

Triloma EIG Energy Income Fund

Form N-Q

September 30, 2017

Triloma



Triloma EIG Energy Income Fund

Investment Portfolio Overview (Unaudited)

The information contained in this section should be read in conjunction with the following attached Schedule of Investments.

The following table summarizes the composition of the Fund's investment portfolio, excluding Short Term Investments, by investment type at fair value and enumerates the percentage, by fair value as of September 30, 2017:

Asset Types	Fair Value	Percentage of Portfolio
Senior Unsecured Debt	\$ 9,623,281	52.9%
Senior Secured Debt	8,539,884	46.9%
Equity/Other	41,674	0.2%

The table below describes investments by industry sub-sectors and enumerates the percentage, by fair value, of the total portfolio assets in such industry sub-sectors, excluding Short Term Investments, as of September 30, 2017:

Sub-Sectors	Fair Value	Percentage of Portfolio
Upstream	\$ 7,322,670	40.2%
Power	3,877,276	21.3%
Midstream	3,640,573	20.0%
Renewables	2,622,877	14.4%
Downstream	741,443	4.1%

The table below describes investments by country and enumerates the percentage, by fair value, of the total portfolio assets in such countries, excluding Short Term Investments, as of September 30, 2017:

Country	Fair Value	Percentage of Portfolio
United States	\$ 16,316,810	89.6%
Congo-Brazzaville	1,023,589	5.6%
Kazakhstan	576,663	3.2%
United Kingdom	287,777	1.6%

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Company	Sub-Sector	Asset Type	Interest Rate	Base Rate Floor	Maturity/ Expiration Date	Principal (a)/Shares	Cost (b)	Fair Value	% of Net Assets
Congo-Brazzaville — 5.7%									
New Age, Ltd. (c)(d)(e)(f)	Upstream	Senior Secured Debt	15.00%	-	06/28/2020	\$841,070	\$823,260	\$981,915	5.5%
		Warrants (g)(h)	N/A%	-	06/28/2026	17,292	20,831	41,674	0.2%
Total Congo-Brazzaville							844,091	1,023,589	5.7%
Kazakhstan — 3.2%									
Tengizchevroil Finance Company International LTD (i)	Upstream	Senior Secured Debt	4.00%	-	08/15/2026	582,000	566,366	576,663	3.2%
Total Kazakhstan							566,366	576,663	3.2%
United Kingdom — 1.6%									
Bioenergy Infrastructure Holdings, Ltd. (c)(d)(e)(j)	Renewables	Senior Secured Debt	L + 7.25%	1.00%	12/22/2022	287,777	286,272	287,777	1.6%
Total United Kingdom							286,272	287,777	1.6%
United States — 90.7%									
AES Corp./VA	Power	Senior Unsecured Debt	6.00%	-	05/15/2026	261,000	263,910	280,575	1.6%
		Senior Unsecured Debt	5.50%	-	03/15/2024	445,000	451,861	464,469	2.6%
Aethon United LP (c)(d)(e)(j)	Upstream	Senior Secured Debt	L + 6.75%	1.00%	09/08/2023	1,306,250	1,267,326	1,286,657	7.1%
AmeriGas Partners LP Fin Corp.	Downstream	Senior Unsecured Debt	5.63%	-	05/20/2024	454,000	458,560	478,403	2.7%
		Senior Unsecured Debt	5.50%	-	05/20/2025	256,000	260,104	263,040	1.5%
Archrock Partners LP/Fin	Midstream	Senior Unsecured Debt	6.00%	-	04/01/2021	279,000	275,047	273,420	1.5%
		Senior Unsecured Debt	6.00%	-	10/01/2022	440,000	440,601	427,900	2.4%
Calpine Corp.	Power	Senior Unsecured Debt	5.75%	-	01/15/2025	766,000	747,695	722,913	4.0%
Concho Resources Inc.	Upstream	Senior Unsecured Debt	4.38%	-	01/15/2025	339,000	346,310	356,798	2.0%
Covanta Holding Corp.	Renewables	Senior Unsecured Debt	5.88%	-	03/01/2024	428,000	422,057	424,790	2.4%
		Senior Unsecured Debt	5.88%	-	07/01/2025	192,000	191,754	188,880	1.1%
Enviva Partners LP Fin Corp. Felix Investments	Renewables	Senior Unsecured Debt	8.50%	-	11/01/2021	872,000	930,143	928,680	5.2%
Holdings (c)(d)(e)(j)	Upstream	Senior Secured Debt	L + 6.50%	1.00%	08/09/2022	1,266,667	1,244,959	1,254,000	7.0%
Genesis Energy L.P.	Midstream	Senior Unsecured Debt	5.63%	-	06/15/2024	743,000	732,914	720,710	3.9%
Holly Energy Partners LP (i)	Midstream	Senior Unsecured Debt	6.00%	-	08/01/2024	583,000	610,415	611,421	3.4%
Matador Resources, Co	Upstream	Senior Unsecured Debt	6.88%	-	04/15/2023	326,000	344,143	345,153	1.9%
Northeast Natural Energy, LLC (c)(d)(e)(j)	Upstream	Senior Secured Debt	L + 8.00%	-	03/02/2022	898,750	887,987	898,750	5.0%
NRG Energy Inc.	Power	Senior Unsecured Debt	6.25%	-	05/01/2024	733,000	730,601	762,319	4.2%
NRG Yield Operating LLC	Renewables	Senior Unsecured Debt	5.38%	-	08/15/2024	755,000	766,271	792,750	4.4%
Panda Hummel (j)	Power	Senior Secured Debt	L + 6.00%	1.00%	10/27/2022	1,800,000	1,686,510	1,647,000	9.1%

