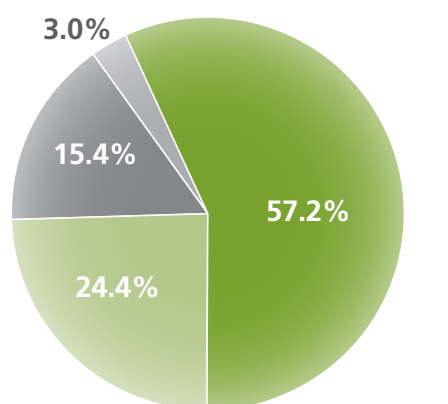
Exposure to expanded energy infrastructure growth projects that connect new areas of supply with demand

Ability to efficiently invest across North American pipeline universe through traditional flow-through fund structure

Investor simplicity through one 1099, no K-1s, no unrelated business taxable income, IRA suitability

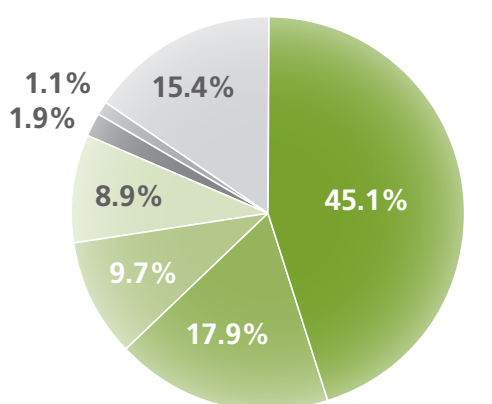
Expertise of Tortoise Capital Advisors, a leading and pioneering energy infrastructure investment firm

Portfolio statistics by ownership structure



- Pipeline C-Corps/LLCs
- MLPs
- Integrated/Independent Energy Companies
- Other

Portfolio statistics by asset type



- Natural Gas Long Haul Pipelines
- Crude/Refined Products Long Haul Pipelines
- Local Distribution Pipelines
- Gathering Pipelines
- Marine Transportation
- Power/Utility
- Integrated/Independent Energy

September 15, 2013

Dear Fellow Stockholders,

Equity market performance was uneven over the summer months, with the S&P 500® registering gains in July but declines for both June and August. The broad market index closed the three month period with a paltry 0.7 percent gain and a much healthier 17.2 percent return for the fiscal year to date ending Aug. 31, 2013. Disappointing data on manufacturing and new home sales in July set the tone for a downbeat August that erased much of July's gains. Early in August, U.S. unemployment dropped to its lowest level since December 2008, renewing speculation that the Federal Reserve may begin to taper its quantitative easing. Additional headwinds in August included an escalation of the crisis in Syria and economic data showing sluggish consumer spending. Against this uneven backdrop, pipeline companies outperformed the broader market.

Pipeline sector review and outlook

The Tortoise North American Pipeline IndexSM posted a 1.5 percent and 15.9 percent total return for the three and nine months ending Aug. 31, 2013, respectively. Pipeline companies' performance during the quarter was markedly lower than in previous fiscal quarters. This was largely in response to concern and uncertainty around rising interest rates and the digestion of increased equity offerings and some compression in crude oil location price differentials that had previously been at record-levels. The performance of pipeline companies was driven by solid fundamentals, strong underlying dividend/distribution growth and continued infrastructure build-out.

Pipeline companies continued to benefit from escalating volumes of oil and natural gas production out of North American shales. To put this production growth into perspective, consider that domestic crude oil production rose 17.4 percent from July 2012 to July 2013, averaging a 25-year high of nearly 7.5 million barrels per day,¹ and by 2020, oil production may reach more than 10 million barrels per day.² The natural gas production numbers are equally

astounding. It is estimated that U.S. natural gas production, which effectively has eliminated U.S. dependency on foreign gas imports, will reach nearly 74 billion cubic feet per day by the end of this decade, an increase of 50 percent since 2005.³ We anticipate more than \$120 billion in MLP, pipeline and related organic growth projects over the course of the next three years.

Capital markets are humming, with MLP and pipeline companies raising approximately \$33 billion in equity and \$28 billion in debt fiscal year to date through Aug. 31, 2013. Merger and acquisition (M&A) activity also has been vigorous, with announced MLP and pipeline transactions totaling more than \$43 billion year to date. The largest announced pipeline transactions in the quarter were two sponsor dropdowns, with Spectra Energy Corporation and EQT Corporation both announcing dropdowns of midstream assets to their respective MLPs. Both transactions are pending.

Fund performance review

The fund's total assets increased from \$372.5 million at May 31, 2013 to \$380.7 million at Aug. 31, 2013, resulting primarily from market appreciation of its investments. The market-based total return to fund stockholders was -3.4 percent and 19.6 percent (both including the reinvestment of distributions) for the three and nine months ending Aug. 31, 2013. The fund's NAV-based total return was 3.8 percent and 21.1 percent for the same periods. The difference between the market value total returns as compared to the NAV total returns reflected the decrease in the fund's stock price to a market discount relative to its NAV during the period.

During the fiscal quarter, the fund's asset performance was boosted by its exposure to natural gas pipelines, refined product pipelines and gathering and processing as well as its overall midstream focus. Refined product pipelines specifically saw a boost from a favorable tariff escalator (PPI + 2.65 percent) and, along with natural gas pipelines, the ongoing investment in energy infrastructure to support the

country's emerging supply basins. Gathering and processing companies in particular benefitted from a growing emphasis on fee-based contracts. On a broader basis, crude oil pipelines experienced some downward pressure during the quarter due in part to narrowing of location price differentials, somewhat mitigated by the fund's specific holdings. The fund's covered call strategy in integrated/independent energy companies had a generally positive impact on performance and continued to provide current income. The fund generally maintained the targeted notional amount of the portfolio's covered calls as well as out-of-the-money percentage, even in a historically low VIX (low volatility) environment.

The fund paid a distribution of \$0.4075 per common share (\$1.63 annualized) to stockholders on Sept. 3, 2013, in line with the previous quarterly distribution. The distribution represented an annualized distribution rate of 5.9 percent based on the fund's third fiscal quarter closing price of \$27.65 per share. The fund ended the period with leverage (including bank debt, senior notes and preferred stock) at 21.5 percent of total assets. 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

The unconventional oil and gas revolution taking place in North America today is profoundly altering the energy landscape. Prolific oil and gas production is creating opportunities for energy companies across the energy value chain. In particular, pipeline companies continue to see solid dividend/distribution growth as a result of the robust infrastructure build-out taking place. We remain enthusiastic about these opportunities and about the future of North American energy. We look forward to serving you as your professional investment adviser as this compelling story continues.

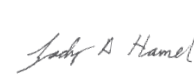
Sincerely,
The Managing Directors
Tortoise Capital Advisors, L.L.C.
The adviser to Tortoise Pipeline & Energy Fund, Inc.



P. Bradley Adams



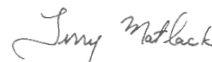
H. Kevin Birzer



Zachary A. Hamel



Kenneth P. Malvey



Terry Matlack



David J. Schulte

¹ American Petroleum Institute, 2013

² Citi, 2011

³ Energy Information Administration, 2013

The Tortoise North American Pipeline IndexSM is a float-adjusted, capitalization-weighted index of energy pipeline companies domiciled in the United States and Canada. 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 performance.

(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.

	2012		2013		
	Q3 ⁽¹⁾	Q4 ⁽¹⁾	Q1 ⁽¹⁾	Q2 ⁽¹⁾	Q3 ⁽¹⁾
Total Income from Investments					
Distributions received from investments	\$ 2,952	\$ 3,042	\$ 3,031	\$ 3,144	\$ 3,153
Less foreign withholding taxes	(49)	(50)	(49)	(45)	(42)
Dividends paid in stock	537	553	570	616	631
Net premiums on options written	2,189	1,946	1,728	1,643	1,659
Interest and dividend income	—	1	—	—	—
Total from investments	5,629	5,492	5,280	5,358	5,401
Operating Expenses Before Leverage Costs					
Advisory fees, net of fees waived	694	718	759	854	862
Other operating expenses	137	124	146	137	132
	831	842	905	991	994
Distributable cash flow before leverage costs	4,798	4,650	4,375	4,367	4,407
Leverage costs ⁽²⁾	629	632	625	629	628
Distributable Cash Flow⁽³⁾	\$ 4,169	\$ 4,018	\$ 3,750	\$ 3,738	\$ 3,779
Net realized gain (loss) on investments and foreign currency translation, for the period	\$ (442)	\$ 10,854	\$ 1,296	\$ 2,301	\$ 2,921
As a percent of average total assets⁽⁴⁾					
Total from investments	6.83 %	6.48 %	6.13 %	5.65 %	5.64 %
Operating expenses before leverage costs	1.01 %	0.99 %	1.05 %	1.05 %	1.04 %
Distributable cash flow before leverage costs	5.82 %	5.49 %	5.08 %	4.60 %	4.60 %
As a percent of average net assets⁽⁴⁾					
Total from investments	9.10 %	8.52 %	8.05 %	7.24 %	7.23 %
Operating expenses before leverage costs	1.34 %	1.31 %	1.38 %	1.34 %	1.33 %
Leverage costs and current taxes	1.02 %	0.98 %	0.95 %	0.85 %	0.84 %
Distributable cash flow	6.74 %	6.23 %	5.72 %	5.05 %	5.06 %
Selected Financial Information					
Distributions paid on common stock	\$ 4,077	\$ 4,077	\$ 4,077	\$ 4,077	\$ 4,081
Distributions paid on common stock per share	0.40750	0.40750	0.40750	0.40750	0.40750
Total assets, end of period	334,671	374,855	361,540	372,498	380,701
Average total assets during period ⁽⁵⁾	327,931	340,698	349,310	376,027	379,776
Leverage ⁽⁶⁾	77,100	81,600	79,700	80,500	81,700
Leverage as a percent of total assets	23.0 %	21.8 %	22.0 %	21.6 %	21.5 %
Net unrealized appreciation, end of period	24,357	16,909	43,584	55,953	63,230
Net assets, end of period	251,748	252,508	276,211	286,167	292,958
Average net assets during period ⁽⁷⁾	245,989	259,294	266,070	293,444	296,319
Net asset value per common share	25.16	25.24	27.61	28.60	29.25
Market value per common share	25.00	24.15	27.15	29.05	27.65
Shares outstanding (actual)	10,004,200	10,004,200	10,004,200	10,004,200	10,016,413

