

Tortoise Energy Independence Fund, Inc.

2013 3rd Quarter Report · August 31, 2013

The North American energy revolution

Fund at a glance

Tortoise believes Tortoise Energy Independence Fund, Inc. (NYSE: NDP) is the first closed-end fund with a focus on North American crude oil and natural gas production growth — growth which supports energy independence.

Investment opportunity

Technological developments are now providing access to vast amounts of unconventional resources in North American oil and gas reservoirs, with the potential for an extended period of production growth. Virtually unthinkable a few years ago, North America now has the opportunity to be a global leader in energy production, with many experts predicting North America could become energy self-sufficient over the coming decades.

To capture the heart of this significant North American production growth potential, NDP invests in energy producers, also known as the upstream portion of the energy value chain. While commodity prices will fluctuate, we believe the sector's volume growth potential provides an attractive long-term investment opportunity.

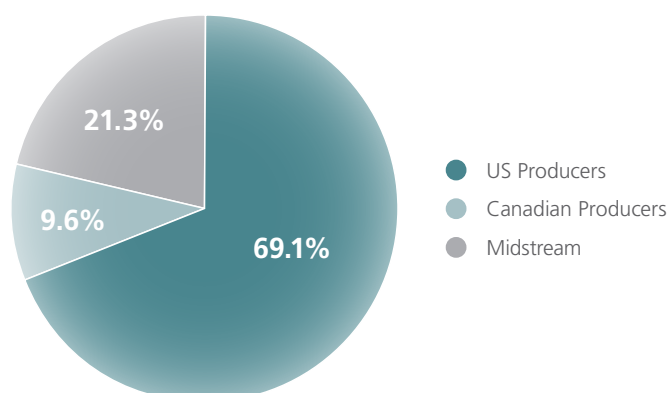
Targeted investment characteristics

NDP primarily invests in North American energy companies that engage in the exploration and production of crude oil, condensate, natural gas and natural gas liquids that generally have a significant presence in North American oil and gas fields, including shale reservoirs, and, to a lesser extent, in companies that provide associated transportation, processing and storage. The majority of NDP's investments include upstream energy companies with the following targeted characteristics:

- Substantial acreage positions in premier North American oil and gas fields
- Production volume growth potential over many years
- High quality, financially disciplined management teams
- Total return potential through a combination of current income and capital appreciation

We also write (sell) out-of-the-money covered call options on companies that meet our investment thresholds, seeking to mitigate portfolio risk, increase current income and enhance long-term total return potential across economic cycles.

Portfolio statistics at August 31, 2013 (unaudited)



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 the month, 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, North American oil and gas production companies demonstrated solid performance.

Energy production review and outlook

The Tortoise North American Oil and Gas Producers IndexSM had a total return of 4.9 percent and 14.8 percent for the three and nine months ending Aug. 31, 2013, respectively. Oil and gas production companies solidly outperformed the broader market during the fiscal quarter. Political unrest in the Middle East, particularly Syria, helped drive crude oil prices higher during the quarter, moving from a low of \$93.31 per barrel (West Texas Intermediate) on June 4th to a peak of \$109.01 per barrel on August 27th, a trend that was generally supportive of the upstream segment. Natural gas prices declined during the quarter, falling from \$4.02 per thousand cubic feet at the beginning of the quarter to \$3.56 on August 30th, with seasonal demand softening, particularly in the Northeast, as temperatures grew milder.

Escalating production is an important part of the upstream story as well. 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 day¹ and may reach more

than 10 million barrels per day by 2020.² 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 Recent volumes out of the massive Marcellus shale have been particularly robust. Production during the first six months of 2013 was up about 50 percent over last year.⁴ Liquid-rich shales are also yielding production growth in natural gas liquids (NGLs), including butane, ethane and natural gasoline. In turn, NGLs are enjoying increasing demand from myriad sources, including petrochemical companies.

Fund performance review

The fund's total assets grew from \$412.7 million on May 31, 2013 to \$431.9 million on Aug. 31, 2013, resulting primarily from market appreciation of its investments. The fund's market-based return to stockholders was -2.2 percent and 12.6 percent for the three and nine months ending Aug. 31, 2013 (both including the reinvestment of distributions). The fund's NAV-based total returns were 6.6 percent and 19.8 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 as compared to its NAV during the period.