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Company	Sub-Sector	Asset Type	Interest Rate	Base Rate Floor	Maturity/Expiration Date	Principal (a)/Shares	Cost (b)	Fair Value	% of Net Assets
United States (continued)									
QEP Resources Inc.	Upstream	Senior Unsecured Debt	6.88%	-	03/01/2021	\$ 127,000	\$ 132,048	\$ 133,668	0.7%
		Senior Unsecured Debt	5.25%	-	05/01/2023	481,000	477,097	467,628	2.6%
RSP Permian Inc. (i)	Upstream	Senior Unsecured Debt	5.25%	-	01/15/2025	709,000	721,826	719,634	4.0%
Sabine Pass Liquefaction	Midstream	Senior Secured Debt	5.63%	-	04/15/2023	1,450,000	1,601,279	1,607,122	8.9%
SM Energy, Co	Upstream	Senior Unsecured Debt	5.00%	-	01/15/2024	276,000	268,027	260,130	1.5%
Total United States							16,259,445	16,316,810	90.7%
Short Term Investments (US) — 25.9%									
Fidelity Institutional Government Portfolio, 0.91% (k)	Short-Term	Money Market	N/A	-		2,326,773	2,326,772	2,326,772	12.9%
Invesco Short Term Investments Trust Government & Agency Portfolio, 0.93% (k)	Short-Term	Money Market	N/A	-		2,326,773	2,326,773	2,326,773	13.0%
Total Short Term Investments							4,653,545	4,653,545	25.9%
Total Investments							\$22,609,719	22,858,384	127.1%
Other Assets and Liabilities								(4,872,022)	(27.1)%
Total Net Assets								\$17,986,362	100.0%
Shares Outstanding								667,661	
Net Asset Value Per Common Share								\$26.94	

Portfolio Composition

ASSET TYPE	
Senior Unsecured Debt	53.5%
Senior Secured Debt	47.5%
Money Market	25.9%
Warrants	0.2%
Other Assets and Liabilities	(27.1)%
	<u>100.0%</u>

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As of September 30, 2017, the Fund's investments were categorized as follows in the fair valuation hierarchy:

Investments in Securities	Level 1 - Quoted Prices	Level 2 - Other Significant Observable Inputs	Level 3 - Significant Unobservable Inputs	Total
Congo-Brazzaville	\$ —	\$ —	\$ 1,023,589	\$ 1,023,589
Kazakhstan	—	576,663	—	576,663
United Kingdom	—	—	287,777	287,777
United States	—	17,530,948	3,439,407	20,970,355
Total Investments in Securities	\$ —	\$ 18,107,611	\$ 4,750,773	\$ 22,858,384

The following is a reconciliation of the investments in which significant unobservable inputs were used in determining value:

