

TORTOISE ENERGY INFRASTRUCTURE CORP

Form N-30B-2

April 26, 2018

Quarterly Report | February 28, 2018

2018 1st Quarter Report

Closed-End Funds

Tortoise Capital Advisors

2018 1st Quarter Report to Stockholders

This combined report provides you with a comprehensive review of our funds that span the entire energy value chain.

Tortoise Capital Advisors specializes in energy investing across the energy value chain, including infrastructure and MLPs.

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TTP and TPZ distribution policies

Tortoise Pipeline & Energy Fund, Inc. (TTP) and Tortoise Power and Energy Infrastructure Fund, Inc. (TPZ) are relying on exemptive relief permitting them to make long-term capital gain distributions throughout the year. Each of TTP and TPZ, with approval of its Board of Directors (the Board), has adopted a distribution policy (the Policy) with the purpose of distributing over the course of each year, through periodic distributions as nearly equal as practicable and any required special distributions, an amount closely approximating the total taxable income of TTP and TPZ during such year and, if so determined by the Board, all or a portion of the return of capital paid by portfolio companies to TTP and TPZ during such year. In accordance with its Policy, TTP distributes a fixed amount per common share, currently \$0.4075, each quarter to its common shareholders and TPZ distributes a fixed amount per common share, currently \$0.125, each month to its common shareholders. These amounts are subject to change from time to time at the discretion of the Board. Although the level of distributions is independent of TTP s and TPZ s performance, TTP and TPZ expect such distributions to correlate with its performance over time. Each quarterly and monthly distribution to shareholders is expected to be at the fixed amount established by the Board, except for extraordinary distributions in light of TTP s and TPZ s performance for the entire calendar year and to enable TTP and TPZ to comply with the distribution requirements imposed by the Internal Revenue Code. The Board may amend, suspend or terminate the Policy without prior notice to shareholders if it deems such action to be in the best interests of TTP, TPZ and their respective shareholders. For example, the Board might take such action if the Policy had the effect of shrinking TTP s or TPZ s assets to a level that was determined to be detrimental to TTP or TPZ shareholders. The suspension or termination of the Policy could have the effect of creating a trading discount (if TTP s or TPZ s stock is trading at or above net asset value), widening an existing trading discount, or decreasing an existing premium. You should not draw any conclusions about TTP s or TPZ s investment performance from the amount of the distribution or from the terms of TTP s or TPZ s distribution policy. Each of TTP and TPZ estimates that it has distributed more than its income and net realized capital gains; therefore, a portion of your distribution may be a return of capital. A return of capital may occur, for example, when some or all of the money that you invested in TTP or TPZ is paid back to you. A return of capital distribution does not necessarily reflect TTP s or TPZ s investment performance and should not be confused with yield or income. The amounts and sources of distributions reported are only estimates and are not being provided for tax reporting purposes. The actual amounts and sources of the amounts for tax reporting purposes will depend upon TTP s and TPZ s investment experience during the remainder of their fiscal year and may be subject to changes based on tax regulations. TTP and TPZ will send you a Form 1099-DIV for the calendar year that will tell you how to report these distributions for federal income tax purposes.

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Closed-end fund comparison

Name/Ticker	Primary focus	Structure	Total assets (\$ millions)¹	Portfolio mix by asset type²	Portfolio by structure
Tortoise Energy Infrastructure Corp. NYSE: TYG Inception: 2/2004 Tortoise MLP Fund, Inc.	Midstream MLPs	C-corp	\$2,076.7		
NYSE: NTG Inception: 7/2010 Tortoise Pipeline & Energy Fund, Inc.	Natural gas infrastructure MLPs	C-corp	\$1,204.7		
NYSE: TTP Inception: 10/2011 Tortoise Energy Independence Fund, Inc.	North American pipeline companies	Regulated investment company	\$237.4		
NYSE: NDP Inception: 7/2012 Tortoise Power and Energy Infrastructure Fund, Inc.	North American oil & gas producers	Regulated investment company	\$236.7		
NYSE: TPZ Inception: 7/2009	Power & energy infrastructure companies (Fixed income & equity)	Regulated investment company	\$190.4		

¹ As of 3/31/2018² As of 2/28/2018 (unaudited)**Tortoise Capital Advisors**

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First quarter 2018 report to closed-end fund stockholders

Dear stockholders,

The first fiscal quarter started with strong positive performance in December and January, only to give it all back in February. The broad energy sector, represented by the S&P Energy Select Sector[®] Index, returned -2.8% for the fiscal quarter ending February 28, 2018. Despite the recent negative performance in the energy sector, specifically in the midstream segment, we believe there is reason for optimism in 2018. Driving this optimism is our belief that commodity prices will remain stable and drive increased production, balance sheets are stronger and companies are better positioned to self-fund capital projects without relying on the health of capital markets.