During the fiscal quarter, the fund's positive asset performance was primarily a result of its strategy and focus on North American oil and gas producers. North American crude oil producers in particular led the way for the quarter. As primary beneficiaries of the country's shale revolution, these companies, and specifically those with a presence in the Eagle Ford, Bakken and Permian basins, continued to experience a great deal of growth. On an absolute basis, the fund's midstream holdings also helped bolster performance during the quarter. Also helpful during the period, we generally maintained both the notional amount of the

portfolio's covered calls and their out-of-the money percentage, even in a historically low VIX (low volatility) environment. The fund's covered call strategy continued to provide current income in a portfolio developed to provide access to oil and gas producers with production growth potential underway in strategic unconventional oil and gas reservoirs across North America.

The fund paid a distribution of \$0.4375 per common share (\$1.75 annualized) to stockholders on Sept. 3, 2013, in line with the previous quarterly distribution. This distribution represented an annualized distribution rate of 7.3 percent based on the fund's third fiscal quarter closing price of \$23.84, providing what we believe to be attractive current income. The fund ended the period with leverage at 11.2 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. We continue to believe that upstream oil and gas producers stand to benefit from attractive cash flow growth potential driven by expanding production out of North American shale reservoirs. 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 Energy Independence Fund, Inc.



P. Bradley Adams



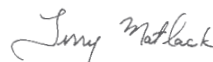
H. Kevin Birzer



Zachary A. Hamel



Kenneth P. Malvey



Terry Matlack



David J. Schulte

¹ American Petroleum Institute, 2013

² Citi, 2012

³ Energy Information Administration, 2013

⁴ Bentek, 2013

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 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.

	Period from July 31, 2012 ⁽¹⁾ through November 30, 2012	2013		
		Q1 ⁽²⁾	Q2 ⁽²⁾	Q3 ⁽²⁾
Total Income from Investments				
Distributions received from investments	\$ 3,771	\$ 2,869	\$ 2,962	\$ 2,805
Less foreign withholding taxes	(143)	(100)	(94)	(83)
Dividends paid in stock	382	385	393	403
Net premiums on options written	4,089	4,142	4,339	4,356
Interest and dividend income	31	—	—	—
Total from investments	8,130	7,296	7,600	7,481
Operating Expenses Before Leverage Costs				
Advisory fees, net of fees waived	1,151	921	974	1,008
Other operating expenses	222	146	144	143
	1,373	1,067	1,118	1,151
Distributable cash flow before leverage costs	6,757	6,229	6,482	6,330
Leverage costs ⁽³⁾	114	138	142	144
Distributable Cash Flow⁽⁴⁾	\$ 6,643	\$ 6,091	\$ 6,340	\$ 6,186
Net realized gain (loss) on investments and foreign currency translation, for the period				
	\$ 2,197	\$ 991	\$ 5,236	\$ (1,042)
As a percent of average total assets⁽⁵⁾				
Total from investments	N/M	7.52 %	7.37 %	7.04 %
Operating expenses before leverage costs	1.14 %	1.10 %	1.08 %	1.08 %
Distributable cash flow before leverage costs	N/M	6.42 %	6.29 %	5.96 %
As a percent of average net assets⁽⁵⁾				
Total from investments	N/M	8.59 %	8.43 %	8.01 %
Operating expenses before leverage costs	1.22 %	1.26 %	1.24 %	1.23 %
Leverage costs	N/M	0.16 %	0.16 %	0.15 %
Distributable cash flow	N/M	7.17 %	7.03 %	6.63 %
Selected Financial Information				
Distributions paid on common stock	\$ 6,346	\$ 6,346	\$ 6,345	\$ 6,351
Distributions paid on common stock per share	0.4375	0.4375	0.4375	0.4375
Total assets, end of period	418,914	401,948	412,693	431,903
Average total assets during period ⁽⁶⁾	359,641	393,379	409,102	421,356
Leverage ⁽⁷⁾	49,000	43,800	46,600	48,400
Leverage as a percent of total assets	11.7 %	10.9 %	11.3 %	11.2 %
Net unrealized appreciation (depreciation), end of period	(15,351)	9,854	23,330	47,406
Net assets, end of period	329,676	349,670	357,587	374,877
Average net assets during period ⁽⁸⁾	334,232	344,470	357,879	370,482
Net asset value per common share	22.73	24.11	24.65	25.82
Market value per common share	22.33	24.02	24.81	23.84
Shares outstanding (actual)	14,504,200	14,504,200	14,504,200	14,516,071

(1) Commencement of operations.

(2) Q1 is the period from December through February. Q2 is the period from March through May. Q3 is the period from June through August.

(3) Leverage costs include interest expense and other recurring leverage expenses.

(4) "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, and the value of paid-in-kind distributions.

