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Ecofin Sustainable and Social Impact Term Fund **(TEAF)**

As of June 30 2024

Investment strategy

TEAF seeks to provide a high level of total return with an emphasis on current distributions. TEAF provides investors access to a combination of public and direct investments in essential assets that are making an impact on clients and communities.

Fund performance

TEAF's NAV return for the quarter was 0.28% and market return was -0.24%. This compares to global infrastructure (measured by S&P Global Infrastructure Index) which returned 2.33%.

- Listed Sustainable Infrastructure – The listed sustainable infrastructure sleeve performed slightly up, at 2.23% during the quarter. Decarbonization and electrification trends have strong momentum. Generative artificial intelligence (GenAI) and data centers are supporting the expectation for power demand growth and, moreover, datacenter owners are showing a willingness to pay a premium for reliable and clean electricity.
- Listed Energy Infrastructure - The fund's return was primarily driven by listed energy infrastructure investments which performed well during the quarter, up 5.47%. This sector's stocks improved following continued allocation of free cash flow toward share repurchases and dividends as well as higher energy commodity prices.
- Private Social Infrastructure – Most of our private investments have performed in-line with our expectations during the period. Our social infrastructure sleeve completed two investments in charter schools during the period.
- Private Sustainable Infrastructure - As of April 4, 2024, One Energy began controlled restarts of its fleet of wind turbines. The portfolio of other operating solar assets has had mixed performance with some assets suffering from age related and interconnection issues which are all being worked on to reenergize. Other private sustainable assets continued to perform well and as expected during the quarter.
- Private Energy Infrastructure – TEAF did not make any new direct investments in the energy infrastructure sector during the quarter.

We continue to progress on transitioning the portfolio to the targeted allocation of 60% direct investments. As of June 30, 2024, TEAF's total direct investment commitments were approximately $126 million or approximately 56% of the portfolio.

Please see below for more detail.

Listed Sustainable Infrastructure

The upturn in sentiment around the strategy's sectors that started in March persisted into early summer. Growing confidence that the inflation outlook would permit policy rate reductions was rewarded with the first of these occurring in Switzerland, Canada and Sweden followed by the European Central Bank (ECB). Employment data in the U.S. meant continuing hesitation on lowering policy interest rates there, but longer-term U.S. bond yields did close the quarter at around 4.4%, lower than where they started (4.7%). Globally, listed infrastructure (+3.1%) came close to matching the returns on the MSCI World Index (+3.7%) for the quarter.

U.S. utilities were the stand-out performers. The resurgence of U.S. power demand growth, largely driven by AI's datacentres, has been favouring baseload power producers and the transmission & distribution utilities that will hook that power up to final users. In Europe as well as in the U.S., power prices were rising, erasing early 2024 falls, and earnings results and guidance were in line with or nicely ahead of consensus expectations, helping to fuel share prices with valuations still relatively low.

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After a few strong months for utilities in particular, June ushered in some profit taking and caution with politics disrupting markets on both sides of the Atlantic. French bonds and stocks reacted badly, fearing the potential for government intervention by whichever alliance might emerge to hold power further to Macron's call for snap parliamentary elections. A general election was approaching in the UK, and Biden's shaky performance in his debate against Trump was cause for weakness amongst clean energy stocks for which market conditions had recently stabilised.

Listed renewables developers and operators continued to attract interest from private equity and strategic investors. Several deals were announced during the quarter, including Brookfield's offer for Neoen, ECP's for Atlantica Sustainable, and EQT Infrastructure's for OX2. We believe these transactions reflect the low valuations in the sector and the attractiveness of cash-generative assets combined with strong development pipelines which will enable the expected substantial renewables electricity demand growth in the coming years. In our view these growth pipelines are not reflected in current price levels.

The upswing in portfolio performance that began in March has persisted, albeit unevenly. We expect that valuation multiples in the listed sustainable infrastructure sectors, which remain near historic lows relative to broad market averages, will continue to expand. There are plenty of compelling investment opportunities with the earnings momentum we're seeing and dividends yields in the region of 3 to 8%. Utilities in the portfolio will continue to grow their earnings, almost irrespective of the economic backdrop due to the proportions of revenues which are fully contracted or regulated. The adoption of artificial intelligence and data centers are supporting our expectation for power demand growth in the U.S. and, moreover, data center owners are showing a willingness to pay a premium for reliable and clean electricity, recognising that electricity is not plentiful, and that uninterrupted clean energy is not a commodity. The growth the sector should experience globally will also reflect the quantum increase in investments in electricity networks we are seeing. A pronounced acceleration in capex growth by power grid operators is underway, motivated by the ever-increasing installed base of renewables capacity for which new transmission and distribution connections are required, the electrification of economies and the associated need for grid upgrades. Investment need and allowed returns for these regulated activities are usually highly correlated.