Upstream

Crude oil prices were solid at the beginning of the fiscal quarter, with West Texas Intermediate (WTI) breaking through the \$60 per barrel threshold on the last day of the calendar year. Oil prices opened the fiscal quarter at \$57.40 per barrel, peaked at \$66.14 on January 26, 2018 and ended the fiscal quarter at \$61.64. Natural gas prices were volatile at the beginning of the calendar year, particularly as the Northeast experienced a bomb cyclone that brought exceptionally cold weather in January. The high demand for natural gas in the region drove prices sharply higher, even as liquefied natural gas (LNG) was brought in from Russia to help fill demand. Natural gas prices opened the fiscal year at \$3.06 per million British thermal units (MMBtu), peaked at \$6.24 on January 2, 2018 and ended the fiscal quarter at \$2.66. Partly driven by changes in commodity prices, performance of upstream oil and gas producers, as represented by the Tortoise North American Oil and Gas Producers IndexSM, returned -4.9% during the period.

U.S. crude oil production is expected to average 10.3 million barrels per day (MMbbl/d)¹ in 2018, a record high if achieved. With oil prices above \$50, many regions are economical for drilling activity. One basin particularly benefitting is the Bakken. Due partially to its location, predominantly in the Dakotas, drilling became less economical as crude oil prices declined during the energy downturn. With prices trending higher, well design improvements and increased pipeline takeaway capacity leading to increased drilling, the basin volume declines have reversed and returned the Bakken to growth.

Natural gas production is expected to average 79.6 billion cubic feet per day in 2018 and 84.9 bcf/d in 2019², significantly above 2017 levels. The production increases are facilitated by increased pipeline takeaway capacity in the Northeast and are led in large part by associated natural gas production from the Permian basin. We expect demand to emerge in the form of greater natural gas fired power generation, higher industrial activity and exports.

Midstream

Midstream energy companies faced structural headwinds during the last month of the first fiscal quarter and into the second fiscal quarter along with negative sentiment in the overall energy market. Pipeline companies, as measured by the Tortoise North American Pipeline IndexSM, returned -5.2% in the first fiscal quarter. MLPs, as represented by the Tortoise MLP Index[®] fared a bit better, returning -0.7% for the same period. Specifically, continued simplification transactions, a distribution cut, and modest equity issuance weighed on midstream sector sentiment.

We believe the structural headwinds are transitory and that midstream fundamentals are healthy. Our outlook for the midstream sector remains unchanged and positive as the need to build out new pipeline capacity remains. We project capital investments in MLPs, pipelines and related organic projects at approximately \$117 billion for 2018 to 2020. These projects will facilitate the acute need for more takeaway capacity to accommodate the growth in crude oil, natural gas, and natural gas liquids production and export infrastructure. Further, midstream valuations are very attractive, at levels not seen since the financial crisis in 2008-2009.

FERC update

On March 15, 2018, after the close of the first fiscal quarter, the Federal Energy Regulatory Commission (FERC) ruled against an existing policy allowing MLPs to include an income tax allowance (ITA) in cost-of-service rates. Removal of this allowance in cost-of-service calculations may result in a lower tariff rate and ultimately lower cash flow for affected pipelines. This change only affects MLPs with interstate natural gas and crude oil pipelines operating on a cost-of-service basis. Pipelines using negotiated or market-based rates are unaffected. The ruling also does not impact pipelines held by C-corporations or gathering and processing assets. Ultimately, we do not believe the FERC announcement will materially impact the midstream sector. Many MLPs issued press releases confirming this lack of materiality shortly after the announcement.

Downstream

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The U.S. exports story continues to build, especially with LNG exports. Dominion Energy's Cove Point export terminal in Maryland became the second facility to ship LNG cargo from the U.S. following Cheniere Energy's Sabine Pass facility. The Cove Point facility is particularly important to the northeast given the region's robust natural gas production. Other export facilities are currently under construction and several more are proposed. With low cost natural gas prices in the U.S. and high international prices, along with increasing global demand, U.S. LNG potential is great. According to the International Energy Agency, the U.S. could lead the world in LNG exports by 2022.

At Tortoise, we actively research the entire energy value chain, including renewable energy. Wind and solar have played an increasing role in electricity generation. Wind is projected to generate 778,000 megawatt-hours per day (MWh/d) in 2019¹, an increase of 12% from 2017. Barring any changes in forecasted factors such as precipitation and snowpack, 2019 is expected to be the first year that wind generation exceeds hydropower electricity generation. Solar electricity generation is also expected to increase to 294,000 MWh/d in 2019¹ from 211,000 in 2017, an increase of nearly 40%. We expect this growth to present further investment opportunities.