(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) Leverage costs include interest expense, distributions to preferred stockholders and other recurring leverage expenses.

(3) "Net investment income" on the Statement of Operations is adjusted as follows to reconcile to Distributable Cash Flow (DCF): increased by net premiums on options written, the return of capital on MLP distributions, the value of paid-in-kind distributions, and amortization of debt issuance costs.

(4) Annualized for periods less than one full year.

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

(6) Leverage consists of long-term debt obligations, preferred stock and short-term borrowings.

(7) Computed by averaging daily net assets for the 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 comparable 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 Pipeline & Energy Fund, Inc.'s ("TTP") primary investment objective is to provide a high level of total return, with an emphasis on current distributions. We seek to provide stockholders an efficient vehicle to invest in a portfolio consisting primarily of equity securities of pipeline and other energy infrastructure companies. We focus primarily on pipeline companies that engage in the business of transporting natural gas, natural gas liquids ("NGLs"), crude oil and refined petroleum products, and, to a lesser extent, on other energy infrastructure companies. Energy infrastructure companies own and operate a network of asset systems that transport, store, distribute, gather, process, explore, develop, manage or produce crude oil, refined petroleum products (including biodiesel and ethanol), natural gas or NGLs or that provide electrical power generation (including renewable energy), transmission and/or distribution. We also seek to provide current income from gains earned through a covered call option strategy, which consists of writing (selling) call options on selected equity securities in our portfolio.

TTP is a registered non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the "1940 Act"), and expects to qualify as a regulated investment company ("RIC") under the U.S. Internal Revenue Code of 1986, as amended (the "Code"). Tortoise Capital Advisors, L.L.C. (the "Adviser") serves as investment adviser.

Company update

Market values of our investments increased during the quarter, contributing to an increase in total assets of approximately \$8.2 million since May 31, 2013. Distribution increases from our investments were in line with our expectations while an increase in average total assets during the quarter resulted in increased asset-based

expenses. We maintained our quarterly distribution of \$0.4075 per share. Additional information on these events and results of our operations are discussed 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 and certain revenue recognition matters as discussed in Note 2 in the Notes to Financial Statements.

Determining distributions to stockholders

We pay quarterly distributions based primarily upon our current and estimated future distributable cash flow ("DCF"). In addition, and to the extent that the sum of our net investment company taxable income and net realized gains from investments exceed our quarterly distributions, we intend to make an additional distribution to common stockholders in the last quarter of the calendar year in order to avoid being subject to U.S. federal income taxes. Our Board of Directors reviews the distribution rate quarterly and may adjust the quarterly distribution throughout the year.

Determining DCF

DCF is income from investments less expenses. Income from investments includes the amount we receive as cash or paid-in-kind distributions from common stock, MLPs, affiliates of MLPs, and pipeline and other energy companies in which we invest, and dividend payments on short-term investments we own. Income also includes the premiums received from sales of covered call options, net of amounts paid to buy back out of the money options. The total expenses include current or anticipated operating expenses and leverage costs. Each are summarized for you in the Key Financial Data table and are discussed in more detail below.

The Key Financial Data table discloses the calculation of DCF and should be read in conjunction with this discussion. The difference between income from investments in the DCF calculation and total investment income as reported in the Statement of Operations, is reconciled as follows: (1) the Statement of Operations, in conformity with U.S. generally accepted accounting principles ("GAAP"), recognizes distributions and dividend income from MLPs and common stock on their ex-dates, whereas the DCF calculation may reflect distributions and dividend income on their pay dates; (2) GAAP recognizes that a significant portion of the cash

Management's Discussion (unaudited)

(continued)

distributions received from MLPs are characterized as a return of capital and therefore excluded from investment income, whereas the DCF calculation includes the return of capital; (3) income from investments in the DCF calculation includes the value of dividends paid-in-kind (additional stock or units), whereas such amounts are not included as income for GAAP purposes; and (4) net premiums on options written (premiums received less amounts paid to buy back out of the money options) with expiration dates during our fiscal quarter are included in the DCF calculation, whereas GAAP recognizes the net effect of options written as realized and unrealized gains (losses). A reconciliation of Net Investment Income to DCF is included below.

Income from investments

We seek to achieve our investment objectives by investing in a portfolio consisting primarily of equity securities of pipeline and other energy infrastructure companies. We evaluate each holding based upon its contribution to our investment income and its risk relative to other potential investments.

We focus primarily on pipeline companies that engage in the business of transporting natural gas, NGLs, crude oil and refined products through pipelines, and, to a lesser extent, on other energy infrastructure companies. These pipeline companies own and operate long haul, gathering and local gas distribution pipelines.

We also seek to provide current income from gains earned through a covered call option strategy, which consists of writing (selling) call options on selected equity securities in our portfolio. We focus our covered call strategy on other energy infrastructure companies that we believe are integral links in the energy infrastructure value chain for pipeline companies. We typically aim to write call options that are approximately 5 to 15 percent out-of-the-money on approximately 20 percent of our portfolio, although we may adjust these targets depending on market volatility and other market conditions.

Total distributions received from our investments and option strategy for the 3rd quarter 2013 were approximately \$5.40 million. This reflects earnings on our investments of \$3.74 million and net premiums on options written of approximately \$1.66 million. Dividends and distributions from our long-term investments and net premiums on options written during the quarter increased slightly from 2nd quarter 2013. On an annualized basis, the total received from investments equates to 5.64 percent of our average total assets for the quarter.

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 were an annualized 1.04 percent of average total assets for the 3rd quarter 2013, an increase of 0.03 percent as compared to 3rd quarter 2012 and a decrease of 0.01 percent as compared to 2nd quarter 2013. While the contractual advisory fee is 1.10 percent of average monthly managed assets, the Adviser waived an amount equal to 0.25 percent of average monthly managed assets through December 31, 2012, and has agreed to waive an amount equal to 0.20 percent of average monthly managed assets for calendar year 2013 and 0.15 percent of average monthly managed assets for calendar year 2014. Other operating expenses decreased approximately \$5,000 as compared to 2nd quarter 2013, primarily as a result of decreased professional and custodian fees during the quarter.

Leverage costs consist of two major components: (1) the direct interest expense on our senior notes and short-term credit facility, and (2) distributions to preferred stockholders. Other leverage expenses include rating agency fees and commitment fees. Total leverage costs for DCF purposes were approximately \$0.6 million for the 3rd quarter 2013, relatively unchanged as compared to 2nd quarter 2013.

The weighted average annual rate of our leverage at August 31, 2013 was 2.95 percent including balances on our bank credit facility which accrue interest at a variable rate equal to one-month LIBOR plus 1.125 percent. Our weighted average rate may vary in future periods as a result of changes in LIBOR, the utilization of our credit facility, and as our leverage matures or is redeemed. Additional information on our leverage is included in the Liquidity and Capital Resources discussion below.

Distributable cash flow and capital gains

For 3rd quarter 2013, our DCF was approximately \$3.78 million, an increase of 1.1 percent as compared to 2nd quarter 2013. This increase is the net result of the changes in income and expenses as described above. This equates to an annualized rate of 4.60 percent of average total assets for the quarter and 5.06 percent of average net assets for the quarter. In addition, we had net realized gains on investments of approximately \$2.9 million during the quarter.