Investments in Securities	Beginning Balance at December 31, 2016	Purchases	Sales (l)	Accrued Discounts (Premiums)	Total Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation) (m)	Net Transfers into (out of) Level 3	Ending Balance at September 30, 2017	Net Change in Unrealized Appreciation (Depreciation) on Investments Held at September 30, 2017 (m)
Congo-Brazzaville	\$ —	\$ 841,069	\$ —	\$ 3,022	\$ —	\$ 179,498	\$ —	\$ 1,023,589	\$ 179,498
United Kingdom	—	286,141	—	131	—	1,505	—	287,777	1,505
United States	357,298	3,398,557	(359,511)	1,087	12,751	29,225	—	3,439,407	29,225

The following table summarizes the quantitative inputs and assumptions used for items categorized as recurring Level 3 assets as of September 30, 2017. The following disclosures also include qualitative information on the sensitivity of the fair value measurements to changes in the significant unobservable inputs.

Investments in Securities	Fair Value at September 30, 2017	Valuation Techniques	Unobservable Inputs	Ranges (Average)	Impact to valuation from an increase in input
Congo-Brazzaville	\$1,023,589	Discounted Cash Flow	Discount Rate	10.5% - 13.0% (11.25%)	Decrease
			Contractual Terms	\$1.28 - \$2.30	Increase
United Kingdom	\$287,777	Discounted Cash Flow	Discount Rate	9.90% - 10.10% (10.0%)	Decrease
United States	\$3,439,407	Discounted Cash Flow	Discount Rate	10.33% - 11.33% (10.83%)	Decrease
		Cost	Contractual Terms	98.50%	Increase
		Cost	Contractual Terms	99.00%	Increase

The unobservable inputs used to determine fair value of recurring Level 3 assets may have similar or diverging impacts on valuation. Significant increases and decreases in these inputs in isolation and interrelationships between those inputs could result in significantly higher or lower fair value measurement.

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(a) Denominated in U.S. Dollars, unless otherwise noted.

(b) Cost represents amortized cost for debt securities, cost plus capitalized payment-in-kind distributions on the debt securities and cost for all other types of investments.

(c) Securities are categorized as Level 3 securities under the fair valuation hierarchy. The total value of Level 3 securities is 26.4% of the Fund's Net Assets.

(d) Fair valued as determined in good faith in accordance with procedures established by the Board. At September 30, 2017, total aggregate fair valued investments are \$4,750,773, representing 26.4% of the Fund's net assets.

(e) Restricted securities held by the Fund as of September 30, 2017 are as follows:

Country	Company	Acquisition Date	Acquisition Cost	Value	Value as Percentage of Net Assets
Congo-Brazzaville	New Age, Ltd.	1/20/2017	\$799,502	\$1,023,589	5.7%
United Kingdom	Bioenergy Infrastructure Holdings, Ltd.	2/16/2017	163,636	287,777	1.6%
United States	Aethon United LP	9/8/2017	1,286,656	1,286,657	7.1%
United States	Felix Investments Holdings	8/9/2017	1,254,000	1,254,000	7.0%
United States	Northeast Natural Energy, LLC	3/2/2017	618,750	898,750	5.0%
			<u>\$4,122,544</u>	<u>\$4,750,773</u>	<u>26.4%</u>

(f) Payment-In-Kind. Income may be received in additional securities and/or cash. Rates are the Current Rate and possible payment rates, as of September 30, 2017.

Country	Company	Cash Rate	Payment In-Kind Rate
Congo-Brazzaville	New Age, Ltd.	10.00%	5.00%

(g) Non income producing.

(h) Warrants have exercise price of \$4.00.

(i) Security exempt from registration under Regulation S of the Securities Act of 1933, which exempts from registration securities offered and sold outside the United States. Security may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933. At September 30, 2017, the value of the Regulation S securities is \$1,907,718, representing 10.6% of the Fund's net assets.

(j) The interest rate on these senior secured debt holdings are subject to a base lending rate plus a spread. As of September 30, 2017, the rates are as follows:

Country	Company	Reference Rate	Current Rate
United Kingdom	Bioenergy Infrastructure Holdings, Ltd.	3 month Libor + 7.25%	8.57%
United States	Aethon United LP	3 month Libor + 6.75%	7.98%
United States	Felix Investments Holdings	3 month Libor + 6.50%	7.81%
United States	Northeast Natural Energy, LLC	3 month Libor + 8.00%	9.32%
United States	Panda Hummel	3 month Libor + 6.00%	7.23%

(k) Rates disclosed reflect the 1-day yield at September 29, 2017.