(unaudited)

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Capital markets

MLPs and other pipeline companies raised more than \$42 billion in total capital during the first fiscal quarter, with more than half of the issuance in equity. There were no initial public offerings (IPOs) during the period. We believe the need for alternative forms of capital, like private investment in public equity (PIPEs) and preferred equity will continue into the foreseeable future and expect companies to retain more discretionary cash to fund growth projects.

Merger and acquisition activity among MLPs and other pipeline companies was strong during the first fiscal quarter with more than \$21 billion in activity announced. MPLX LP announced the largest transaction of the fiscal quarter with a buyout of the parent company's incentive distribution rights (IDRs) for more than \$10 billion.

Concluding thoughts

Despite the battering the energy sector, particularly the midstream segment, took this quarter, we see the tide turning for the broad energy sector in 2018. Energy production growth is strong, commodity prices are constructive to facilitate new drilling and the U.S. holds an advantageous position globally. Midstream companies remain a critical component for the energy value chain in maintaining a vibrant pipeline network to support the anticipated growth.

If you'd like to hear from Tortoise CEO Kevin Birzer about our views on the midstream energy sector, please watch the featured video on our website at www.totoiseadvisors.com.

Sincerely,

The Tortoise Energy Team

The S&P Energy Select Sector[®] Index is a capitalization-weighted index of S&P 500[®] Index companies in the energy sector involved in the development or production of energy products. The Tortoise North American Oil and Gas Producers IndexSM is a float-adjusted, capitalization-weighted index of North American energy companies engaged primarily in the production of crude oil, condensate, natural gas or natural gas liquids (NGLs). 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 Tortoise MLP Index[®] is a float-adjusted, capitalization-weighted index of energy master limited partnerships.

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It is not possible to invest directly in an index.

Performance data quoted represent past performance; past performance does not guarantee future results. Like 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.

1 Energy Information Administration, March 2018

2 PIRA Natural Gas, March 2018
(unaudited)

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Energy Infrastructure Corp. (TYG)

Fund description

TYG seeks a high level of total return with an emphasis on current distributions paid to stockholders. TYG invests primarily in equity securities of master limited partnerships (MLPs) and their affiliates that transport, gather, process or store natural gas, natural gas liquids (NGLs), crude oil and refined petroleum products.

Fund performance review

The fund's market-based and NAV-based returns for the fiscal quarter ending February 28, 2018 were 9.8% and 9.6%, respectively (including the reinvestment of distributions). Comparatively, the Tortoise MLP Index[®] returned -0.7% for the same period. Midstream energy companies started the fiscal quarter strong, but faced structural headwinds during the last month of the fiscal quarter and into the second fiscal quarter along with negative sentiment in the overall energy market. We believe the structural headwinds are transitory and that midstream fundamentals are healthy.

First fiscal quarter highlights

Distributions paid per share	\$0.6550
Distribution rate (as of 2/28/2018)	9.5%
Quarter-over-quarter distribution increase	0.0%
Year-over-year distribution increase	0.0%
Cumulative distributions paid per share to stockholders since inception in February 2004	\$31.1175
Market-based total return	9.8%
NAV-based total return	9.6%
Premium (discount) to NAV (as of 2/28/2018)	8.2%

Key asset performance drivers

Energy Transfer Partners, L.P.	Midstream natural gas/natural gas liquids pipeline MLP	Positive fourth quarter operating results received well by the market
Plains All American Pipeline, L.P.	Midstream crude oil pipeline MLP	Expected crude oil production growth from Permian Basin
Enterprise Products Partners, L.P.	Midstream natural gas/natural gas liquids pipeline MLP	Delivered steady cash flow and healthy project backlog
Western Gas Partners, LP	Midstream gathering and processing MLP	Positive outlook from parent company's Permian Basin footprint
Andeavor Logistics LP	Midstream crude oil pipeline MLP	Analyst day highlighted asset footprint
Enbridge Energy Partners, L.P.	Midstream crude oil pipeline MLP	Strategic review with lower distribution viewed unfavorably by market
Magellan Midstream Partners, L.P.	Midstream refined product pipeline MLP	Concerns about long-term growth tied to project backlog
NuStar Energy L.P.	Midstream crude oil pipeline MLP	Announced distribution cut and roll up of general partner
EQT Midstream Partners, LP	Midstream natural gas/natural gas liquids pipeline MLP	Uncertainty around simplification transaction
Tallgrass Energy Partners, LP	Midstream natural gas/natural gas liquids pipeline MLP	Uncertainty around simplification transaction

Unlike the fund return, index return is pre-expenses and taxes.

Performance data quoted represent past performance; past performance does not guarantee future results. Like 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. Portfolio composition is subject to change due to ongoing management of the fund. References to specific securities or sectors should not be construed as a recommendation by the fund or its adviser. See Schedule of Investments for portfolio weighting at the end of the fiscal quarter.

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