We declared a distribution of approximately \$4.1 million for 3rd quarter 2013. On a per share basis, we declared a \$0.4075 distribution on August 8, 2013, unchanged from the 2nd quarter 2013.

Management's Discussion (unaudited)

(continued)

Net Investment Income on the Statement of Operations is adjusted as follows to reconcile to DCF for 2013 YTD and 3rd quarter 2013 (in thousands):

	2013 YTD	3rd Qtr 2013
Net Investment Income	\$ 703	\$ 354
Adjustments to reconcile to DCF:		
Net premiums on options written	5,030	1,659
Distributions characterized as return of capital	3,634	1,107
Dividends paid in stock	1,817	631
Amortization of debt issuance costs	83	28
DCF	<u>\$11,267</u>	<u>\$ 3,779</u>

Liquidity and capital resources

We had total assets of \$381 million 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 dividends receivable and any expenses that may have been prepaid. During the 3rd quarter 2013, total assets increased approximately \$8.2 million. This change was primarily the result of a \$9.3 million 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) and net sales during the quarter of \$1.1 million.

Total leverage outstanding at August 31, 2013 was \$81.7 million, an increase of \$1.2 million as compared to May 31, 2013. Outstanding leverage is comprised of \$49 million in senior notes, \$16 million in preferred shares and \$16.7 million outstanding under the credit facility, with approximately 67 percent of leverage with fixed rates and a weighted average maturity of 3.9 years. Total leverage represented 21.5 percent of total assets at August 31, 2013, as compared to 21.6 percent as of May 31, 2013 and 23.0 percent as of August 31, 2012. This is below our long-term target level of 25 percent of total assets, 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 facility) of \$65 million is comprised of 75 percent private placement debt and 25 percent private placement preferred equity with a weighted average fixed rate of 3.35 percent and remaining weighted average laddered maturity of approximately 4.7 years.

We use leverage to acquire equity investments 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 9, 10 and 11 in the Notes to Financial Statements. Our coverage ratios are updated each week on our Web site at www.tortoiseadvisors.com.

Taxation of our distributions

We expect that distributions paid on common shares will generally consist of: (i) investment company taxable income ("ICTI") which includes ordinary income net of deductions plus any short-term capital gains in excess of net long-term capital losses (under current law, distributions of ICTI may be designated as qualified dividend income ("QDI") to the extent of any QDI received from our investment in common stocks); (ii) long-term capital gain (net gain from the sale of a capital asset held longer than 12 months over net short-term capital losses) and (iii) return of capital. The QDI and long-term capital gain tax rates are variable based on the taxpayer's taxable income.

We may designate a portion of our quarterly distributions as capital gains and we may also distribute additional capital gains in the last calendar quarter if necessary to meet minimum distribution requirements and to avoid being subject to excise taxes. If, however, we elect to retain any capital gains, we will be subject to U.S. capital gains taxes. The payment of those taxes will flow-through to stockholders as a tax credit to apply against their U.S. income tax payable on the deemed distribution of the retained capital gain.

For tax purposes, distributions paid to common stockholders for the calendar year ended December 31, 2012 were approximately 37 percent QDI, 21 percent ordinary dividend income, 22 percent long-term capital gain, and 20 percent return of capital. A holder of our common stock would reduce their cost basis for income tax purposes by the amount designated as return of capital. This information is reported to stockholders on Form 1099-DIV and is available on our Web site at www.tortoiseadvisors.com. We currently estimate that 80 to 100 percent of 2013 distributions will be characterized as dividend income and capital gains, with the remaining percentage, if any, characterized as return of capital. A final determination of the characterization will be made in January 2014.

Schedule of Investments (unaudited)

August 31, 2013

	Shares	Fair Value		Shares	Fair Value
Common Stock — 85.1%⁽¹⁾			Oil and Gas Production — 19.9%⁽¹⁾		
Crude/Refined Products Pipelines — 5.9%⁽¹⁾			United Kingdom — 1.0%⁽¹⁾		
Canada — 5.9%⁽¹⁾			BP p.l.c. (ADR) ⁽²⁾		
Enbridge Inc.	268,300	\$ 10,986,885		69,800	\$ 2,882,740
Pembina Pipeline Corporation	199,200	6,180,439	United States — 18.9%⁽¹⁾		
		<u>17,167,324</u>	Anadarko Petroleum Corporation ⁽²⁾	46,900	4,287,598
Local Distribution Companies — 12.6%⁽¹⁾			Apache Corporation ⁽²⁾	55,000	4,712,400
United States — 12.6%⁽¹⁾			Cabot Oil & Gas Corporation ⁽²⁾	126,400	4,946,032
CenterPoint Energy, Inc.	926,500	21,244,645	Chesapeake Energy Corporation ⁽²⁾	69,200	1,786,052
NiSource Inc.	533,600	15,613,136	Continental Resources, Inc. ⁽²⁾⁽³⁾	46,300	4,271,638
		<u>36,857,781</u>	Denbury Resources Inc. ⁽²⁾⁽³⁾	66,000	1,141,140
Marine Transportation — 2.4%⁽¹⁾			EOG Resources, Inc. ⁽²⁾	24,300	3,816,315
Republic of the Marshall Islands — 2.4%⁽¹⁾			Hess Corporation ⁽²⁾	38,700	2,896,695
Teekay Offshore Partners L.P.	223,330	7,095,194	Marathon Oil Corporation ⁽²⁾	132,700	4,568,861
Natural Gas Gathering Pipelines — 3.9%⁽¹⁾			Newfield Exploration Company ⁽²⁾⁽³⁾	48,700	1,160,034
United States — 3.9%⁽¹⁾			Noble Energy, Inc. ⁽²⁾	74,400	4,570,392
Targa Resources Corp.	166,600	11,343,794	Occidental Petroleum Corporation ⁽²⁾	50,000	4,410,500
Natural Gas Pipelines — 39.0%⁽¹⁾			Pioneer Natural Resources Company ⁽²⁾	29,500	5,161,615
Canada — 3.1%⁽¹⁾			Range Resources Corporation ⁽²⁾	53,300	3,996,434
Keyera Corp.	17,550	960,226	Southwestern Energy Company ⁽²⁾⁽³⁾	35,600	1,359,920
TransCanada Corporation	187,700	8,187,474	Whiting Petroleum Corporation ⁽²⁾⁽³⁾	49,500	2,498,265
United States — 35.9%⁽¹⁾					<u>58,466,631</u>
Kinder Morgan, Inc.	266,000	10,089,380	Power/Utility — 1.4%⁽¹⁾		
National Fuel Gas Company	13,400	874,752	United States — 1.4%⁽¹⁾		
ONEOK, Inc.	450,200	23,158,288	NRG Yield, Inc.		
Questar Corporation	330,750	7,250,040		145,100	4,042,486
Spectra Energy Corp.	965,100	31,954,461	Total Common Stock		
Williams Companies, Inc.	880,900	31,923,816	(Cost \$208,861,566)		
		<u>114,398,437</u>			
			Master Limited Partnerships and Related Companies — 44.4%⁽¹⁾		
			Crude/Refined Products Pipelines — 17.3%⁽¹⁾		
			United States — 17.3%⁽¹⁾		
			Buckeye Partners, L.P.	83,000	5,810,000
			Enbridge Energy Management, L.L.C. ⁽⁴⁾	547,317	16,414,031
			Genesis Energy L.P.	18,700	910,129
			Holly Energy Partners, L.P.	63,900	2,270,367
			Magellan Midstream Partners, L.P.	76,700	4,161,742
			MPLX LP	102,268	3,650,968
			Phillips 66 Partners LP	59,100	1,818,507
			Plains All American Pipeline, L.P.	213,300	10,784,448
			Rose Rock Midstream, L.P.	28,714	938,086
			Sunoco Logistics Partners L.P.	61,400	3,944,336
					<u>50,702,614</u>

See accompanying Notes to Financial Statements.