(5) Annualized. Certain of the ratios for the period from July 31, 2012 through November 30, 2012 are not meaningful due to partial investment of initial offering and leverage proceeds.

(6) Computed by averaging month-end values within the period.

(7) Leverage consists of short-term borrowings.

(8) 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 Energy Independence Fund, Inc.'s ("NDP") 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 companies that provide access to North American oil and gas production growth, which supports North American energy independence through reduced reliance on foreign energy sources. We focus primarily on North American energy companies that engage in the exploration and production of crude oil, condensate, natural gas and natural gas liquids ("NGLs") that generally have a strong presence in North American oil and gas reservoirs, including shale, and, to a lesser extent, on companies that provide associated transportation, processing, storage, servicing and equipment. 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.

NDP 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 \$19.2 million since May 31, 2013. Distribution increases from our investments were in-line with our

expectations while the increase in average total assets during the quarter resulted in increased asset-based expenses. We maintained our quarterly distribution of \$0.4375 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 or affiliates of MLPs 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.

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) GAAP recognizes that a significant portion of the cash distributions received from MLPs are characterized as a return of capital and therefore excluded from investment income, whereas

Management's Discussion (unaudited)

(continued)

the DCF calculation includes the return of capital; (2) 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 (3) 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 companies that provide access to North American oil and gas production growth. We evaluate each holding based upon its contribution to our investment income and its risk relative to other potential investments.

We focus primarily on North American energy companies that engage in the exploration and production of crude oil, condensate, natural gas and NGLs that generally have a strong presence in North American oil and gas reservoirs, including shale.

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 typically aim to write call options that are approximately 5 to 15 percent out-of-the-money on approximately 40 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 \$7.5 million, a decrease of approximately 1.6 percent as compared to 2nd quarter 2013. One portfolio company changed the timing of its distribution payment which shifted approximately \$53,600 of distributions to NDP from the 3rd quarter 2013 to future quarters. In addition, the decrease reflects the impact of various portfolio trading activity. This reflects earnings on our investments of \$3.1 million and net premiums on options written of approximately \$4.4 million. On an annualized basis, the total received from investments equates to 7.04 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 1.08 percent of average

total assets for the 3rd quarter 2013, unchanged as compared to 2nd quarter 2013. While the contractual advisory fee is 1.10 percent of average monthly managed assets, the Adviser has agreed to waive an amount equal to 0.15 percent of average monthly managed assets for years 1 and 2 and 0.10 percent of average monthly managed assets for years 3 and 4 following the closing of the initial public offering.

Leverage costs consist of the interest expense on our margin borrowing facility, which will vary from period to period as the facility has a variable interest rate. Detailed information on our margin borrowing facility is included in the Liquidity and Capital Resources section below. Total leverage costs for DCF purposes were approximately \$144,000 for the 3rd quarter 2013, a slight increase as compared to 2nd quarter 2013.

The average annualized total cost of leverage was 1.12 percent as of August 31, 2013. Interest accrues on the margin facility at a rate equal to 1-month LIBOR plus 0.85 percent and unused balances are subject to a fee of 0.25 percent. The annual rate of leverage may vary in future periods as a result of changes in LIBOR and the utilization of our margin facility. Additional information on our leverage is disclosed below in Liquidity and Capital Resources and in our Notes to Financial Statements.

Distributable cash flow

For 3rd quarter 2013, our DCF was approximately \$6.2 million, a decrease of 2.4 percent as compared to 2nd quarter 2013. This decrease is the net result of the changes in income and expenses as described above. This equates to an annualized rate of 5.96 percent of average total assets for the quarter and 6.63 percent of average net assets for the quarter. In addition, we had net realized losses on investments of \$1.0 million during the period.

We declared a distribution of \$6.4 million for 3rd quarter 2013. On a per share basis, we declared a \$0.4375 per share distribution on August 8, 2013, unchanged from the 2nd quarter 2013.

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	\$ 127	\$ 63
Adjustments to reconcile to DCF:		
Net premiums on options written	12,837	4,356
Distributions characterized as return of capital	4,472	1,364
Dividends paid in stock	1,181	403
DCF	<u>\$ 18,617</u>	<u>\$ 6,186</u>

Management's Discussion (unaudited)

(continued)

Liquidity and capital resources

We had total assets of approximately \$432 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 receivables and any expenses that may have been prepaid. During 3rd quarter 2013, total assets increased approximately \$19.2 million. This change was primarily the result of a \$21.8 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 approximately \$2.6 million.