(l) Sales include all sales of securities, maturities, paydowns and securities tendered in corporate actions.

(m) Any difference between net change in unrealized appreciation/(depreciation) on investments held at September 30, 2017, may be due to an investment no longer held as a Level 3 or transferred into/out of Level 3.

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Notes to the Schedule of Investments
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Securities Valuation

Processes and Structure

Securities listed on a securities exchange, market or automated quotation system for which quotations are readily available, including securities traded over the counter, are valued at the last quoted sale price on the primary exchange or market (foreign or domestic) on which they are traded, or, if there is no such reported sale, at the most recent quoted bid price. Values of debt securities are generally reported at the last sales price if the security is actively traded. If a debt security is not actively traded it is valued at an evaluated bid price by employing methodologies that utilize actual market transactions, broker-supplied valuations, or other methodologies designed to identify the market value for such securities. Debt obligations with remaining maturities of sixty days or less for which market quotations are not readily available may be valued at their amortized cost, provided such amount approximates market value.

Securities for which market prices are not “readily available” are valued in accordance with fair value procedures established by the Triloma EIG Energy Income Fund’s (“Fund”) Board of Trustees (“Board”). The Fund’s fair value procedures are implemented by the advisor, Triloma Energy Advisors, LLC (“Advisor”) as designated by the Board. Factors considered in determining valuation may include using information obtained by contacting the issuer or analysts, analysis of the issuer’s financial statements and, if necessary, information concerning other securities in similar circumstances. When a security is valued in accordance with the fair value procedures, the Advisor will determine the value after taking into consideration relevant information reasonably available to the Advisor.

Hierarchy of Fair Value Inputs

In accordance with the authoritative guidance on fair value measurements and disclosure under U.S. generally accepted accounting principles (“GAAP”), the Fund discloses fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- Level 1 — Unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities that the Fund has the ability to access at the measurement date;
- Level 2 — Other significant observable inputs, which may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, referenced indices, quoted prices in inactive markets, adjusted quoted prices in inactive markets, etc.; and
- Level 3 — Unobservable inputs, which may include management’s own assumptions in determining the fair value of investments. Factors considered in making this determination may include, but are not limited to, information obtained by contacting the sub-adviser, issuer, analysts, or the appropriate stock exchange (for exchange-traded securities), analysis of the issuer’s financial statements or other available documents and, if necessary, available information concerning other securities in similar circumstances.

Investments are classified within the level of the lowest significant input considered in determining fair value. Investments classified within Level 3 whose fair value measurement considers several inputs may include Level 1 or Level 2 inputs as components of the overall fair value measurement.

All transfers, if any, are recognized by the Fund at the end of each period. For details of the investment classifications, refer to the Schedule of Investments for the Fund.

During the period ended September 30, 2017, there have been no significant changes to the Fund’s fair value methodologies.

Fair Value Measurements

Descriptions of the valuation techniques applied to the Fund’s significant categories of assets and liabilities measured at fair value on a recurring basis are as follows:

Corporate bonds: The fair value of corporate bonds is estimated using various techniques, which consider recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), bond spreads, fundamental data relating to the issuer, and credit default swap spreads adjusted for any basis difference between cash and derivative instruments. While most corporate bonds are categorized in Level 2 of the fair value hierarchy, in instances where lower relative weight is placed on transaction prices, quotations, or similar observable inputs, they are categorized in Level 3.

Money Market: As permitted by compliance with certain conditions under Rule 2a-7 of the 1940 Act, securities are valued at amortized cost which approximates fair value. Government Money Market Funds value all security positions using amortized cost, which approximates fair value. To the extent the inputs are observable and timely, the values are generally categorized in Level 2 of the fair value hierarchy, or Level 3 if inputs are unobservable.

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Warrants and Rights: Warrants and Rights which are listed on major securities exchanges are valued at their last reported sales price as of the valuation date or, if there is no reported sale price, at the midpoint of the most recent quoted bid and ask prices at the close of business. Depending on the frequency of trading, listed warrants and rights are generally classified as Level 1 or 2 of the fair value hierarchy. Warrants and Rights which are not listed on major securities exchanges are fair valued by the Valuation Committee and are classified as Level 3.