Schedule of Investments (unaudited) (continued)

August 31, 2013

	<u>Shares</u>	<u>Fair Value</u>		<u>Shares</u>	<u>Fair Value</u>
Natural Gas/Natural Gas Liquids Pipelines — 19.4%⁽¹⁾			Short-Term Investment — 0.0%⁽¹⁾		
United States — 19.4%⁽¹⁾			United States Investment Company — 0.0%⁽¹⁾		
Energy Transfer Partners, L.P.	199,700	\$ 10,238,619	Fidelity Institutional Money Market Portfolio —		
Enterprise Products Partners L.P.	163,200	9,697,344	Class I, 0.05% ⁽⁵⁾ (Cost \$100,637)	100,637	\$ 100,637
Inergy Midstream, L.P.	165,333	3,842,339			
Kinder Morgan Management, LLC ⁽⁴⁾	260,464	20,795,427	Total Investments — 129.5%⁽¹⁾		
ONEOK Partners, L.P.	48,900	2,424,951	(Cost \$316,161,076)		379,353,685
Regency Energy Partners LP	219,600	5,935,788	Long-Term Debt Obligations — (16.7%)⁽¹⁾		(49,000,000)
Williams Partners L.P.	75,200	3,709,616	Mandatory Redeemable Preferred Stock		
		<u>56,644,084</u>	at Liquidation Value — (5.5%)⁽¹⁾		(16,000,000)
			Total Value of Options Written		
Natural Gas Gathering/Processing — 7.7%⁽¹⁾			(Premiums received \$626,731) — (0.2%)⁽¹⁾		(587,445)
United States — 7.7%⁽¹⁾			Other Assets and Liabilities — (7.1%)⁽¹⁾		<u>(20,808,684)</u>
Access Midstream Partners, L.P.	119,700	5,459,517	Total Net Assets Applicable to		
DCP Midstream Partners, LP	97,900	4,692,347	Common Stockholders — 100.0%⁽¹⁾		<u>\$ 292,957,556</u>
MarkWest Energy Partners, L.P.	59,850	3,997,381			
Targa Resources Partners LP	70,000	3,420,200			
Western Gas Equity Partners, LP	61,652	2,427,856			
Western Gas Partners LP	42,905	2,537,402			
		<u>22,534,703</u>			
Total Master Limited Partnerships and Related Companies (Cost \$107,198,873)		<u>129,881,401</u>			

(1) Calculated as a percentage of net assets applicable to common stockholders.

(2) All or a portion of the security represents cover for outstanding call option contracts written.

(3) Non-income producing security.

(4) Security distributions are paid-in-kind.

(5) Rate indicated is the current yield as of August 31, 2013.

Key to abbreviation

ADR = American Depository Receipts

See accompanying Notes to Financial Statements.

Schedule of Options Written (unaudited)

August 31, 2013

Call Options Written	Expiration Date	Strike Price	Contracts	Fair Value
Anadarko Petroleum Corporation	September 2013	\$ 97.50	469	\$ (20,167)
Apache Corporation	September 2013	80.00	180	(108,900)
Apache Corporation	September 2013	87.50	370	(41,440)
BP p.l.c. (ADR)	September 2013	43.00	695	(10,425)
Cabot Oil & Gas Corporation	September 2013	40.00	1,264	(94,800)
Chesapeake Energy Corporation	September 2013	26.00	692	(45,672)
Continental Resources, Inc.	September 2013	100.00	463	(11,575)
Denbury Resources Inc.	September 2013	18.00	660	(10,560)
EOG Resources, Inc.	September 2013	165.00	243	(27,216)
Hess Corporation	September 2013	80.00	387	(8,901)
Marathon Oil Corporation	September 2013	36.00	1,327	(31,848)
Newfield Exploration Company	September 2013	26.00	487	(7,305)
Noble Energy, Inc.	September 2013	67.50	744	(7,440)
Occidental Petroleum Corporation	September 2013	92.50	500	(18,500)
Pioneer Natural Resources Company	September 2013	180.00	295	(82,600)
Range Resources Corporation	September 2013	82.50	533	(13,325)
Southwestern Energy Company	September 2013	40.00	356	(14,596)
Whiting Petroleum Corporation	September 2013	52.50	495	<u>(32,175)</u>
Total Value of Call Options Written				
(Premiums received \$626,731)				<u>\$ (587,445)</u>

*Key to abbreviation**ADR = American Depository Receipts**See accompanying Notes to Financial Statements.*

Statement of Assets & Liabilities (unaudited)

August 31, 2013

Assets

Investments at fair value (cost \$316,161,076)	\$ 379,353,685
Receivable for Adviser fee waiver	130,648
Dividends receivable	724,964
Prepaid expenses and other assets	491,447
Total assets	<u>380,700,744</u>

Liabilities

Options written, at fair value (premiums received \$626,731)	587,445
Payable to Adviser	718,566
Distribution payable to common stockholders	4,081,711
Accrued expenses and other liabilities	655,466
Short-term borrowings	16,700,000
Long-term debt obligations	49,000,000
Mandatory redeemable preferred stock (\$25.00 liquidation value per share; 640,000 shares outstanding)	16,000,000
Total liabilities	<u>87,743,188</u>
Net assets applicable to common stockholders	<u>\$ 292,957,556</u>

Net Assets Applicable to Common Stockholders**Consist of:**

Capital stock, \$0.001 par value; 10,016,413 shares issued and outstanding (100,000,000 shares authorized)	\$ 10,016
Additional paid-in capital	229,717,072
Net unrealized appreciation	63,230,468
Net assets applicable to common stockholders	<u>\$ 292,957,556</u>
Net Asset Value per common share outstanding (net assets applicable to common stock, divided by common shares outstanding)	<u>\$ 29.25</u>

Statement of Operations (unaudited)Period from December 1, 2012 through
August 31, 2013**Investment Income**

Distributions from master limited partnerships	\$ 3,617,151
Less return of capital on distributions	(3,633,794)
Net distributions from master limited partnerships	(16,643)
Dividends from common stock (net of foreign taxes withheld of \$136,373)	5,574,295
Dividends from money market mutual funds	165
Total Investment Income	<u>5,557,817</u>

Operating Expenses

Advisory fees	3,041,984
Administrator fees	111,793
Professional fees	94,739
Directors' fees	46,878
Stockholder communication expenses	43,578
Fund accounting fees	38,764
Registration fees	18,698
Custodian fees and expenses	14,961
Stock transfer agent fees	8,831
Other operating expenses	37,009
Total Operating Expenses	<u>3,457,235</u>

Leverage Expenses

Interest expense	1,324,064
Distributions to mandatory redeemable preferred stockholders	514,801
Amortization of debt issuance costs	83,337
Other leverage expenses	42,799
Total Leverage Expenses	<u>1,965,001</u>

Total Expenses

	5,422,236
Less fees waived by Adviser	(567,202)

Net Expenses

	<u>4,855,034</u>
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Net Investment Income

	<u>702,783</u>
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Realized and Unrealized Gains (Losses)

Net realized gain on investments, including foreign currency gain (loss)	6,519,378
Net realized loss on options	(1,207,793)
Net realized loss on foreign currency and translation of other assets and liabilities denominated in foreign currency	(901)
Net realized gain	<u>5,310,684</u>
Net unrealized appreciation of investments, including foreign currency gain (loss)	46,471,577
Net unrealized depreciation of options	(147,676)
Net unrealized depreciation of other assets and liabilities due to foreign currency translation	(2,059)
Net unrealized appreciation	<u>46,321,842</u>

Net Realized and Unrealized Gains

	<u>51,632,526</u>
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**Net Increase in Net Assets Applicable
to Common Stockholders Resulting
from Operations**

	<u>\$ 52,335,309</u>
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See accompanying Notes to Financial Statements.

Statement of Changes in Net Assets

	Period from December 1, 2012 through August 31, 2013	Year Ended November 30, 2012
	(unaudited)	
Operations		
Net investment income	\$ 702,783	\$ 1,236,571
Net realized gain	5,310,684	12,411,737
Net unrealized appreciation	46,321,842	10,877,359
Net increase in net assets applicable to common stockholders resulting from operations	<u>52,335,309</u>	<u>24,525,667</u>
Distributions to Common Stockholders		
Net investment income	(2,407,093)	(2,382,329)
Net realized gain	(4,116,553)	(10,673,567)
Return of capital	(5,711,466)	(3,225,940)
Total distributions to common stockholders	<u>(12,235,112)</u>	<u>(16,281,836)</u>
Capital Stock Transactions		
Issuance of 12,213 common shares from reinvestment of distributions to stockholders	349,292	—
Total increase in net assets applicable to common stockholders	40,449,489	8,243,831
Net Assets		
Beginning of period	252,508,067	244,264,236
End of period	<u>\$ 292,957,556</u>	<u>\$ 252,508,067</u>
Undistributed net investment income, end of period	<u>\$ —</u>	<u>\$ 1,704,310</u>

See accompanying Notes to Financial Statements.

