

# Form ADV Part 2A

March 30, 2012



This brochure provides information about the qualifications and business practice of Tortoise Investment Management, LLC. If you have any questions about the contents of this brochure, please contact us at 914-686-0024 or email: [info@tortoiseinvestment.com](mailto:info@tortoiseinvestment.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Tortoise Investment Management, LLC is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Statement of Material Changes (ADV Item 2)**

We do not believe that any of the changes from the previous version of this document dated March 30, 2011 are material.

Please contact us if you have any questions regarding any portion of this document.

## Table of Contents (ADV Item 3)

Advisory Business (ADV Item 4) .....	4
Fees and Compensation (ADV Item 5) .....	5
Performance-Based Fees and Side-By-Side Management (ADV Item 6) .....	6
Types of Clients (ADV Item 7) .....	6
Methods of Analysis, Investment Strategies and Risk of Loss (ADV Item 8) .....	6
Disciplinary Information (ADV Item 9) .....	8
Other Financial Industry Activities and Affiliations (ADV Item 10) .....	8
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading (ADV Item 11) .....	8
Brokerage Practices (ADV Item 12) .....	9
Review of Accounts (ADV Item 13) .....	11
Client Referrals and Other Compensation (ADV Item 14) .....	12
Custody (ADV Item 15) .....	12
Investment Discretion (ADV Item 16) .....	12
Voting Client Securities (ADV Item 17) .....	12
Financial Information (ADV Item 18) .....	13
Requirements for State-Registered Advisers (ADV Item 19) .....	13

## Advisory Business (ADV Item 4)

Tortoise Investment Management, LLC (“Tortoise”) provides customized, sophisticated investment management and financial advice. *Customized* means that portfolios are managed with an understanding of each client’s complete financial circumstances, from risks to her income to tax bases of individual positions. *Sophisticated* means that we go well beyond the traditional stock-bond-cash allocation and consider a variety of asset classes and strategies not commonly seen in individual portfolios.

We have structured our business to put your interests first in every aspect of our relationship: we are, and always have been, your fiduciary, independent, and fee-only.

Every investor should have a strategic plan coordinating all accounts and investments into an integrated whole and incorporating the entirety of financial circumstances. An integrated plan, properly implemented, leads to disciplined decision-making instead of making individual decisions in a vacuum or letting inertia govern and doing nothing.

Our investment strategy emphasizes risk management, a conservative, long-term approach, and tax-efficiency. We believe that it is more important to maximize the probability of having *enough* money rather than striving to have *the most* money.

Risk and potential return are inextricably entwined. The key to successfully navigating the vagaries of the capital markets is having a more realistic assessment of the universe of possible outcomes, the uncertainty of the future, and the impact of potential losses on real life. A more fully developed understanding of your ability and willingness to bear risk enhances our ability to take the appropriate amount of risk on your behalf. This understanding can only come from on-going, open discussions with you, informed by our professional judgment.

Tortoise provides discretionary investment management primarily to high net-worth individuals, both making and implementing the investment decisions. A substantial portion of our clientele consists of professionals in demanding careers who appreciate the combination of expertise, implementation and global advice from a trustworthy advisor.

In addition to what is customarily referred to as investment management, Tortoise advises clients on a variety of financial, non-investment issues. These issues include among others: college and retirement planning, mortgage financing, general liabilities management, insurance, charitable giving, estate planning, and wealth transfer. We do not serve as your attorney, accountant or insurance agent.

The services that we provide vary in certain respects based on the needs and desires of individual clients. For example, some clients have more unresolved financial planning matters than others do. In addition, different clients prefer different formats and frequencies of communication. And, of course, each client’s investment portfolio is driven by her particular circumstances. Clients may impose restrictions on certain investments as described in the Investment Discretion section. We do not provide a truncated, more limited version of our services.

Ian Yankwitt is the principal owner of Tortoise. He has been an investment advisor since 2002 and founded Tortoise in 2006.

As of December 31, 2011, Tortoise managed \$294,776,589 of client assets on a discretionary basis and \$6,352,107 of client assets on a non-discretionary basis.

