ecofin

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

2Q 2021 QUARTERLY COMMENTARY

Fund update

The fund returned 2.01% during the second quarter of 2021. Income remains the core component of return generation, with the income stream producing a positive return of 1.16% during the quarter, adding to a price increase of 0.85%. We believe that the fund's focus on essential assets will continue to provide a downside hedge while attempting to generate an income stream above that of traditional bond market sectors. The fund ended the quarter with an effective duration of 1.3 years and a gross yield of 5.95%. The distribution rate as of June 30th was 4.62%.

Market update

The U.S. economy began 2021 with a very accommodative monetary policy in place. It further benefitted from record fiscal stimulus that provided needed support for households and widespread vaccination campaigns. This enabled a faster than expected economic reopening, which resulted in six consecutive months of job gains this year, driving the unemployment rate down to 5.9%. We now think it likely that the most negative effects of the pandemic on the economy have already occurred.

As has been the case throughout 2021, rates and inflation concerns were also the focus during the second quarter. After surging in a manner reminiscent of the 2013 taper tantrum in the first quarter, yields declined steadily over the last three months, with the 10 year ending the quarter down 28 basis points to 1.46%. Despite the Fed's preferred inflation measure rising to 3.9% for the year ending in May, the Central Bank's hawkish messaging sent longer-term Treasury yields lower. After the Federal Open Market Committee (FOMC) report was released on July 7th, 10-year note yields were down further to 1.31%.

The June 16th FOMC meeting marked a turn in the central bank's comfort with inflation risks amid heightened price pressures as the economy reopened from the pandemic—highlighting the high uncertainty about how soon labor shortages and supply bottlenecks would be resolved. Thus, according to the median projections, the Fed responded to an elevated outlook for prices by penciling in two interest-rate hikes for 2023. Thirteen officials viewed inflation risks as weighted to the upside, up from five in March, and seven of eighteen wanted to raise interest rates as soon as 2022. As has been the case since March 2020, the central bank held the target range for its benchmark policy rate unchanged at 0%-0.25%.

As of quarter end, total returns in U.S. bond markets measured -1.60% (Bloomberg Barclays US Aggregate Bond Index), driven by higher average yields (peaking early April, largely range bound since) and average spreads that began the year tight, got tighter, and have more recently given back some.

For the remainder of 2021, we expect a gradual rising and steepening of the Treasury and municipal high grade curves. It is possible that we could see spread tightening from current levels, but we view spreads finishing the year above the already established tights as more likely. Despite the three main market supports (fiscal and monetary policies and vaccinations) remaining in place, their influence should fade as time goes on.

Investment highlights

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

Key reasons to invest

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

Structure highlights

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

© 2021 Ecofin

Thus, with spreads sitting well below long-term averages and yields still at historically low levels, we maintain the view that bond markets are poised to offer sub-par returns (with the investment grade market seeing possible negative returns) for the remainder of 2021. In such an environment, shorter duration profiles are better insulated from interest rate risk.

Market Outlook

Education

During the second quarter of 2021, we saw a very strong increase in the charter school bond market with 47 total offerings that totaled more than $1.4 billion of new issuance, as well as three public offerings for independent K-12 private schools totaling $47.8 million. The issuance of $542 million in the first quarter brings the market total to $2.03 billion YTD and increases the likelihood of a second straight year of $4 billion+ new issuance.

As the second quarter saw schools across the United States wrap up one of the most tumultuous school years in modern history, it also provided a number of very positive prospects for the K-12 education sector in the coming years. The Biden Administration's proposal contains across the board federal funding increases for K-12 education. Increases in federal programs that target low income and special education students were particularly of note and signal the Administration's attempts to make permanent increases in federal funding as a percentage of total K-12 spending. While nothing is ever certain when it comes to politics, this and other actions by the Biden administration clearly demonstrate their commitment to improving education opportunities for all.

Furthermore, the National Charter School Conference welcomed United States Secretary of Education Miguel Cardona as its keynote speaker to speak directly to its attendees. While most of Secretary Cardona's remarks focused on the extraordinary efforts and resilience of teachers during an unprecedented school year, he also specifically emphasized the importance of charter schools in assisting to find and cultivate a diverse workforce in the education sector. "Grow-your-own" programs that provide students with a direct pathway into the teaching profession starting as early as high school were specifically mentioned as a tool that he believes charter schools can continue to lead the way in implementing.

Another positive development in Q2 was the debunking of the widely reported possibility of a post-pandemic teacher shortage. The belief that teachers would leave their profession in a mass exodus due to the stresses of the pandemic has not materialized. On the contrary, a number of the largest metropolitan areas such as Chicago and New York City have actually experienced teacher retention at higher levels than they did prior to the pandemic.