Statement of Cash Flows (unaudited)

Period from December 1, 2012 through August 31, 2013

Cash Flows From Operating Activities

Distributions received from master limited partnerships	\$ 3,617,151
Dividend income received	5,494,378
Purchases of long-term investments	(117,790,968)
Proceeds from sales of long-term investments	122,405,671
Purchases of short-term investments, net	(45,405)
Call options written, net	(1,291,338)
Interest expense paid	(1,323,423)
Other leverage expenses paid	(53,469)
Distributions to mandatory redeemable preferred stockholders	(514,800)
Operating expenses paid	(2,793,689)
Net cash provided by operating activities	<u>7,704,108</u>

Cash Flows From Financing Activities

Advances from revolving line of credit	36,200,000
Repayments on revolving line of credit	(36,100,000)
Distributions paid to common stockholders	(7,804,108)
Net cash used in financing activities	<u>(7,704,108)</u>
Net change in cash	—
Cash — beginning of period	—
Cash — end of period	<u>\$ —</u>

Reconciliation of net increase in net assets applicable to common stockholders resulting from operations to net cash provided by operating activities

Net increase in net assets applicable to common stockholders resulting from operations	\$ 52,335,309
Adjustments to reconcile net increase in net assets applicable to common stockholders resulting from operations to net cash provided by operating activities:	
Purchases of long-term investments	(78,842,380)
Proceeds from sales of long-term investments	83,482,018
Purchases of short-term investments, net	(45,405)
Call options written, net	(1,291,338)
Return of capital on distributions received	3,633,794
Net unrealized appreciation	(46,321,842)
Net realized gain	(5,310,684)
Amortization of debt issuance costs	83,337
Changes in operating assets and liabilities:	
Increase in dividends receivable	(80,082)
Increase in prepaid expenses and other assets	(23,509)
Decrease in receivable for investments sold	38,923,653
Decrease in payable for investments purchased	(38,948,588)
Increase in payable to Adviser, net of fee waiver	106,921
Increase in accrued expenses and other liabilities	2,904
Total adjustments	<u>(44,631,201)</u>
Net cash provided by operating activities	<u>\$ 7,704,108</u>

Non-Cash Financing Activities

Reinvestment of distributions by common stockholders in additional common shares	<u>\$ 349,292</u>
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See accompanying Notes to Financial Statements.

Financial Highlights

	Period from December 1, 2012 through August 31, 2013 (unaudited)	Year Ended November 30, 2012	Period from October 31, 2011 ⁽¹⁾ through November 30, 2011
Per Common Share Data⁽²⁾			
Net Asset Value, beginning of period	\$ 25.24	\$ 24.42	\$ —
Public offering price	—	—	25.00
Income from Investment Operations			
Net investment income (loss) ⁽³⁾	0.07	0.12	(0.02)
Net realized and unrealized gains ⁽³⁾	5.16	2.33	0.61
Total income from investment operations	5.23	2.45	0.59
Distributions to Common Stockholders			
Net investment income	(0.24)	(0.24)	—
Net realized gain	(0.41)	(1.07)	—
Return of capital	(0.57)	(0.32)	—
Total distributions to common stockholders	(1.22)	(1.63)	—
Underwriting discounts and offering costs on issuance of common stock ⁽⁴⁾	—	—	(1.17)
Net Asset Value, end of period	\$ 29.25	\$ 25.24	\$ 24.42
Per common share market value, end of period	\$ 27.65	\$ 24.15	\$ 25.01
Total Investment Return Based on Market Value ⁽⁵⁾	19.62 %	3.18 %	0.04 %
Supplemental Data and Ratios			
Net assets applicable to common stockholders, end of period (000's)	\$ 292,958	\$ 252,508	\$ 244,264
Average net assets (000's)	\$ 285,418	\$ 253,815	\$ 237,454
Ratio of Expenses to Average Net Assets ⁽⁶⁾			
Advisory fees	1.42 %	1.44 %	1.17 %
Other operating expenses	0.19	0.21	0.56
Fee waiver	(0.26)	(0.33)	(0.27)
Subtotal	1.35	1.32	1.46
Leverage expenses	0.92	1.03	0.31
Total expenses	2.27 %	2.35 %	1.77 %
Ratio of net investment income (loss) to average net assets before fee waiver ⁽⁶⁾	0.07 %	0.16 %	(1.12) %
Ratio of net investment income (loss) to average net assets after fee waiver ⁽⁶⁾	0.33 %	0.49 %	(0.85) %
Portfolio turnover rate	21.47 %	34.65 %	1.68 %
Short-term borrowings, end of period (000's)	\$ 16,700	\$ 16,600	—
Long-term debt obligations, end of period (000's)	\$ 49,000	\$ 49,000	\$ 24,500
Preferred stock, end of period (000's)	\$ 16,000	\$ 16,000	\$ 8,000
Per common share amount of long-term debt obligations outstanding, end of period	\$ 4.89	\$ 4.90	\$ 2.45
Per common share amount of net assets, excluding long-term debt obligations, end of period	\$ 34.14	\$ 30.14	\$ 26.87
Asset coverage, per \$1,000 of principal amount of long-term debt obligations and short-term borrowings ⁽⁷⁾	\$ 5,703	\$ 5,093	\$ 11,296
Asset coverage ratio of long-term debt obligations and short-term borrowings ⁽⁷⁾	570 %	509 %	1,130 %
Asset coverage, per \$25 liquidation value per share of mandatory redeemable preferred stock ⁽⁸⁾	\$ 115	\$ 102	\$ 213
Asset coverage ratio of preferred stock ⁽⁸⁾	459 %	409 %	852 %

(1) Commencement of Operations.

(2) Information presented relates to a share of common stock outstanding for the entire period.

(3) The per common share data for the year ended November 30, 2012 and the period from October 31, 2011 through November 30, 2011 do not reflect the change in estimate of investment income and return of capital. See Note 2C to the financial statements for further disclosure.

(4) Represents the dilution per common share from underwriting and other offering costs for the period from October 31, 2011 through November 30, 2011.

(5) Not annualized for periods less than one full year. Total investment return is calculated assuming a purchase of common stock at the beginning of the period (or initial public offering price) and a sale at the closing price on the last

day of the period reported (excluding brokerage commissions). The calculation also assumes reinvestment of distributions at actual prices pursuant to the Company's dividend reinvestment plan.

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

(7) Represents value of total assets less all liabilities and indebtedness not represented by long-term debt obligations, short-term borrowings and preferred stock at the end of the period divided by long-term debt obligations and short-term borrowings outstanding at the end of the period.

(8) Represents value of total assets less all liabilities and indebtedness not represented by long-term debt obligations, short-term borrowings and preferred stock at the end of the period divided by long-term debt obligations, short-term borrowings and preferred stock outstanding at the end of the period.

See accompanying Notes to Financial Statements.

Notes to Financial Statements (unaudited)

August 31, 2013

1. Organization

Tortoise Pipeline & Energy Fund, Inc. (the "Company") was organized as a Maryland corporation on July 19, 2011, and is a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the "1940 Act"). The Company's primary investment objective is to provide a high level of total return, with an emphasis on current distributions. The Company seeks to provide its stockholders an efficient vehicle to invest in a portfolio consisting primarily of equity securities of pipeline and other energy infrastructure companies. The Company commenced operations on October 31, 2011. The Company's stock is listed on the New York Stock Exchange under the symbol "TTP."

2. Significant accounting policies

A. Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, recognition of distribution income and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

B. Investment valuation

The Company primarily owns securities that are listed on a securities exchange or over-the-counter market. The Company values those securities at their last sale price on that exchange or over-the-counter market on the valuation date. If the security is listed on more than one exchange, the Company uses the price from the exchange that it considers to be the principal exchange on which the security is traded. Securities listed on the NASDAQ will be valued at the NASDAQ Official Closing Price, which may not necessarily represent the last sale price. If there has been no sale on such exchange or over-the-counter market on such day, the security will be valued at the mean between the last bid price and last ask price on such day.

The Company may invest up to 30 percent of its total assets in unregistered or otherwise restricted securities. Restricted securities are subject to statutory or contractual restrictions on their public resale, which may make it more difficult to obtain a valuation and may limit the Company's ability to dispose of them. Investments in restricted securities and other securities for which market quotations are not readily available will be valued in good faith by using fair value procedures approved by the Board of Directors. Such fair value procedures consider factors such as discounts to

publicly traded issues, time until conversion date, securities with similar yields, quality, type of issue, coupon, duration and rating. If events occur that will affect the value of the Company's portfolio securities before the net asset value has been calculated (a "significant event"), the portfolio securities so affected will generally be priced using fair value procedures. The Company did not hold any restricted securities at August 31, 2013.

An equity security of a publicly traded company acquired in a direct placement transaction may be subject to restrictions on resale that can affect the security's liquidity and fair value. Such securities that are convertible or otherwise will become freely tradable will be valued based on the market value of the freely tradable security less an applicable discount. Generally, the discount will initially be equal to the discount at which the Company purchased the securities. To the extent that such securities are convertible or otherwise become freely tradable within a time frame that may be reasonably determined, an amortization schedule may be used to determine the discount.

Exchange-traded options are valued at the mean of the highest bid and lowest asked prices across all option exchanges.

The Company generally values debt securities at prices based on market quotations for such securities, except those securities purchased with 60 days or less to maturity are valued on the basis of amortized cost, which approximates market value.

C. Security transactions and investment income

Security transactions are accounted for on the date the securities are purchased or sold (trade date). Realized gains and losses are reported on an identified cost basis. Interest income is recognized on the accrual basis, including amortization of premiums and accretion of discounts. Dividend and distribution income is recorded on the ex-dividend date. Distributions received from the Company's investments in master limited partnerships ("MLPs") generally are comprised of ordinary income and return of capital from the MLPs. The Company allocates distributions between investment income and return of capital based on estimates made at the time such distributions are received. Such estimates are based on information provided by each MLP and other industry sources. These estimates may subsequently be revised based on actual allocations received from MLPs after their tax reporting periods are concluded, as the actual character of these distributions is not known until after the fiscal year end of the Company.