Total leverage outstanding at August 31, 2013 was \$48.4 million, an increase of \$1.8 million as compared to May 31, 2013. Total leverage represented 11.2 percent of total assets at August 31, 2013 as compared to 11.3 percent at May 31, 2013. Our leverage as a percent of total assets is on the low end of our long-term target level of 10 to 15 percent of total assets. This allows the opportunity to add leverage when compelling investment opportunities arise. Temporary increases to up to 20 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 market values of our investments, issuance of equity and/or the sale of securities where proceeds are used to reduce leverage.

We use leverage to acquire 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 Note 10 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 21 percent QDI, 68 percent ordinary dividend income, and 11 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

	<u>Shares</u>	<u>Fair Value</u>		<u>Shares</u>	<u>Fair Value</u>
Common Stock — 82.6%⁽¹⁾			Master Limited Partnerships and Related Companies — 32.4%⁽¹⁾		
Natural Gas Pipelines — 3.1%⁽¹⁾			Crude/Refined Products Pipelines — 8.8%⁽¹⁾		
United States — 3.1%⁽¹⁾			United States — 8.8%⁽¹⁾		
EQT Corporation	138,100	\$ 11,837,932	Buckeye Partners, L.P.	45,700	\$ 3,199,000
Oil and Gas Production — 79.5%⁽¹⁾			Enbridge Energy Management, L.L.C. ⁽⁴⁾⁽⁵⁾	410,726	12,317,671
Canada — 11.0%⁽¹⁾			Magellan Midstream Partners, L.P. ⁽⁴⁾	75,000	4,069,500
ARC Resources Ltd.	334,600	8,011,594	MPLX LP ⁽⁴⁾	117,232	4,185,182
Canadian Natural Resources Limited ⁽²⁾	181,800	5,566,716	Phillips 66 Partners LP	65,900	2,027,743
Cenovus Energy Inc.	222,200	6,386,028	Plains All American Pipeline, L.P. ⁽⁴⁾	72,000	3,640,320
Crescent Point Energy Corp.	285,700	10,421,147	Rose Rock Midstream, L.P.	32,489	1,061,416
Enerplus Corporation	275,800	4,581,038	Tesoro Logistics LP ⁽⁴⁾	47,000	2,519,200
Penn West Petroleum Ltd.	6,400	71,872			<u>33,020,032</u>
Suncor Energy Inc.	183,200	6,204,984	Natural Gas/Natural Gas Liquids Pipelines — 8.4%⁽¹⁾		
The Netherlands — 2.0%⁽¹⁾			United States — 8.4%⁽¹⁾		
Royal Dutch Shell plc (ADR)	114,500	7,395,555	Energy Transfer Partners, L.P. ⁽⁴⁾	180,800	9,269,616
United Kingdom — 2.1%⁽¹⁾			Enterprise Products Partners L.P. ⁽⁴⁾	22,900	1,360,718
BP p.l.c. (ADR)	192,800	7,962,640	Kinder Morgan Management, LLC ⁽⁴⁾⁽⁵⁾	140,859	11,246,169
United States — 64.4%⁽¹⁾			Regency Energy Partners LP ⁽⁴⁾	252,300	6,819,669
Anadarko Petroleum Corporation ⁽²⁾	266,300	24,345,146	Williams Partners L.P. ⁽⁴⁾	57,300	2,826,609
Apache Corporation ⁽²⁾	163,000	13,965,840			<u>31,522,781</u>
Cabot Oil & Gas Corporation ⁽²⁾	345,800	13,531,154	Natural Gas Gathering/Processing — 4.2%⁽¹⁾		
Chesapeake Energy Corporation ⁽²⁾	478,400	12,347,504	United States — 4.2%⁽¹⁾		
Chevron Corporation	70,400	8,478,272	Access Midstream Partners, L.P. ⁽⁴⁾	58,900	2,686,429
Concho Resources Inc. ⁽²⁾⁽³⁾	79,900	7,711,149	DCP Midstream Partners, LP ⁽⁴⁾	71,400	3,422,202
ConocoPhillips	138,700	9,195,810	Targa Resources Partners LP ⁽⁴⁾	95,800	4,680,788
Continental Resources, Inc. ⁽²⁾⁽³⁾	203,100	18,738,006	Western Gas Equity Partners, LP ⁽⁴⁾	70,627	2,781,291
EOG Resources, Inc. ⁽²⁾	176,900	27,782,145	Western Gas Partners LP	34,300	2,028,502
Hess Corporation ⁽²⁾	53,500	4,004,475			<u>15,599,212</u>
Jones Energy, Inc. ⁽³⁾	306,870	4,557,019	Total Common Stock		
Marathon Oil Corporation ⁽²⁾	280,400	9,654,172	(Cost \$274,063,418)		
Noble Energy, Inc.	72,800	4,472,104	<u>309,738,052</u>		
Occidental Petroleum Corporation	239,000	21,082,190			
Pioneer Natural Resources Company ⁽²⁾	194,700	34,066,659			
Range Resources Corporation ⁽²⁾	197,500	14,808,550			
Southwestern Energy Company ⁽²⁾⁽³⁾	113,000	4,316,600			
Whiting Petroleum Corporation ⁽²⁾⁽³⁾	163,300	8,241,751			
		<u>297,900,120</u>			
		<u>309,738,052</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>
Oil and Gas Production — 11.0%⁽¹⁾			Short-Term Investment — 0.0%⁽¹⁾		
United States — 11.0%⁽¹⁾			United States Investment Company — 0.0%⁽¹⁾		
BreitBurn Energy Partners L.P. ⁽⁴⁾	513,200	\$ 9,068,244	Fidelity Institutional Money Market Portfolio —		
EV Energy Partners, L.P. ⁽⁴⁾	82,800	3,021,372	Class I, 0.05% ⁽⁶⁾ (Cost \$42,427)	42,427	\$ 42,427
Legacy Reserves, L.P. ⁽⁴⁾	299,055	8,068,504	Total Investments — 115.0%⁽¹⁾		
Linn Energy, LLC ⁽⁴⁾	221,800	5,347,598	(Cost \$384,003,188)		431,197,247
Pioneer Southwest Energy Partners L.P. ⁽⁴⁾	243,200	9,946,880	Total Value of Options Written		
Vanguard Natural Resources, LLC ⁽⁴⁾	212,100	5,822,145	(Premiums received \$1,547,996) — (0.3%)⁽¹⁾		(1,335,554)
		<u>41,274,743</u>	Other Assets and Liabilities — (14.7%)⁽¹⁾		<u>(54,984,900)</u>
Total Master Limited Partnerships and Related Companies (Cost \$109,897,343)		<u>121,416,768</u>	Total Net Assets Applicable to Common Stockholders — 100.0%⁽¹⁾		<u>\$ 374,876,793</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) All or a portion of the security is segregated as collateral for the margin borrowing facility. See Note 10 to the financial statements for further disclosure.