## **Fees and Compensation (ADV Item 5)**

Tortoise is a fee-only investment advisor. That means that we are paid by our clients, as described below, and accept no other revenue streams. Neither Tortoise nor any of our employees receives commissions, 12b-1 fees or other compensation based upon our investment of client assets. We do not accept referral fees for referring clients to outside professionals. Our clients pay us directly, generally based on a percentage of the asset value that we manage.

Tortoise's general fee schedule for new client relationships is as follows:

<b><u>Client Relationship</u></b>	<b><u>Annual Rate</u></b>
0 to \$1,000,000	1.25%
Assets above the first \$1,000,000	1.00%

A minimum quarterly fee of \$2,500 applies to new clients. The minimum fee may be waived or reduced in limited circumstances at our sole discretion.

Fees may be negotiable and may vary based on the investment strategies employed, the complexity of your overall financial circumstances, the duration of our investment advisory relationship, and the amount of financial, non-investment advice for which fees are not otherwise charged, and other factors. The foregoing is a general description. The investment management fees applicable to your account and the method of calculation of the fees are clearly stated in your investment advisory agreement.

Fees are based on a percentage of the total market value of the account, other than any assets specifically excluded by written agreement. Generally fees are deducted directly from clients' accounts. In certain limited instances fees are billed to the client. Fees are payable in arrears at the end of each calendar quarter, and are based upon the value of the assets under management at the beginning of the quarter.

In general, clients will not pay any custodial fees for accounts managed by us and held at an institutional custodian such as Fidelity Investments.

Clients will incur brokerage commissions and other transaction costs as described in further detail in the Brokerage Practices section.

Tortoise invests client assets primarily in mutual funds and exchange-traded funds ("ETFs"). These funds incur fees and expenses which are paid proportionally by all shareholders of the funds. These fees and expenses are separate from and in addition to the investment management fees clients pay to us. We take into account the fees and expenses

clients will bear in making investment decisions. Other than cases in which the choices are constrained – for example, a retirement plan for which Tortoise has no control over the fund line-up – Tortoise uses only “no load” mutual funds, or funds for which the commission or “load” has been waived. Neither Tortoise, nor its owner or employees, ever receives either a commission or portion of 12b-1 fees from investing client assets in any particular fund.

## **Performance-Based Fees and Side-By-Side Management (ADV Item 6)**

Does not apply.

Tortoise does not charge performance-based fees. Side-by-side management refers to managing both accounts for which fees are performance based and others for which fees are asset based or otherwise. Because none of Tortoise’s accounts have performance based fees no issue arises.

## **Types of Clients (ADV Item 7)**

Tortoise provides discretionary investment management primarily to high-net-worth individuals and trusts. A substantial portion of our clientele consists of professionals in demanding careers.

Although we do not require a minimum account size, our minimum quarterly fee may make a relationship with us inefficient for clients with smaller accounts. Please refer to the Fees and Compensation section for further information regarding minimum fees.

## **Methods of Analysis, Investment Strategies and Risk of Loss (ADV Item 8)**

Every investor should have a strategic plan coordinating investments into an integrated whole and incorporating the entirety of the investor’s financial circumstances. An integrated plan, properly implemented, leads to disciplined decision-making instead of making individual decisions in a vacuum or letting inertia govern.

Our investment strategy emphasizes risk management, a conservative, long-term approach, and tax-efficiency. We believe that it is more important to maximize the probability of having *enough* money rather than striving to have *the most* money.

Risk and potential return are inextricably entwined. The key to successfully navigating the vagaries of the capital markets is having a more realistic assessment of the universe of possible outcomes, the uncertainty of the future, and the impact of potential losses on real life. A more fully developed understanding of your ability and willingness to bear risk enhances our ability to take the appropriate amount of risk on your behalf. This understanding can only come from on-going, open discussions with you, informed by our professional judgment.