Notes to Financial Statements (unaudited) (continued)

For the period from December 1, 2011 through November 30, 2012, the Company estimated the allocation of investment income and return of capital for the distributions received from MLPs within the Statement of Operations. For this period, the Company had estimated approximately 7 percent of total distributions as investment income and approximately 93 percent as return of capital.

Subsequent to November 30, 2012, the Company reallocated the amount of investment income and return of capital it recognized for the period from December 1, 2011 through November 30, 2012 based on the 2012 tax reporting information received from the individual MLPs. This reclassification amounted to a decrease in net investment income of approximately \$275,000 or \$0.028 per share, an increase in unrealized appreciation of investments of approximately \$97,000 or \$0.010 per share, and an increase in realized gains of approximately \$178,000 or \$0.018 per share for the period from December 1, 2012 through August 31, 2013.

Subsequent to the period ended February 28, 2013, the Company reallocated the amount of investment income and return of capital it recognized in the current fiscal year based on its revised 2013 estimates, after considering the final allocations for 2012. This reclassification amounted to a decrease in net investment income of approximately \$16,000 or \$0.002 per share, a decrease in unrealized appreciation of investments of approximately \$6,000 or \$0.001 per share, and an increase in realized gains of approximately \$22,000 or \$0.003 per share.

In addition, the Company may be subject to withholding taxes on foreign-sourced income. The Company accrues such taxes when the related income is earned.

D. Foreign currency translation

For foreign currency, investments in foreign securities, and other assets and liabilities denominated in a foreign currency, the Company translates these amounts into U.S. dollars on the following basis: (i) market value of investment securities, assets and liabilities at the current rate of exchange on the valuation date, and (ii) purchases and sales of investment securities, income and expenses at the relevant rates of exchange on the respective dates of such transactions. The Company does not isolate that portion of gains and losses on investments that is due to changes in the foreign exchange rates from that which is due to changes in market prices of equity securities.

E. Distributions to stockholders

Distributions to common stockholders are recorded on the ex-dividend date. The Company intends to make quarterly cash distributions of its investment company taxable income

to common stockholders. In addition, on an annual basis, the Company may distribute additional capital gains in the last calendar quarter if necessary to meet minimum distribution requirements and thus avoid being subject to excise taxes. The amount of any distributions will be determined by the Board of Directors. The character of distributions to common stockholders made during the year may differ from their ultimate characterization for federal income tax purposes. Distributions paid to stockholders in excess of investment company taxable income and net realized gains will be treated as return of capital to stockholders.

For the year ended November 30, 2012, the Company's distributions to common stockholders for tax purposes were comprised of 21 percent ordinary income, 37 percent qualified dividend income, 22 percent long-term capital gain, and 20 percent return of capital. The tax character of distributions paid to common stockholders for the current year will be determined subsequent to November 30, 2013.

Distributions to mandatory redeemable preferred ("MRP") stockholders are accrued daily and paid quarterly based on a fixed annual rate. The Company may not declare or pay distributions to its preferred stockholders if it does not meet a 200 percent asset coverage ratio for its debt or the rating agency basic maintenance amount for the debt following such distribution. The character of distributions to MRP stockholders made during the year may differ from their ultimate characterization for federal income tax purposes. Distributions paid to stockholders in excess of investment company taxable income and net realized gains will be treated as return of capital to stockholders.

F. Federal income taxation

The Company qualifies as a regulated investment company ("RIC") under the U.S. Internal Revenue Code of 1986, as amended (the "Code"). As a result, the Company generally will not be subject to U.S. federal income tax on income and gains that it distributes each taxable year to stockholders if it meets certain minimum distribution requirements. The Company is required to distribute substantially all of its income, in addition to other asset diversification requirements. The Company is subject to a 4 percent non-deductible U.S. federal excise tax on certain undistributed income unless the Company makes sufficient distributions to satisfy the excise tax avoidance requirement. The Company invests in MLPs, which generally are treated as partnerships for federal income tax purposes. As a limited partner in the MLPs, the Company reports its allocable share of the MLP's taxable income in computing its own taxable income.

Notes to Financial Statements (unaudited) (continued)

The Company recognizes the tax benefits of uncertain tax positions only when the position is “more likely than not” to be sustained upon examination by the tax authorities based on the technical merits of the tax position. The Company’s policy is to record interest and penalties on uncertain tax positions as part of tax expense. The Company has reviewed all open tax years and major jurisdictions and concluded that there is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken on a tax return. All tax years since inception remain open to examination by federal and state tax authorities.

G. Offering and debt issuance costs

Offering costs related to the issuance of common stock are charged to additional paid-in capital when the stock is issued. Debt issuance costs related to long-term debt obligations and MRP Stock are capitalized and amortized over the period the debt and MRP Stock is outstanding.

H. Derivative financial instruments

The Company seeks to provide current income from gains earned through an option strategy which will normally consist of writing (selling) call options on selected equity securities in the portfolio (“covered calls”). The premium received on a written call option will initially be recorded as a liability and subsequently adjusted to the then current fair value of the option written. Premiums received from writing call options that expire unexercised will be recorded as a realized gain on the expiration date. Premiums received from writing call options that are exercised will be added to the proceeds from the sale of the underlying security to calculate the realized gain (loss). If a written call option is repurchased prior to its exercise, the realized gain (loss) will be the difference between the premium received and the amount paid to repurchase the option.

I. Indemnifications

Under the Company’s organizational documents, its officers and directors are indemnified against certain liabilities arising out of the performance of their duties to the Company. In addition, in the normal course of business, the Company may enter into contracts that provide general indemnification to other parties. The Company’s maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred, and may not occur. However, the Company has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

J. Recent accounting pronouncements

In December 2011, the Financial Accounting Standards Board issued ASU 2011-11 “Balance Sheet (Topic 210) Disclosures about Offsetting Assets and Liabilities”. ASU 2011-11 requires new disclosures for recognized financial instruments and derivative instruments that are either offset on the balance sheet in accordance with the offsetting guidance in ASC 210-20-45 or ASC 815-10-45 or are subject to an enforceable master netting arrangement or similar arrangement. ASU 2011-11 is effective for periods beginning on or after January 1, 2013 and must be applied retrospectively.

In January 2013, the Financial Accounting Standards Board issued Accounting Standards Update No. 2013-01 “Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities” (“ASU 2013-01”) which amended Accounting Standards Codification Subtopic 210-20, Balance Sheet Offsetting. ASU 2013-01 clarified the scope of ASU No. 2011-11 “Disclosures about Offsetting Assets and Liabilities” (“ASU 2011-11”). ASU 2013-01 clarifies the scope of ASU 2011-11 as applying to derivatives accounted for in accordance with Topic 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are offset either in accordance with other requirements of U.S. GAAP or subject to an enforceable master netting arrangement or similar agreement. The guidance in ASU 2013-01 and ASU 2011-11 is effective for interim and annual periods beginning on or after January 1, 2013. The Company has adopted these amendments, which did not have an impact on the financial statements.

3. Concentration risk

Under normal circumstances, the Company will have at least 80 percent of its total assets (including any assets obtained through leverage) in equity securities of pipeline and other energy infrastructure companies. Energy infrastructure companies own and operate a network of asset systems that transport, store, distribute, gather and/or process, explore, develop, manage or produce crude oil, refined petroleum products (including biodiesel and ethanol), natural gas or natural gas liquids (“NGLs”) or that provide electric power generation (including renewable energy), transmission and/or distribution. The Company may invest up to 30 percent of its total assets in restricted securities, primarily through direct investments in securities of listed companies. The Company may also invest up to

Notes to Financial Statements (unaudited) (continued)

25 percent of its total assets in securities of MLPs. The Company will not invest in privately-held companies.

4. Agreements

The Company has entered into an Investment Advisory Agreement with the Adviser. Under the terms of the Agreement, the Company pays the Adviser a fee equal to an annual rate of 1.10 percent of the Company's average monthly total assets (including any assets attributable to leverage) minus accrued liabilities (other than debt entered into for purposes of leverage and the aggregate liquidation preference of outstanding preferred stock) ("Managed Assets"), in exchange for the investment advisory services provided. The Adviser waived fees in an amount equal to an annual rate of 0.25 percent of the Company's average monthly Managed Assets for the period from the commencement of operations through December 31, 2012, and has contractually agreed to waive fees in an amount equal to an annual rate of 0.20 percent of average monthly Managed Assets for the period from January 1, 2013 through December 31, 2013 and 0.15 percent of average monthly Managed Assets for the period from January 1, 2014 through December 31, 2014.

U.S. Bancorp Fund Services, LLC serves as the Company's administrator. The Company pays the administrator a monthly fee computed at an annual rate of 0.04 percent of the first \$1,000,000,000 of the Company's Managed Assets, 0.01 percent on the next \$500,000,000 of Managed Assets and 0.005 percent on the balance of the Company's Managed Assets.