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

(6) 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	2,000	\$ (86,000)
Apache Corporation	September 2013	87.50	1,630	(182,560)
Cabot Oil & Gas Corporation	September 2013	40.00	3,458	(259,350)
Canadian Natural Resources Limited	September 2013	32.00	1,818	(63,630)
Chesapeake Energy Corporation	September 2013	27.00	4,784	(143,520)
Concho Resources Inc.	September 2013	100.00	799	(87,890)
Continental Resources, Inc.	September 2013	100.00	2,031	(50,775)
EOG Resources, Inc.	September 2013	170.00	1,769	(90,219)
Hess Corporation	September 2013	80.00	535	(12,305)
Marathon Oil Corporation	September 2013	37.00	1,000	(11,000)
Pioneer Natural Resources Company	September 2013	185.00	1,947	(243,375)
Range Resources Corporation	September 2013	85.00	1,975	(17,775)
Southwestern Energy Company	September 2013	40.00	1,130	(46,330)
Whiting Petroleum Corporation	September 2013	55.00	1,633	(40,825)
Total Value of Call Options Written				
(Premiums received \$1,547,996)				<u>\$ (1,335,554)</u>

See accompanying Notes to Financial Statements.

Statement of Assets & Liabilities (unaudited)

August 31, 2013

Assets

Investments at fair value (cost \$384,003,188)	\$ 431,197,247
Receivable for Adviser fee waiver	108,563
Dividends and distributions receivable	568,845
Prepaid expenses and other assets	28,611
Total assets	431,903,266

Liabilities

Options written, at fair value (premiums received \$1,547,996)	1,335,554
Payable to Adviser	796,131
Distribution payable to common stockholders	6,350,790
Accrued expenses and other liabilities	143,998
Short-term borrowings	48,400,000
Total liabilities	57,026,473

Net assets applicable to
common stockholders \$ 374,876,793

Net Assets Applicable to Common Stockholders Consist of:

Capital stock, \$0.001 par value; 14,516,071 shares issued and outstanding (100,000,000 shares authorized)	\$ 14,516
Additional paid-in capital	327,456,150
Net unrealized appreciation	47,406,127
Net assets applicable to common stockholders	\$ 374,876,793
Net Asset Value per common share outstanding (net assets applicable to common stock, divided by common shares outstanding)	<u>\$ 25.82</u>

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

Distributions from master limited partnerships	\$ 4,828,056
Less return of capital on distributions	(4,472,505)
Net distributions from master limited partnerships	355,551
Dividends from common stock (net of foreign taxes withheld of \$276,409)	3,531,287
Dividends from money market mutual funds	206
Total Investment Income	3,887,044

Operating Expenses

Advisory fees	3,361,584
Administrator fees	124,698
Professional fees	95,885
Stockholder communication expenses	48,497
Directors' fees	47,027
Fund accounting fees	42,835
Registration fees	18,676
Custodian fees and expenses	18,046
Stock transfer agent fees	8,831
Other operating expenses	28,632
Total Operating Expenses	3,794,711

Leverage Expenses

Interest expense	423,738
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Total Expenses

	4,218,449
Less fees waived by Adviser	(458,398)

Net Expenses

3,760,051

Net Investment Income

126,993

Realized and Unrealized Gains (Losses)

Net realized gain on investments, including foreign currency gain (loss)	5,184,619
Net realized loss on options	(4,119,557)
Net realized gain on foreign currency and translation of other assets and liabilities denominated in foreign currency	782
Net realized gain	1,065,844
Net unrealized appreciation of investments, including foreign currency gain (loss)	63,328,854
Net unrealized depreciation of options	(571,329)
Net unrealized depreciation of other assets and liabilities due to foreign currency translation	(222)
Net unrealized appreciation	62,757,303

Net Realized and Unrealized Gains

63,823,147

**Net Increase in Net Assets Applicable
to Common Stockholders**Resulting from Operations \$ 63,950,140

See accompanying Notes to Financial Statements.

Statement of Changes in Net Assets

	Period from December 1, 2012 through August 31, 2013	Period from July 31, 2012 ⁽¹⁾ through November 30, 2012
	(unaudited)	
Operations		
Net investment income	\$ 126,993	\$ 606,252
Net realized gain	1,065,844	5,203,725
Net unrealized appreciation (depreciation)	<u>62,757,303</u>	<u>(15,351,176)</u>
Net increase (decrease) in net assets applicable to common stockholders resulting from operations	<u>63,950,140</u>	<u>(9,541,199)</u>
Distributions to Common Stockholders		
Net investment income	(321,660)	(430,049)
Net realized gain	(1,038,888)	(5,212,217)
Return of capital	<u>(17,681,408)</u>	<u>(703,321)</u>
Total distributions to common stockholders	<u>(19,041,956)</u>	<u>(6,345,587)</u>
Capital Stock Transactions		
Proceeds from initial public offering of 14,500,000 common shares	—	362,500,000
Underwriting discounts and offering expenses associated with the issuance of common stock	—	(17,037,500)
Issuance of 11,871 common shares from reinvestment of distributions to stockholders	<u>292,620</u>	<u>—</u>
Net increase in net assets applicable to common stockholders from capital stock transactions	<u>292,620</u>	<u>345,462,500</u>
Total increase in net assets applicable to common stockholders	45,200,804	329,575,714
Net Assets		
Beginning of period	<u>329,675,989</u>	<u>100,275</u>
End of period	<u>\$ 374,876,793</u>	<u>\$ 329,675,989</u>
Undistributed net investment income, end of period	<u>\$ —</u>	<u>\$ 194,667</u>

(1) Commencement of Operations.

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	\$ 4,826,996
Dividend income received	3,579,099
Purchases of long-term investments	(168,056,435)
Proceeds from sales of long-term investments	180,559,825
Proceeds from sales of short-term investments, net	69,536
Call options written, net	(4,103,697)
Interest expense paid	(422,291)
Operating expenses paid	(3,249,860)
	<u>13,203,173</u>

Net cash provided by operating activities

Cash Flows From Financing Activities

Advances from margin loan facility	47,100,000
Repayments on margin loan facility	(47,700,000)
Distributions paid to common stockholders	(12,603,173)
	<u>(13,203,173)</u>

Net cash used in financing activities

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	\$ 63,950,140
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	(129,607,802)
Proceeds from sales of long-term investments	142,140,671
Proceeds from sales of short-term investments, net	69,536
Call options written, net	(4,103,697)
Return of capital on distributions received	4,472,505
Net unrealized appreciation	(62,757,303)
Net realized gain	(1,065,844)
Changes in operating assets and liabilities:	
Decrease in dividends and distributions receivable	46,545
Increase in prepaid expenses and other assets	(5,104)
Decrease in receivable for investments sold	38,419,154
Decrease in payable for investments purchased	(38,448,633)
Increase in payable to Adviser, net of fees waived	70,477
Increase in accrued expenses and other liabilities	22,528
Total adjustments	<u>(50,746,967)</u>
Net cash provided by operating activities	<u>\$ 13,203,173</u>

Non-Cash Financing Activities

Reinvestment of distributions by common stockholders in additional common shares	<u>\$ 292,620</u>
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See accompanying Notes to Financial Statements.

