

FUND COMMENTARY	PORTLAND GLOBAL ENERGY EFFICIENCY AND RENEWABLE ENERGY FUND LP	
PORTFOLIO MANAGEMENT TEAM	Christopher Wain-Lowe, BA, MBA Executive Vice President and Portfolio Manager	Dragos Berbecel, MBA, CFA Portfolio Manager

## Fund Commentary (as at September 30, 2014)

### OVERVIEW

The investment objectives of Portland Global Energy Efficiency and Renewable Energy Fund LP the (“Partnership”) are to provide income and above average long-term returns by investing primarily in the B units of Global Energy Efficiency and Renewable Energy Fund (“GEEREF”), advised by the European Investment Fund (“EIF”) and sub-advised by the European Investment Bank (“EIB”).

#### To achieve the investment objectives:

The Partnership intends primarily to invest in the B units of GEEREF, a private equity and infrastructure fund of funds, investing in Regional Funds, providing equity or quasi equity primarily for energy efficiency and renewable energy projects in developing countries and economies in transition. The B units feature a preferred return mechanism and faster return of capital over the A shares currently held by public sponsors: Germany, Norway, and the EIF (on behalf of the European Commission representing the European Union).

When the Partnership subscribes for the B units of GEEREF, it is required to commit to investing a fixed amount of capital to GEEREF over time. Pending the full investment of the Partnership’s commitments, which may take several months or years, the Partnership may invest in a variety of other investments, including income producing private and public debt and equity securities, either directly or indirectly through other funds.

The Manager may hedge part or all of the Partnership’s non-Canadian dollar exposure back to the Canadian dollar from time to time.

### FUND UPDATE

On December 17, 2013, the Partnership made a conditional commitment to invest €3,200,000 in B Units of GEEREF. The conditions were fulfilled and so the commitment became effective February 20, 2014. Shortly thereafter, the Partnership fulfilled its first subscription for 64.421 B units at a value of €10,000 each.

On September 10, 2014, the Partnership made a conditional commitment to invest €2,500,000 in B Units of GEEREF. The conditions were fulfilled and so the commitment became effective September 30, 2014. Shortly thereafter, the Partnership fulfilled the additional subscription towards its first commitment together with the subscription for the second commitment, for another 74.816 B units at a value of €10,000 each. The Partnership has in total fulfilled subscriptions for 139.237 B Units.

The Partnership’s Net Asset Value (NAV) per unit as of September 30, 2014 was \$53.25 for Series A and Series F Units, respectively.

It is understood that GEEREF will close its offer of B Units by February 25, 2015 and thereafter focus entirely on the allocation of the investments.

GEEREF’s objective is to invest in Regional Funds (as defined in the Partnership’s Offering Memorandum) that invest their assets in projects and companies involved in energy efficiency and renewable energy which enhance access to clean energy in developing countries and economies in transition. As of June 30, 2014, GEEREF had committed to invest approximately €65 million in six Regional Funds (details below) and €9 million conditional agreement with a seventh. The latest available information from the portfolios of each of the six Regional Funds, shows a total of 29 investments are underway. One of these investments has already been successfully divested at a gross internal rate of return of 25% and a multiple of approximately 1.8x invested capital.

The seventh Regional Fund is now expected to be the Visum Small Hydro power Fund – a fund focusing exclusively on small hydro projects (SHPs) in Ukraine. The SHPs which will be developed are close to the border with Romania and some 2,000 km away from the zone of conflict. We share GEEREF’s view that the economic and political value of domestically produced power has been increasing in Ukraine as a result of the conflict with Russia. GEEREF has therefore entered into the final phase of negotiations to lift the remaining conditions to its €9 million commitment.

The Partnership also holds a modest position in Portland Private Income Fund (“PPI”), pending further subscription payments for the B units of GEEREF. PPI’s investment objective is to preserve capital and provide income and above average long term returns by investing primarily in a portfolio of private debt securities, currently consisting primarily of mortgages across Ontario but excluding the condo market in Toronto.

## RECENT DEVELOPMENTS

In May, the 2014 PCMA Private Capital Markets Annual Conference entitled “Spotlight on the Private Capital Markets & Capital Raising Opportunities” announced the winners of the 2014 PCMA Awards – Private Capital Markets Deals of the Year. The nominees were evaluated based on their leadership in the industry, their contribution to the deal, innovative market, product or investment opportunities created and the benefits of the deal for the issuer and for investors. The award selection committee was comprised of independent members of the PCMA Board of Directors.