Computershare Trust Company, N.A. serves as the Company's transfer agent and registrar and Computershare Inc. serves as the Company's dividend paying agent and agent for the automatic dividend reinvestment plan.

U.S. Bank, N.A. serves as the Company's custodian. The Company pays the custodian a monthly fee computed at an annual rate of 0.004 percent of the average daily market value of the Company's domestic assets and 0.015 percent of the average daily market value of the Company's Canadian Dollar-denominated assets, plus portfolio transaction fees.

5. Income taxes

It is the Company's intention to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code and distribute all of its taxable income. Accordingly, no provision for federal income taxes is required in the financial statements.

The amount and character of income and capital gain distributions to be paid, if any, are determined in accordance with federal income tax regulations, which may differ from U.S. generally accepted accounting principles. These differences are primarily due to differences in the timing of recognition of gains or losses on investments. Permanent book and tax basis differences, if any, may result in reclassifications to undistributed net investment income (loss), undistributed net realized gain (loss) and additional paid-in capital.

As of November 30, 2012, the components of accumulated earnings on a tax basis were as follows:

Unrealized appreciation	\$18,371,609
Other temporary differences	(952,804)
Accumulated earnings	<u>\$17,418,805</u>

As of August 31, 2013, the aggregate cost of securities for federal income tax purposes was \$307,709,469. The aggregate gross unrealized appreciation for all securities in which there was an excess of fair value over tax cost was \$73,318,285, the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over fair value was \$1,674,069 and the net unrealized appreciation was \$71,644,216.

6. Fair value of financial instruments

Various inputs are used in determining the fair value of the Company's financial instruments. These inputs are summarized in the three broad levels listed below:

- Level 1 — quoted prices in active markets for identical investments
- Level 2 — other significant observable inputs (including quoted prices for similar investments, market corroborated inputs, etc.)
- Level 3 — significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following table provides the fair value measurements of applicable Company assets and liabilities by level within the fair value hierarchy as of August 31, 2013. These assets and liabilities are measured on a recurring basis.

Notes to Financial Statements (unaudited) (continued)

Description	Fair Value at August 31, 2013	Level 1	Level 2	Level 3
Assets				
Equity Securities:				
Common Stock ^(a)	\$ 249,371,647	\$ 249,371,647	\$ —	\$ —
Master Limited Partnerships and Related Companies ^(a)	129,881,401	129,881,401	—	—
Total Equity Securities	379,253,048	379,253,048	—	—
Other Securities:				
Short-Term Investment ^(b)	100,637	100,637	—	—
Total Assets	\$ 379,353,685	\$ 379,353,685	\$ —	\$ —
Liabilities				
Written Call Options	\$ 587,445	\$ 587,445	\$ —	\$ —

(a) All other industry classifications are identified in the Schedule of Investments.

(b) Short-term investment is a sweep investment for cash balances in the Company at August 31, 2013.

The Company did not hold any Level 3 securities during the period ended August 31, 2013.

Valuation techniques

In general, and where applicable, the Company uses readily available market quotations based upon the last updated sales price from the principal market to determine fair value. This pricing methodology applies to the Company's Level 1 investments and liabilities.

An equity security of a publicly traded company acquired in a private placement transaction without registration under the Securities Act of 1933, as amended (the "1933 Act"), is subject to restrictions on resale that can affect the security's fair value. If such a security is convertible into publicly-traded common shares, the security generally will be valued at the common share market price adjusted by a percentage discount due to the restrictions and categorized as Level 2 in the fair value hierarchy. If the security has characteristics that are dissimilar to the class of security that trades on the open market, the security will generally be valued and categorized as Level 3 in the fair value hierarchy.

The Company utilizes the beginning of reporting period method for determining transfers between levels. There were no transfers between levels during the period from December 1, 2012 through August 31, 2013.

7. Derivative financial instruments

The Company has adopted the disclosure provisions of FASB Accounting Standard Codification 815, Derivatives and Hedging ("ASC 815"). ASC 815 requires enhanced

disclosures about the Company's use of and accounting for derivative instruments and the effect of derivative instruments on the Company's results of operations and financial position. Tabular disclosure regarding derivative fair value and gain/loss by contract type (e.g., interest rate contracts, foreign exchange contracts, credit contracts, etc.) is required and derivatives accounted for as hedging instruments under ASC 815 must be disclosed separately from those that do not qualify for hedge accounting. Even though the Company may use derivatives in an attempt to achieve an economic hedge, the Company's derivatives are not accounted for as hedging instruments under ASC 815 because investment companies account for their derivatives at fair value and record any changes in fair value in current period earnings.

Transactions in written option contracts for the period from December 1, 2012 through August 31, 2013, are as follows:

	Number of Contracts	Premium
Options outstanding at November 30, 2012	10,509	\$ 710,275
Options written	92,331	5,290,083
Options closed	(78,080)	(4,796,407)
Options exercised	(4,031)	(224,891)
Options expired	(10,569)	(352,329)
Options outstanding at August 31, 2013	10,160	\$ 626,731

The following table presents the types and fair value of derivatives by location as presented on the Statement of Assets and Liabilities at August 31, 2013:

Derivatives not accounted for as hedging instruments under ASC 815	Liabilities	
	Location	Fair Value
Written equity call options	Options written, at fair value	\$ 587,445

The following table presents the effect of derivatives on the Statement of Operations for the period ended August 31, 2013:

Derivatives not accounted for as hedging instruments under ASC 815	Location of Losses on Derivatives	
	Net Realized Loss on Options	Net Unrealized Depreciation of Options
Written equity call options	\$(1,207,793)	\$(147,676)

8. Investment transactions

For the period from December 1, 2012 through August 31, 2013, the Company purchased (at cost) and sold securities (proceeds received) in the amount of \$78,842,380 and \$83,482,018 (excluding short-term debt securities), respectively.

Notes to Financial Statements (unaudited) (continued)

9. Long-term debt obligations

The Company has \$49,000,000 aggregate principal amount of private senior notes, Series A, Series B, Series C, and Series D (collectively, the "Notes"), outstanding. The Notes are unsecured obligations of the Company and, upon liquidation, dissolution or winding up of the Company, will rank: (1) senior to all of the Company's outstanding preferred shares; (2) senior to all of the Company's outstanding common shares; (3) on parity with any unsecured creditors of the Company and any unsecured senior securities representing indebtedness of the Company and (4) junior to any secured creditors of the Company. Holders of the Notes are entitled to receive cash interest payments each quarter until maturity. The Series B, Series C and Series D Notes accrue interest at fixed rates and the Series A Notes accrue interest at an annual rate that resets each quarter based on the 3-month LIBOR plus 1.75 percent. The Notes are not listed on any exchange or automated quotation system.

The Notes are redeemable in certain circumstances at the option of the Company. The Notes are also subject to a mandatory redemption if the Company fails to meet asset coverage ratios required under the 1940 Act or the rating agency guidelines if such failure is not waived or cured. At August 31, 2013, the Company was in compliance with asset coverage covenants and basic maintenance covenants for its senior notes.

The estimated fair value of each series of fixed-rate Notes was calculated, for disclosure purposes, by discounting future cash flows by a rate equal to the current U.S. Treasury rate with an equivalent maturity date, plus either 1) the spread between the interest rate on recently issued debt and the U.S. Treasury rate with a similar maturity date or 2) if there has not been a recent debt issuance, the spread between the AAA corporate finance debt rate and the U.S. Treasury rate with an equivalent maturity date plus the spread between the fixed rates of the Notes and the AAA corporate finance debt rate. The estimated fair value of the Series A Notes approximates the carrying amount because the interest rate fluctuates with changes in interest rates available in the current market. The estimated fair values in the table below are Level 2 valuations within the fair value hierarchy. The following table shows the maturity date, interest rate, notional/carrying amount and estimated fair value for each series of Notes outstanding at August 31, 2013.

Series	Maturity Date	Interest Rate	Notional/Carrying Amount	Estimated Fair Value
Series A	December 15, 2016	2.02% ⁽¹⁾	\$ 10,000,000	\$ 10,000,000
Series B	December 15, 2014	2.50%	17,000,000	17,229,685
Series C	December 15, 2018	3.49%	6,000,000	6,105,835
Series D	December 15, 2021	4.08%	16,000,000	16,266,866
			<u>\$ 49,000,000</u>	<u>\$ 49,602,386</u>

(1) Floating rate; rate effective for period from June 15, 2013 through September 15, 2013. The weighted-average interest rate for the period from December 1, 2012 through August 31, 2013 was 2.04 percent.