Financial Highlights

	Period from December 1, 2012 through August 31, 2013	Period from July 31, 2012 ⁽¹⁾ through November 30, 2012
	(unaudited)	
Per Common Share Data⁽²⁾		
Net Asset Value, beginning of period	\$ 22.73	\$ —
Public offering price	—	25.00
Income (loss) from Investment Operations		
Net investment income ⁽³⁾	0.01	0.04
Net realized and unrealized gains (losses) ⁽³⁾	4.39	(0.65)
Total income (loss) from investment operations	4.40	(0.61)
Distributions to Common Stockholders		
Net investment income	(0.02)	(0.03)
Net realized gain	(0.07)	(0.36)
Return of capital	(1.22)	(0.05)
Total distributions to common stockholders	(1.31)	(0.44)
Underwriting discounts and offering costs on issuance of common stock ⁽⁴⁾	—	(1.22)
Net Asset Value, end of period	\$ 25.82	\$ 22.73
Per common share market value, end of period	\$ 23.84	\$ 22.33
Total Investment Return Based on Market Value ⁽⁵⁾	12.61 %	(8.89)%
Supplemental Data and Ratios		
Net assets applicable to common stockholders, end of period (000's)	\$ 374,877	\$ 329,676
Average net assets (000's)	\$ 357,706	\$ 334,232
Ratio of Expenses to Average Net Assets ⁽⁶⁾		
Advisory fees	1.25 %	1.18 %
Other operating expenses	0.16	0.20
Fee waiver	(0.17)	(0.16)
Subtotal	1.24	1.22
Leverage expenses	0.16	0.10
Total expenses	1.40 %	1.32 %
Ratio of net investment income (loss) to average net assets before fee waiver ⁽⁶⁾	(0.12)%	0.38 %
Ratio of net investment income to average net assets after fee waiver ⁽⁶⁾	0.05 %	0.54 %
Portfolio turnover rate	31.83 %	15.68 %
Short-term borrowings, end of period (000's)	\$ 48,400	\$ 49,000
Asset coverage, per \$1,000 of principal amount of and short-term borrowings ⁽⁷⁾	\$ 8,745	\$ 7,728
Asset coverage ratio of short-term borrowings ⁽⁷⁾	875 %	773 %

(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 period from July 31, 2012 through November 30, 2012 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 July 31, 2012 through November 30, 2012.

(5) Not annualized. 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.

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

See accompanying Notes to Financial Statements.

Notes to Financial Statements (unaudited)

August 31, 2013

1. Organization

Tortoise Energy Independence Fund, Inc. (the "Company") was organized as a Maryland corporation on April 11, 2012, 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 North American energy companies. The Company commenced operations on July 31, 2012. The Company's stock is listed on the New York Stock Exchange under the symbol "NDP."

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 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 of 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.

For the period from July 31, 2012 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 20 percent of total distributions as investment income and approximately 80 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 July 31, 2012 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 \$384,000 or \$0.026 per share, an increase in unrealized appreciation of investments of approximately \$364,000 or \$0.025 per share, and an increase in realized gains of approximately \$20,000 or \$0.001 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 \$82,000 or \$0.006 per

Notes to Financial Statements (unaudited) (continued)

share, an increase in unrealized appreciation of investments of approximately \$12,000 or \$0.001 per share, and an increase in realized gains of approximately \$70,000 or \$0.005 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 for tax purposes were comprised of 68 percent ordinary income, 21 percent qualified dividend income, and 11 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.

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.

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 costs

Offering costs related to the issuance of common stock are charged to additional paid-in capital when the stock is issued.

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 or expiration, 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.