Beyond power utilities, we continue to like the opportunities amongst companies operating and investing to upgrade environmental services and transportation infrastructure. These parts of the portfolio contribute growth, a degree of cyclicality, inflation protection (airports and toll roads, for example, have long term pricing power in relation to inflation) and provide diversification. Very large sums have been raised by private equity since December 2023 to devote to infrastructure investment globally, adding to already record levels of available cash. In view of the significant gap in valuations between listed and private infrastructure, merger and acquisition activity is returning to this strategy's sectors and should provide support for a re-rating of the growth opportunity.

For now, global equity indices continue to rise on the back of narrow and tech-focused leadership, but at some point – perhaps prompted by lower bond yields and sluggish economies – this is likely to change and bring back into focus sectors such as listed infrastructure where growth momentum is accelerating, dividends are above average, and valuations are low.

Listed Energy Infrastructure

Listed energy infrastructure were positive drivers of performance in the TEAF portfolio for the period. Strong equity performance during the period derived from reported earnings at the high end of expectations, prudent allocation of free cash flow toward dividend growth and opportunistic share repurchases, disciplined mergers and acquisitions (M&A), and a robust 13% inflation tariff escalator. The energy infrastructure equities also benefitted from the continued expectation of U.S. hydrocarbon growth across all energy commodities and the potential for growing exports. M&A activity was characterized by bolt-on acquisitions from motivated private equity sellers on the asset side. Prices paid were compelling and deals indicated immediate synergies with complementary assets. Greater visible demand for natural gas from data center driven AI power needs also aided the sector. Overall, higher transport volumes, capital allocation favoring shareholders along with low leverage, and constructive energy supply and demand is leading to boosted confidence in energy infrastructure company growth. We think this environment will continue to be supportive of valuation into the remainder of 2024.

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Social Infrastructure

TEAF closed two debt investments during the quarter.

- Pioneer Technology and Arts Academy of Arizona ("PTAAA"), a not-for-profit corporation, is acquiring an existing, operational K-8 charter school in Phoenix, Arizona. The management company took over operation of the school during the 2022-23 school year and has shown improved educational outcomes and increased enrollment during that time. The management company operates multiple schools in three states using the PTAA model, two of which were previously financed by Ecofin, with all of the other schools demonstrating academic, financial, and operational success. The investment will be used for senior secured bond financing which will allow for the acquisition of the operating facilities, minor upgrades to equipment, furniture, and HVAC, and to cover the financing costs and some past operational expenses. The management company will be providing a $500,000 reserve as collateral, in addition to the first lien secured interest in the facility and capitalized interest fund.
- Dublin Classical Academy ("Dublin") is a new, public charter school in Dublin, Ohio, just outside of Columbus, slated to open in fall of 2024. The school will utilize the Hillsdale Classical Curriculum. It will serve 462 students in grades K-6 in its inaugural year, with a plan to grow by one grade each year until it reaches grades K-12. Only grades K-8 are contemplated in this phase of the project, with the building's capacity at 700 students. The school's charter is authorized by St. Aloysius, with an initial charter term of five years. Dublin's chosen school site is in the northwest suburbs of Columbus, where there is only one school of choice within five miles, and it does not offer a classical curriculum. Dublin will be the first no-cost classical school in the area. The school board and leader/principal are highly experienced with deep ties to the community. The senior bond investment will be used to acquire, renovate, and equip an existing building, while also providing operating capital for the startup of the school.

Finally, the fund had two realizations in Q2 2024.

- The first was in April from a waste-to-energy facility in North Carolina that was able to successfully complete construction and achieve commercial operations. In order to improve its cash flow and obtain additional capital for further expansion, the project obtained take-out and expansion financing. The investment was allowed to be called early at a price of $108.
- The second realization, in April, was a charter school that had management and operations problems, ultimately resulting in the school having to sell the property to partially repay the investment.

Private Energy Infrastructure

TEAF did not make any new direct investments in the energy infrastructure sector during the quarter.

Private Sustainable Infrastructure

TEAF did not invest in any additional private sustainable infrastructure projects during the period.

EF WWW Holdings (World Water Works) – TEAF's investment in EF WWW Holdings, LLC, the debt funding of World Water Works Holdings, Inc., has continued to timely pay its annualized interest rate of 10.5% and report strong credit covenants. The company has exceeded its operating budget in every year since the investment, driven by strong backlog and revenue growth. As of July 3, 2024, the investment was realized at a price of $102.