10. Preferred stock

The Company has 10,000,000 shares of preferred stock authorized. Of that amount, the Company has 640,000 shares of Series A Mandatory Redeemable Preferred ("MRP") Stock authorized and 640,000 shares are outstanding at August 31, 2013. The MRP Stock has a liquidation value of \$25.00 per share plus any accumulated but unpaid distributions, whether or not declared. Holders of the MRP Stock are entitled to receive cash interest payments each quarter at a fixed rate until maturity. The MRP Stock is not listed on any exchange or automated quotation system.

The MRP Stock has rights determined by the Board of Directors. Except as otherwise indicated in the Company's Charter or Bylaws, or as otherwise required by law, the holders of MRP Stock have voting rights equal to the holders of common stock (one vote per MRP share) and will vote together with the holders of shares of common stock as a single class except on matters affecting only the holders of preferred stock or the holders of common stock. The 1940 Act requires that the holders of any preferred stock (including MRP Stock), voting separately as a single class, have the right to elect at least two directors at all times.

The estimated fair value of MRP Stock was calculated, for disclosure purposes, by discounting future cash flows by a rate equal to the current U.S. Treasury rate with an equivalent maturity date, plus either 1) the spread between the interest rate on recently issued preferred stock and the U.S. Treasury rate with a similar maturity date or 2) if there has not been a recent preferred stock issuance, the spread between the AA corporate finance debt rate and the U.S. Treasury rate with an equivalent maturity date plus the spread between the fixed rates of the MRP Stock and the AA corporate finance debt rate. The estimated fair value in

Notes to Financial Statements (unaudited) (continued)

the table below is a Level 2 valuation within the fair value hierarchy. The following table shows the mandatory redemption date, fixed rate, number of shares outstanding, aggregate liquidation preference and estimated fair value as of August 31, 2013.

Series	Mandatory Redemption Date	Fixed Rate	Shares Outstanding	Aggregate Liquidation Preference	Estimated Fair Value
Series A	December 15, 2018	4.29%	640,000	\$16,000,000	\$16,316,198

The MRP Stock is redeemable in certain circumstances at the option of the Company. Under the Investment Company Act of 1940, the Company may not declare dividends or make other distributions on shares of common stock or purchases of such shares if, at the time of the declaration, distribution or purchase, asset coverage with respect to the outstanding MRP Stock would be less than 200 percent. The MRP Stock is also subject to a mandatory redemption if the Company fails to meet an asset coverage ratio of at least 225 percent as determined in accordance with the 1940 Act or a rating agency basic maintenance amount if such failure is not waived or cured. At August 31, 2013, the Company was in compliance with asset coverage covenants and basic maintenance covenants for its MRP Stock.

11. Credit facility

As of August 31, 2013, the Company had a \$25,000,000 unsecured credit facility that matures on June 16, 2014. The Bank of Nova Scotia serves as a lender and the lending syndicate agent on behalf of other lenders participating in the facility. Effective June 17, 2013, outstanding balances generally will accrue interest at a variable annual rate equal to one-month LIBOR plus 1.125 percent and unused portions of the credit facility will accrue a non-usage fee equal to an annual rate of 0.15 percent. For the period from December 1, 2012 through June 16, 2013, outstanding balances accrued interest at a variable annual rate equal to one-month LIBOR plus 1.25 percent and unused portions of the credit facility accrued a non-usage fee equal to an annual rate of 0.20 percent.

The average principal balance and interest rate for the period during which the credit facility was utilized during the period ended August 31, 2013 was approximately \$18,000,000 and 1.41 percent, respectively. At August 31, 2013, the principal balance outstanding was \$16,700,000 at an interest rate of 1.31 percent.

Under the terms of the credit facility, the Company must maintain asset coverage required under the 1940 Act. If the Company fails to maintain the required coverage, it may be required to repay a portion of an outstanding balance until the coverage requirement has been met. At August 31, 2013, the Company was in compliance with the terms of the credit facility.

12. Common stock

The Company has 100,000,000 shares of capital stock authorized and 10,016,413 shares outstanding at August 31, 2013. Transactions in common stock for the period ended August 31, 2013, were as follows:

Shares at November 30, 2012	10,004,200
Shares issued through reinvestment of distributions	12,213
Shares at August 31, 2013	<u>10,016,413</u>

13. Subsequent events

On September 3, 2013, the Company paid a distribution in the amount of \$0.4075 per common share, for a total of \$4,081,688. Of this total, the dividend reinvestment amounted to \$325,328.

The Company has performed an evaluation of subsequent events through the date the financial statements were issued and has determined that no additional items require recognition or disclosure.

Additional Information (unaudited)

Director and officer compensation

The Company does not compensate any of its directors who are “interested persons,” as defined in Section 2(a)(19) of the 1940 Act, nor any of its officers. For the period ended August 31, 2013, the aggregate compensation paid by the Company to the independent directors was \$45,750. The Company did not pay any special compensation to any of its directors or officers.

Forward-looking statements

This report contains “forward-looking statements” within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. By their nature, all forward-looking statements involve risks and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements. Several factors that could materially affect the Company’s actual results are the performance of the portfolio of investments held by it, the conditions in the U.S. and international financial, petroleum and other markets, the price at which shares of the Company will trade in the public markets and other factors discussed in filings with the SEC.

Proxy voting policies

A description of the policies and procedures that the Company uses to determine how to vote proxies relating to portfolio securities owned by the Company and information regarding how the Company voted proxies relating to the portfolio of securities during the 12-month period ended June 30, 2013 are available to stockholders (i) without charge, upon request by calling the Company at (913) 981-1020 or toll-free at (866) 362-9331 and on the Company’s Web site at www.tortoiseadvisors.com; and (ii) on the SEC’s Web site at www.sec.gov.

Form N-Q

The Company files its complete schedule of portfolio holdings for the first and third quarters of each fiscal year with the SEC on Form N-Q. The Company’s Form N-Q is available without charge upon request by calling the Company at (866) 362-9331 or by visiting the SEC’s Web site at www.sec.gov. In addition, you may review and copy the Company’s Form N-Q at the SEC’s Public Reference Room in Washington D.C. You may obtain information on the operation of the Public Reference Room by calling (800) SEC-0330.

The Company’s Form N-Qs are also available on the Company’s Web site at www.tortoiseadvisors.com.

Statement of additional information

The Statement of Additional Information (“SAI”) includes additional information about the Company’s directors and is available upon request without charge by calling the Company at (866) 362-9331 or by visiting the SEC’s Web site at www.sec.gov.

Certifications

The Company’s Chief Executive Officer submitted to the New York Stock Exchange the annual CEO certification in 2012 as required by Section 303A.12(a) of the NYSE Listed Company Manual.

The Company has filed with the SEC, as an exhibit to its most recently filed Form N-CSR, the certification of its Chief Executive Officer and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act.

Privacy policy

In order to conduct its business, the Company collects and maintains certain nonpublic personal information about its stockholders of record with respect to their transactions in shares of the Company’s securities. This information includes the stockholder’s address, tax identification or Social Security number, share balances, and distribution elections. We do not collect or maintain personal information about stockholders whose share balances of our securities are held in “street name” by a financial institution such as a bank or broker.

We do not disclose any nonpublic personal information about you, the Company’s other stockholders or the Company’s former stockholders to third parties unless necessary to process a transaction, service an account, or as otherwise permitted by law.

To protect your personal information internally, we restrict access to nonpublic personal information about the Company’s stockholders to those employees who need to know that information to provide services to our stockholders. We also maintain certain other safeguards to protect your nonpublic personal information.

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Office of the Fund and of the Investment Adviser

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H. Kevin Birzer, Chairman
Tortoise Capital Advisors, L.L.C.

Terry Matlack
Tortoise Capital Advisors, L.L.C.

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Stock Symbol

Listed NYSE Symbol: TTP

This report is for stockholder information. This is not a prospectus intended for use in the purchase or sale of fund shares. **Past performance is no guarantee of future results and your investment may be worth more or less at the time you sell.**

Tortoise Capital Advisors' Closed-end Funds

Pureplay MLP Funds				Broader Funds			
Name	Ticker	Focus	Total Assets ⁽¹⁾ (\$ in millions)	Name	Ticker	Focus	Total Assets ⁽¹⁾ (\$ in millions)
Tortoise Energy Infrastructure Corp.	TYG LISTED NYSE	Midstream Equity	\$2,080	Tortoise Pipeline & Energy Fund, Inc.	TTP LISTED NYSE	Pipeline Equity	\$389
Tortoise Energy Capital Corp.	TYY LISTED NYSE	Midstream Equity	\$1,092	Tortoise Energy Independence Fund, Inc.	NDP LISTED NYSE	North American Upstream Equity	\$449
Tortoise MLP Fund, Inc.	NTG LISTED NYSE	Natural Gas Infrastructure Equity	\$1,927	Tortoise Power and Energy Infrastructure Fund, Inc.	TPZ LISTED NYSE	Power & Energy Infrastructure Debt & Dividend Paying Equity	\$230
Tortoise North American Energy Corp.	TYN LISTED NYSE	Midstream/Upstream Equity	\$260				

(1) As of 9/30/13



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