We focus on the following principles when managing client portfolios:

1. **Risk and Return Are Inherently Related.** Over time, we believe that maximum levels of return can only be achieved by taking higher levels of risk, but sufficient returns may be achieved with a more acceptable level of risk.
2. **Asset Allocation.** Asset allocation is the primary driver of risk and return over long periods of time.
3. **Diversification.** Diversification among different asset classes improves the risk/return tradeoff.
4. **Portfolio Rebalancing.** Rebalancing portfolios towards the strategic asset allocation and risk tolerance results in buying assets classes that have performed relatively poorly and selling asset classes that have performed relatively well. This strategy is both a risk management tool and acts as a mechanism for potential return enhancement.
5. **Tax Efficiency.** What matters is not what you make, but what you keep. We use several methods to improve the tax-efficiency of portfolios including:
  - a. Asset Location – placing assets that are more likely to generate ordinary income in retirement accounts and assets that are more lightly taxed in taxable accounts;
  - b. Tax-Loss Harvesting – actively realizing capital losses for their tax benefit;
  - c. Passive Equity Strategies – investing in index and index-like mutual funds and ETFs that are inherently tax efficient.
6. **Relative Value of Asset Classes.** At the margin, we adjust portfolios according to our opinion of the relationship between risk and return among the asset classes at any given time.

Tortoise primarily uses mutual funds and exchange-traded funds (“ETFs”) in the construction of client portfolios. The primary risk in each of these securities is the risk associated with the underlying assets in which it invests. ETFs carry an additional risk – they may at times deviate from the value of the underlying assets in a way that mutual funds do not.

Particularly with respect to equity investments, we use primarily index or index-like mutual funds and ETFs. The risk of these investments is almost entirely that of the underlying asset class and not manager risk or security-specific risk.

To a far lesser extent, we also use individual securities and closed-end mutual funds. Individual securities are, of course, subject to company-specific risk of loss. Closed-end funds often employ leverage. Therefore, the price movements in either direction may be significantly more exaggerated than the price movements of the assets in the funds.

Of course, all investments are subject to risk of loss. While our strategy, approach and implementation are designed to minimize risk of loss consistent with client return expectations, the future is always uncertain.

## **Disciplinary Information (ADV Item 9)**

Does not apply.

## **Other Financial Industry Activities and Affiliations (ADV Item 10)**

Does not apply.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading (ADV Item 11)**

We have adopted a Code of Ethics, and all employees are required to abide by this Code of Ethics.

The Code of Ethics summarizes the firm's values, principles and business practices. Clients or prospective clients may request a copy of the Code of Ethics by sending a written request to Ian Yankwitt, Chief Compliance Officer, Tortoise Investment Management, 239 Central Avenue, 2<sup>nd</sup> Floor, White Plains, NY 10606.

The Code of Ethics also contains a personal trading policy. That policy limits both the type and timing of securities transactions into which employees may enter in order to avoid any actual or reasonably perceived conflicts of interest. The policy requires the approval of the Chief Compliance Officer ("CCO") in advance of personal securities transactions as specifically set forth in Code of Ethics.

Subject to the personal trading policy, Tortoise and its employees may buy or sell securities that are also bought or sold on behalf of clients. In general, the overwhelming majority of personal securities transactions entered into by employees are in open-end mutual funds or large, liquid exchange-traded funds in which there is no reasonable appearance of a potential conflict of interest. Transactions will only be approved by the CCO if they are both consistent with our fiduciary obligation to our clients and could not reasonably appear to create a conflict of interest.

If we are buying or selling a security for clients at the same time that an employee seeks approval for a personal transaction in the same security, one of three things will happen:

1. If the security is an open-end mutual fund, and the size of the personal transaction is such that it could not reasonably impact the client transaction, the transaction will be approved.
2. For other securities, if the liquidity of the securities and size of the transactions are such that the CCO believes that there is no reasonable likelihood that the personal transaction could be detrimental to the client transactions, the transaction will be approved, and may be directed (again depending on the size of the various transactions and the liquidity of the securities) to be aggregated with client transactions, in accordance with the procedure described in the next section.