One Energy – As of April 4, 2024, One Energy will begin controlled restarts of its fleet of wind turbines. On January 22, 2024, a single blade fell from a wind turbine at one of the Company's projects in Findlay, Ohio. No one was injured by the event and no part of the blade or debris field left the Company's property. The fleet has not been operating while the Company conducted, with the aid of independent engineers and research institutions, a root cause assessment of the incident and a systematic evaluation of every turbine in its fleet.

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The Company has determined that there was an abnormality with the bolted flange assembly that connects the blade to the hub. The issue was not caused by the blade, the internals of the bearing, or the blade bolts. The flange abnormality led to a higher than intended load transfer to the blade bolts which resulted in them fatiguing much faster than designed. The fatigue loads eventually led multiple bolts to have a cascading failure that resulted in the blade completely separating from the turbine and falling to the ground.

The Company has inspected every major bolted flange in each of its wind turbines as part of the investigation. Every single field-installed bolt has had, or will have, its torque rechecked before each turbine begins operating again.

One Energy will begin restarting the turbines in its fleet that do not have the abnormality. The Company is replacing every single blade bolt in the turbines that have or may have an abnormality. The Company is also correcting the abnormality in affected turbines. This 100% bolt replacement will restart the fatigue life of the bolts, and this correction in the flanges assemblies will ensure that the bolts are properly loaded going forward.

In conjunction with the independent engineers and research institutions' support, the Company has developed new monitoring programs and testing programs that it plans to implement and share with the wind industry. These new methods will allow the Company to gain industry-leading insights into the real-time loads on its bolts and the conditions of its flanges going forward.

TEAF is an investor in One Energy's 9.00% convertible preferred stock at the corporate/holdco level. One Energy does not expect this event to have a material effect on its financial performance.

Solar Assets:

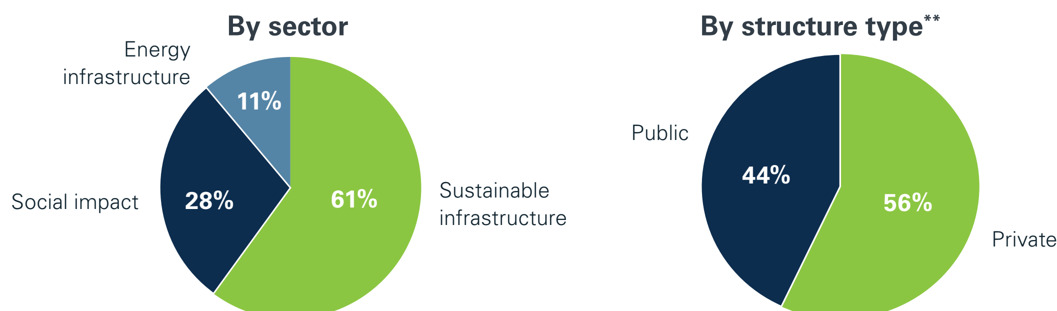
Renewable Holdco I, LLC Solar (DG Solar - Portfolio of 14 solar assets across 4 states: CO, FL, NJ and PR) – Energy production at various operating distributed generation ("DG") solar assets in the Renewable Holdco I, LLC portfolio have underperformed expectations, primarily caused by inverter issues and certain communications equipment failures inherent in the age of the assets and have required corrective maintenance attention. Certain of the small rooftop projects in Puerto Rico within the Renewable Holdco I, LLC portfolio are expected to be reenergized in early 2024 after experiencing downtime related to required corrective maintenance. Various third-party inspections and off taker approval are required for these to be reenergized. As such, Ecofin's internal asset management team is taking an active role in monitoring efforts to restore full energy production and returning the portfolio to stable cash flow generation.

Renewable Holdco II, LLC Solar - (Portfolio of 2 solar projects in MA and CA) - Energy production at the operating DG solar assets in the Renewable Holdco II, LLC portfolio have continued to generate stable cash flow as expected.

Renewable Holdco, LLC (Blackstone Milk Street) - The final solar project under construction, held in Renewable Holdco, LLC, has continued to experience delays due to interconnection redesign, additional permitting and road construction caused by the utility and is expected to be ready for commissioning and commercial operation in H1 2024.

Saturn Solar Bermuda 1 - The construction note has continued to pay its annualized interest rate of 10.0% on time. The payments are supported by cash flow of the now operational solar project since the project completed construction and began full operations in November 2021. The note has remained in place as the owner of the solar facility is seeking to sell the solar project to a new long-term owner/operator.