Notes to Financial Statements (unaudited) (continued)

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 North American energy companies, including at least 70 percent of its total assets in equity securities of upstream energy companies. The Company considers a company to be a North American energy company if (i) it is organized under the laws of, or maintains its principal place of business in, North America and (ii) at least 50 percent of its assets, cash flow or revenue is associated with the exploration, development, drilling, completion or production of crude oil, condensate, natural gas and natural gas liquids ("NGLs"), or that provide associated transportation, processing, equipment, storage, and servicing. The Company considers a company to be an upstream energy company if (i) at least 50 percent of its assets, cash flow or revenue is associated with the exploration, development, drilling, completion or production of crude oil, condensate, natural gas and NGLs or (ii) its business is related to energy production or refining as defined by the Standard Industrial Classification ("SIC") system. 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 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, if any) ("Managed Assets"), in exchange for the investment advisory services provided. The Adviser waived fees in an amount equal to an annual rate of 0.15 percent of the

Company's average monthly Managed Assets for the first year following the commencement of operations, and has contractually agreed to waive fees in an amount equal to 0.15 percent of average monthly Managed Assets for the second year following the commencement of operations, 0.10 percent of average monthly Managed Assets for the third year following the commencement of operations and 0.10 percent of average monthly Managed Assets for the fourth year following the commencement of operations.

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 depreciation	\$(15,007,217)
Other temporary differences	(176,248)
Accumulated deficit	<u><u>\$(15,183,465)</u></u>

As of August 31, 2013, the aggregate cost of securities for federal income tax purposes was \$380,083,699. The aggregate gross unrealized appreciation for all securities in which there was an excess of fair value over tax cost was \$58,559,238, the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over fair value was \$7,445,690 and the net unrealized appreciation was \$51,113,548.

Notes to Financial Statements (unaudited) (continued)

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.

Description	Fair Value at August 31, 2013	Level 1	Level 2	Level 3
Assets				
Equity Securities:				
Common Stock ^(a)	\$ 309,738,052	\$ 309,738,052	\$ —	\$ —
Master Limited Partnerships and Related Companies ^(a)	121,416,768	121,416,768	—	—
Total Equity Securities	431,154,820	431,154,820	—	—
Other Securities:				
Short-Term Investment ^(b)	42,427	42,427	—	—
Total Assets	\$ 431,197,247	\$ 431,197,247	\$ —	\$ —
Liabilities				
Written Call Options	\$ 1,335,554	\$ 1,335,554	\$ —	\$ —

- (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 for the period ended 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	26,911	\$ 1,532,136
Options written	246,814	13,676,034
Options closed	(205,825)	(11,687,793)
Options exercised	(11,450)	(473,900)
Options expired	(29,941)	(1,498,481)
Options outstanding at August 31, 2013	26,509	\$ 1,547,996

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	\$ 1,335,554

The following table presents the effect of derivatives on the Statement of Operations for the period from December 1, 2012 through August 31, 2013:

Derivatives not accounted for as hedging instruments under ASC 815	Location of Gains (Losses) on Derivatives	
	Net Realized Gain (Loss) on Options	Net Unrealized Depreciation of Options
Written equity call options	\$ (4,130,535)	\$ (571,329)
Purchased equity call options	10,978	—
Total	\$ (4,119,557)	\$ (571,329)

Notes to Financial Statements (unaudited) (continued)

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 \$129,607,802 and \$142,140,671 (excluding short-term debt securities), respectively.

9. Common stock

The Company has 100,000,000 shares of capital stock authorized and 14,516,071 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	14,504,200
Shares issued through reinvestment of distributions	<u>11,871</u>
Shares at August 31, 2013	<u>14,516,071</u>

10. Credit facility

As of August 31, 2013, the Company has a 270-day rolling evergreen margin loan facility with Bank of America, N.A. The terms of the agreement provide for a \$65,000,000 facility that is secured by certain of the Company's assets. Outstanding balances generally will accrue interest at a variable rate equal to one-month LIBOR plus 0.85 percent and unused portions of the facility generally will accrue a fee equal to an annual rate of 0.25 percent.

The average principal balance and interest rate for the period during which the margin loan facility was utilized during the period from ended August 31, 2013 was approximately \$49,400,000 and 1.05 percent, respectively. At August 31, 2013, the principal balance outstanding was \$48,400,000 at an interest rate of 1.03 percent.

Under the terms of the margin loan 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 margin loan facility.

11. Subsequent events

On September 3, 2013, the Company paid a distribution in the amount of \$0.4375 per common share, for a total of \$6,350,781. Of this total, the dividend reinvestment amounted to \$310,346.

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 has submitted to the New York Stock Exchange the annual certification 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.

Office of the Company and of the Investment Adviser

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Stock Symbol

Listed NYSE Symbol: NDP

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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