3. If the security is less liquid (for example, a closed-end mutual fund), and it might reasonably appear that client transactions might suffer, or the personal transactions might benefit, from the timing of the transaction, the request to enter that transaction will be denied until our activity on behalf of clients is complete.

Finally, the frequency of personal securities transactions by employees is also reviewed by the CCO in order to ensure that our employees' maximum efforts are directed to the service of our clients.

## **Brokerage Practices (ADV Item 12)**

Tortoise does not participate in soft-dollar programs. We do not participate in any referral programs and, therefore, they are not a factor in recommending brokers. We do not request, require or permit directed brokerage.

Clients enter into an agreement with an independent custodian/broker, generally the one we recommend. We do not act as custodian or as a broker. We place transactions for you through the custodian for the account, who generally serves as the broker. You pay commissions, fees, and charges to the custodian and/or broker based on the institutional fee schedule set by the custodian or broker, or a lower negotiated rate. The different types of fees paid by clients are described in greater detail in the Fees and Compensation section of this brochure.

In general, Tortoise believes that the interests of its clients are best served by consolidating its assets under management, to the extent possible, with one custodian/broker. We generally recommend that, to the extent possible, clients use Fidelity Investments as the custodian/broker. (For client assets held in employer sponsored retirement plans, neither Tortoise nor the client has the option of choosing the custodian.) We believe that by doing so, we receive better execution and service for our clients, and are better able to focus our efforts on managing clients' assets. For example, although we do not set the commission rates you pay, we have on several types of transactions been able to negotiate with Fidelity for rates for our clients that are lower than Fidelity Investments' published institutional rates. While we will make every effort to accommodate client preferences for alternative custodians, we reserve the right to decline to enter into a client relationship with a potential client if we believe that the use of the client's custodian would generate inefficiencies that would materially burden the relationship.

Tortoise may group orders of several clients together for execution, if it believes that doing so best serves the interest of its clients. When grouping orders for execution, Tortoise determines how the trades will be allocated to accounts in advance of the order being placed, or as soon as possible thereafter. All clients receive the same transaction price and the commission charged to the clients is the same as if the orders were placed for that client individually.

With respect to order execution, open-end mutual fund transactions do not particularly implicate execution issues. All other transactions are reviewed on an ongoing and, generally, contemporaneous basis. The broker may execute transactions as an agent with

one of its affiliates acting as a principal. We similarly review these transactions to ensure the quality of the execution.

Fidelity Investments and other institutional custodians provide to Registered Investment Advisors such as Tortoise a variety of supporting services without cost (or at a discount) to assist them in better monitoring and servicing client accounts. The support services that may be obtained by us may include investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings and other educational and/or social events, marketing support, computer software and/or other products used by us in furtherance of our investment advisory business operations. Some of the support services that may be received would assist us in managing and administering client accounts. Others would not directly provide such assistance, but might assist us in managing and further developing our business enterprise. At times we may receive some of the foregoing from custodians. These services are not material to our consideration in recommending custodians. Among other reasons, we believe that the services offered by institutional custodians are essentially fungible among the major competitors.

We do base our recommendation to use or continue to use custodians after considering the range and quality of what we consider to be the essential services, including: execution, account access and information, costs, access to a variety of low (or zero) transaction cost investment vehicles, service to our clients, access to tax information, prior experience, responsiveness, service reputation, honesty, integrity and financial stability of the entity, among other factors. We also consider the administrative efficiency of servicing client accounts.

You do not pay more for investment transactions effected and/or assets maintained at Fidelity Investments. Although each custodian has a different commission schedule, and each type of transaction may be priced slightly differently, in the aggregate the standard institutional pricing among the competitors is not materially different. Our clients actually pay less than Fidelity Investments' standard institutional rates, pursuant to discounts we have negotiated with Fidelity Investments on behalf of our clients. We have an ongoing responsibility to review the custodial relationships and make sure that our clients would not be better served at a different custodian. We periodically compare our current custodian(s) with other alternatives to ensure that your interests are being best served, and we keep ourselves informed about alternative custodians.