The second quarter also saw many legislative victories across the nation for school choice in general and for charter schools specifically. Most notably, Governor Kim Reynolds of Iowa signed into law new policy that allows charter schools to be authorized directly by the State Department of Education. Regulations that made local school districts the sole arbiter for new charter applications have effectively prevented the authorization of charter schools in the state. While Iowa passed its original charter school law in 2002, only two charter schools were authorized in the 19 years that followed. The pandemic gave parents an insider's look at public schooling, and as a result, they are demanding a greater say in the education of their children.

With the 2020-2021 school year behind us, the focus now shifts to a more hopeful school year ahead. As vaccination numbers continue to climb, nearly all schools are shifting back to full-time, in-person learning. The opportunity and need for investments in new or upgraded school facilities continues to increase, and we believe our team at Ecofin will continue to be in prime position to find, evaluate, and selectively invest in these opportunities throughout the year.

Senior Living

In the second quarter of 2021, the senior living sector happily established a "bottom" in occupancy deterioration and began its rebound. As evidence of the rebound, NIC's weekly executive survey of operators across the nation through June 13, 2021 included the following highlights; (1) nine out of ten organizations reported an increase in lead volume since the beginning of the year, (2) almost two-thirds of assisted living respondents reported the pace of move-ins has accelerated in the past 30-days and (3) 71% of assisted living organizations reported upward changes in occupancy. While there's clearly ground to cover, it's revitalizing to see the sector making strides to get back to pre-pandemic levels.

In June 2021, the University of Chicago and NIC released a study which examined COVID-19's impact on senior housing in 2020. Two main takeaways from the study were; (1) lower acuity settings saw dramatically lower rates of COVID- related deaths, and (2) continuing care retirement communities (CCRC's) had half the COVID-19 mortality rates by comparison to non-CCRC's. Statistically, 67% of independent living, 64% of assisted living and 61% of memory care saw no COVID-19 related deaths, which is staggering given the doomsday headlines of 2020.

Clearly it will not happen overnight, but we are optimistic the senior living community is ready to rebound to pre-Covid-19 occupancy levels in short order.

© 2021 Ecofin

Waste Transition

During the second quarter of 2021, the waste transition segment saw continued improvement in fuel credit support, which helps to support new waste-to-energy projects, and in legislative efforts regarding Extended Producer Responsibility, which will help to support new waste-to-value projects.

With regard to fuel credits, the state of Washington's new Clean Fuel Standards law and the U.S. Supreme Court's recent decision regarding Small Refinery Exemptions, or SRE's, were significant events.

First, in May 2021, the State of Washington passed into law its Clean Fuel Standards program, which will limit the aggregate overall greenhouse gas (GHG) emissions per unit of transportation fuel energy to 20% below 2017 levels by the year 2035. While significant itself, the passage of Washington's law creates an uninterrupted corridor of fuel credit support along the western region of North America, as California, Oregon, Washington, and British Columbia have each passed a Low Carbon Fuel Standard providing fuel credits for renewable fuels production. This geographic block is expected to create strong demand over the next decade for renewable fuels such as renewable natural gas, diesel and jet.

Second, in June 2021, the U.S. Supreme Court rendered its long-awaited decision regarding Small Refinery Exemptions (SREs). As background, the Tenth Circuit Court of Appeals' January 2020 decision severely limited the EPA's granting of SRE waivers to refiners who chose not to comply with the federal Renewable Fuels Standard(RFS). The limiting of SRE waivers bolstered the purchase obligation of refiners regarding renewable fuel credits, which provided strong support for fuel credit prices. In its June 2021 ruling, the U.S. Supreme Court determined that the EPA can extend SREs where earlier temporary exemptions had lapsed, but let stand the Tenth Circuit's other provisions that limit the EPA's granting of economic hardship waivers. The SCOTUS decision is viewed by many industry participants as a narrow victory for small refineries; and, in fact, fuel credit prices firmed after the SCOTUS decision was announced.

With regard to recycling efforts that support waste-to-value projects, the most notable legislative effort in recent years has been the movement to pass Extended Producer Responsibility (EPR) laws. These EPR laws would, among other things, require manufacturers to support the recycling of their products and to incorporate more recycled content into their products. EPR bills have been passed by both the Maine and Oregon legislatures, awaiting only their respective governor's signature to become law. Similar efforts have been attempted in other states such as California and New York, and at the federal level with the U.S. House of Representatives. Generally speaking, EPR laws should improve recycling efforts and thereby provide a solid foundation for new recycling facilities.