Portfolio allocation* as of 6/30/2024 (unaudited)



Due to rounding, totals may not equal 100%

*Percentages based on total investment portfolio
** 'Private' or 'Public' identifier made at time of investment; 'private' may include securities that are freely tradable but acquired in a private investment in public equity (PIPE) transaction

Performance[1] as of 6/30/2024

	QTD	Calendar YTD	1 year	3 year	5 year	Since inception[2]
Market price total return	-0.24%	3.01%	1.06%	-0.45%	-0.59%	-2.63%
NAV total return	0.28%	0.86%	0.56%	1.75%	1.00%	0.45%

[1]Performance is annualized for periods longer than one year. Source: Bloomberg. Assumes reinvestment of distributions into security. Total return does not reflect brokerage commissions. [2]3/26/2019. ***Performance data quoted represents past performance; past performance does not guarantee future results. As with any other stock, total return and market value will fluctuate so that an investment, when sold, may be worth more or less than its original cost. Due to market volatility, current performance may be lower or higher than the figures shown. For current performance information, visit www.ecofininvest.com.***

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TCA Advisors is the adviser to the Ecofin Sustainable and Social Impact Term Fund, and Ecofin Advisors Limited is the fund's sub-adviser. For additional information, please call 866-362-9331 or email info@ecofininvest.com.

All investments involve risk, including possible loss of principal. You should consider the investment objective, risk factors, fees and expenses of the fund carefully before investing. For this and other important information please refer to the fund's most recent prospectus and read it carefully before investing. Past performance is no guarantee of future results.

Closed-end funds, unlike open-end funds, are not continuously offered. After the initial public offering, shares are sold on the open market through a stock exchange. Shares of closed-end funds frequently trade at a market price that is below their net asset value. Leverage creates risks which may adversely affect return, including the likelihood of greater volatility of net asset value and market value.

The fund's ability to achieve its investment objective is directly related to the investment strategies of its adviser and sub-adviser. If expected results are not achieved, the value of the fund's investment could be diminished or even lost entirely, and it could underperform the market or other funds with similar investment objectives. The Investment Committee of the fund's advisor allocates and reallocates assets among the various asset classes and security types in which the fund may invest. Such allocation decisions could cause the fund's investments to be allocated to asset classes and security types that perform poorly or underperform other asset classes and security types or available investments. The fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the fund is more exposed to individual stock volatility than a diversified fund. The fund will have a limited period of existence and will dissolve 12 years from the effective date of the initial registration statement. Its investment policies are not designed to return to common shareholders their original net asset value or purchase price. Investing in specific sectors such as social infrastructure, sustainable infrastructure and energy infrastructure may involve greater risk and volatility than less concentrated investments. Risks include, but are not limited to, risks associated with commodity price volatility, supply and demand, reserve and depletion, operating, regulatory and environmental, renewable energy, gas, water, public infrastructure, and education. Equity securities may fluctuate in response to the activities of an individual company or in response to general market and/or economic conditions, and include the possibility of sudden or prolonged market declines. The fund invests in small and mid-cap companies, which involve additional risks such as limited liquidity and greater volatility than larger companies. The tax benefits received by an investor investing in the fund differ from that of a direct investment in an MLP by an investor. The value of the fund's investment in an MLP will depend largely on the MLP's treatment as a partnership for U.S. federal income tax purposes. If the MLP is deemed to be a corporation then its income would be subject to federal taxation, reducing the amount of cash available for distribution to the fund, which could result in a reduction of the fund's value. 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 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. Investments may be subject to liquidity risk, adversely impacting the fund's ability to sell particular securities at advantageous prices or in a timely manner. Investments in non-U.S. issuers (including Canadian issuers) involve risks not ordinarily associated with investments in securities and instruments of U.S. issuers, including risks related to political, social and economic developments abroad, differences between U.S. and foreign regulatory and accounting requirements, tax risk and market practices, as well as fluctuations in foreign currencies. The fund also writes call options which may limit the fund's ability to profit from increases in the market value of a security, but cause it to retain the risk of loss should the price of the security decline. 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 does not exceed the cost of the leverage, causing the fund to lose money. 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 S&P 500® Index is an unmanaged, market-value weighted index of stocks that is widely regarded as the standard for measuring large-cap U.S. stock market performance. The S&P Global Infrastructure Index is designed to track 75 companies from around the world chosen to represent the listed infrastructure industry while maintaining liquidity and tradability. To create diversified exposure, the index includes three distinct infrastructure clusters: energy, transportation, and utilities.

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