Similarly, investment management firms that manage mutual funds, including exchange-traded funds, may provide a variety of information to us including:

- Attendance at conferences and on conference calls;
- Access to portfolio managers and/or investment specialists;
- Access to investment research and "white papers"

Although the foregoing are in fact educational, they are also, of course, provided as part of an effort to persuade us that our clients' interests would be best served by investing in one or more of their vehicles. We participate in events like these because we believe that doing so increases our knowledge base and enhances our ability to serve our clients.

We are never under any commitment to use or recommend any particular custodian or invest in any particular investment vehicle. Our decision to use a particular custodian or invest in any particular vehicle is based entirely on our belief as to whether the investment is in the client's best interests. Our clients do not pay more for any investment in a vehicle due to the fact the firm that has provided such information. Tortoise prohibits investment providers or custodians from paying for our travel or accommodations at any conferences or events. (We do allow them to provide meals.)

## **Review of Accounts (ADV Item 13)**

We review all client accounts on an ongoing basis.

Our Portfolio Managers review all accounts to compare the risk level of the portfolio with that targeted for the particular client. Each portfolio is reviewed at this level at least weekly.

Further, our Portfolio Managers review the individual investments for each client at least monthly. This more detailed review focuses on, among other things, asset allocation, risk levels, cash levels, tax efficiency and tax-loss harvesting opportunities.

A similarly detailed review may also be triggered by:

- Material contributions or withdrawals of cash or securities;
- A change in the client's circumstances;
- Material geopolitical or macroeconomic events;
- A change in our view of investment opportunity or risks in general, or in particular investments;
- A significant increase/decrease in markets, particular asset classes or particular investments;
- A material change in an investment vehicle held in client portfolios (e.g. a change in strategy, costs, or manager);
- Any other event that we deem material.

In addition to account statements and transaction confirmations provided directly to the client by the custodian holding the account, we provide printed quarterly reports showing asset allocation, performance, fees and a variety of index returns. Further, unless the client is unavailable, one of our portfolio managers meets in person with each client at least annually and typically more frequently. Further, our portfolio managers maintain frequent telephonic and electronic communications with clients, and additional reviews are always available at the client's request.

Generally, only the quarterly reports referred to in the preceding paragraph and electronic communications are in writing. Most reviews occur either in person or by telephone.

## **Client Referrals and Other Compensation (ADV Item 14)**

Does not apply.

Tortoise is paid only by clients.

Tortoise does not pay for client referrals.

Tortoise does not accept referral fees for referring clients to other professionals such as attorneys or accountants.

## **Custody (ADV Item 15)**

Tortoise does not have custody of client assets.

Your assets are held at qualified custodians, each of which sends account statements and confirmations directly to you at least quarterly.

We also send quarterly statements to you. As we will remind you with each quarterly statement, the statements sent by the custodian(s) are the official records. You should compare the statements we provide with the statements provided by the custodian(s).

## **Investment Discretion (ADV Item 16)**

In general, we manage client accounts on a discretionary basis. That means that you are not consulted in advance with respect to specific transactions.

In our standard contract, we limit the investment universe to publicly traded securities, the specifics of which are spelled out in the contract. Although clients do not generally impose any further limitation on our discretionary authority, clients may do so either at the inception of the relationship (in which case, the restriction would be reflected in the contract) or subsequently, by notifying us in writing. Such restrictions will be effective only upon our receipt of written notification.

Prior to our accepting or exercising discretionary authority, each client will have signed a written contract clearly stating that we will be managing their accounts on a discretionary basis, and without any obligation to consult with her in advance of specific transactions.

## **Voting Client Securities (ADV Item 17)**

Tortoise does not vote client securities with respect to securities in which investment accounts may be invested. Proxies and similar requests are sent directly to you, not to us. It remains your responsibility to vote on such matters. You are welcomed to call us about a particular solicitation – much in the same manner as you may do with respect to other financial issues described in the Advisory Business section.

**Financial Information (ADV Item 18)**

Does not apply.

**Requirements for State-Registered Advisers (ADV Item 19)**

Does not apply