Conclusion

In conclusion, the resilience and durability of our asset classes were evidenced throughout the pandemic, and the tailwinds behind the rebound to "normal" are blowing with gale-force speeds. Our positive performance through a tumultuous time and continued improvement through the rebound demonstrate the experience and expertise that we at Ecofin provide to you, the investor. Our belief in our core areas of focus and investment philosophy have never been stronger, and we believe we are poised to continue generating outsized returns for our partners.

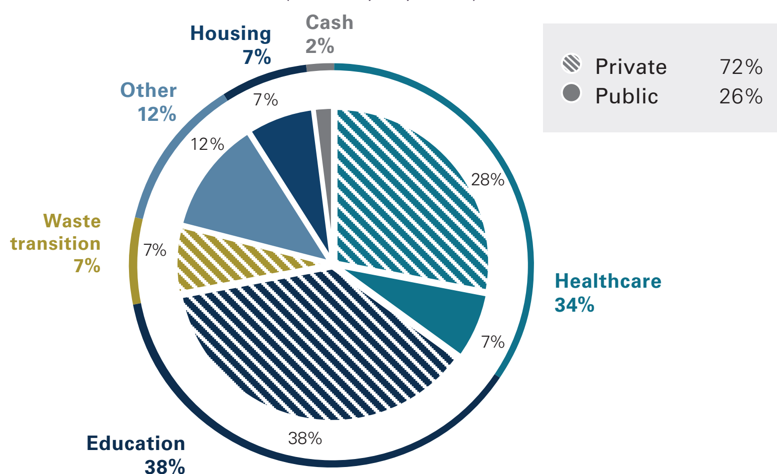
© 2021 Ecofin

Performance (as of 6/30/2021)

		as of 6/30/2021		as of 6/30/2021				
		1 Month	Calendar YTD	1 year	3 year	Since inception[1]	Gross	Net[2]
TSIFX	Ecofin Tax-Advantaged Social Impact Fund	0.57%	2.03%	2.83%	2.87%	2.74%	1.53%	1.50%

Note: For periods over one year, performance reflected is for the average annual returns. [1]The fund commenced operations on 3/26/2018. [2]The adviser has contractually agreed to reimburse expenses of the fund so that certain of the fund's expenses will not exceed 0.25% of managed assets (annualized) through Feb. 28, 2022. Under the advisory agreement, the adviser receives compensation of 1.25% of our daily managed assets for the services rendered on an annual basis. Net expense ratio is as of the most recent prospectus and is applicable to investors.
Performance data shown is net of fees and reflects fee waivers in effect. In the absence of such waivers, total return would be reduced. Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 855-TCA-Fund (855-822-3863) or visiting www.ecofininvest.com.

Portfolio allocation* (as of 6/30/2021)



*Weighting is based on market value.

Portfolio statistics
(as of 6/30/2021)

Effective duration[1]	1.28 yrs
Yield to worst[2]	5.95%
Gross current yield[3]	5.09%
30-Day SEC Yield (unsubsidized)[4]	3.45%
30-Day SEC Yield (subsidized)[4]	3.03%

Distribution
(as of 6/30/2021)

Distribution rate[5]	4.62%

Fees
(as of 6/30/2021)

Gross expense ratio	1.53%
Net expense ratio[6]	1.50%

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

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

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

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

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

[6] The adviser has contractually agreed to reimburse expenses of the fund so that certain of the fund's expenses will not exceed 0.25% of managed assets (annualized) through Feb. 28, 2022. Under the advisory agreement, the adviser receives compensation of 1.25% of our daily managed assets for the services rendered on an annual basis. Net expense ratio is as of the most recent prospectus and is applicable to investors.

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

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

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

Yield to worst is the lowest yield an investor can expect when investing in a callable bond. Cash yield is the simplest way to evaluate the performance of a real estate investment. It utilizes a formula to calculate the return on investment by taking the property's annual net cash flow and divide by the investment's down payment, and is expressed as a percentage.

Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, mortgage-backed securities (agency fixed-rate and hybrid adjustable rate mortgage pass-through securities), asset-backed securities and commercial mortgage-backed securities (agency and non-agency).

Bloomberg Barclays Muni High Yield Index is an unmanaged index considered representative of noninvestment-grade bonds.

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

A basis point is equal to 1/100th of 1% and is used to denote the change in a financial instrument.

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

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

Nothing contained on this communication constitutes tax, legal or investment advice. Investors must consult their tax advisor or legal counsel for advice and information concerning their particular situation.

Quasar Distributors, LLC, distributor

• NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE

© 2021 Ecofin