The Portland Global Energy Efficiency and Renewable Energy Fund LP was announced as the ‘Investment Fund Deal of the Year’. The Partnership provides investors a unique opportunity to invest alongside supranational institutions and sovereign states in a renewable energy investment strategy.

This Partnership has extended its availability and the Partnership will remain open to accept new subscriptions until November 30, 2015. However, the current ability to subscribe includes reliance on exemptions from the prospectus requirements of applicable securities laws, and the ability to purchase under the ‘offering memorandum exemption’ will cease on January 1, 2015. Following January 1, 2015, the extended availability of the Partnership is only available for purchase by ‘accredited investors’ or portfolio manager licensed financial advisors in all Provinces except Ontario. ‘Offering memorandum exemption’ and ‘accredited investors’ is referenced within the meaning of applicable laws and is explained in the offering memorandum and in the subscription agreement of the Partnership.

The Partnership is not considered a ‘reporting issuer’ under applicable securities laws and continuous reporting requirements under those laws do not apply to the Partnership. As noted in the offering memorandum, the Manager prepares financial statements once a year. The Manager has decided to move the reporting date from September 30 to December 31 to align it with the year end for tax purposes, which means a further financial statement will be prepared for December 31, 2014.

## MARKET OVERVIEW

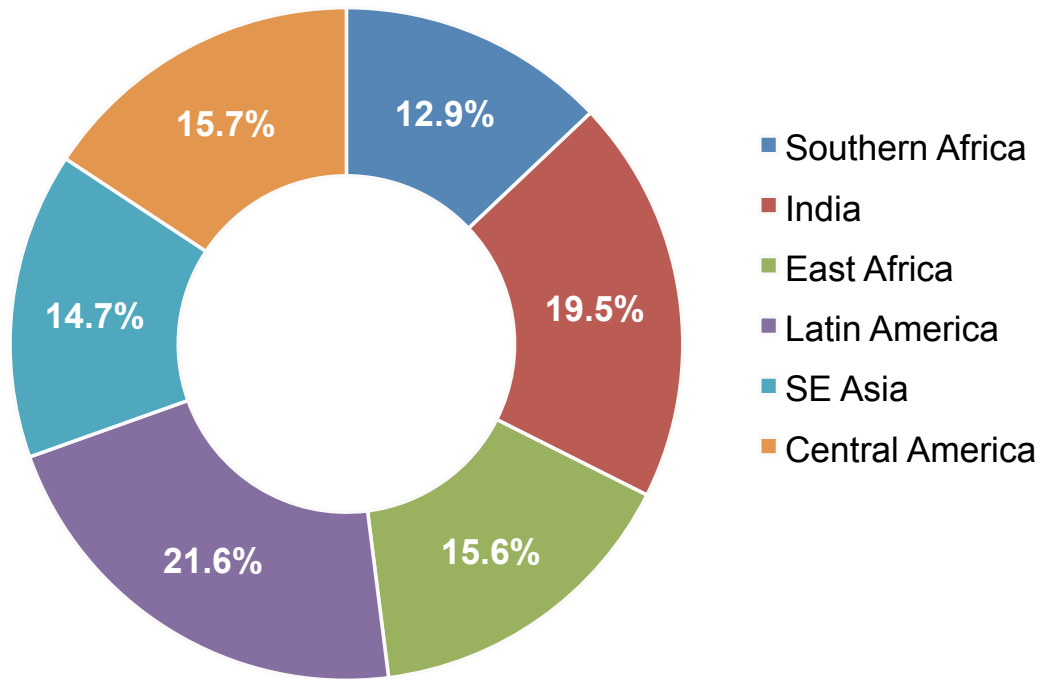
The economics of renewable energy generation are evolving differently in developed countries and developing ones. While the subsidies in the US, EU and other developed countries are being reassessed due to their high cost, the overall market in the renewable energy (“RE”) and energy efficiency (“EE”) sectors in developing countries is in fact benefitting from an increasingly cheaper supply of RE technologies and strong competition between technology providers. Multinational development banks, government backed financial institutions and strategic investors continue to provide financing for the development of energy generation assets in politically stable and fast-growing developing countries.

GEEREF continues to attract a solid number of investment proposals from those targeted regions. GEEREF’s pipeline shows in terms of geography, a balanced pipeline of projects located in Asia, Africa, and Latin America. In particular the number and quality of African proposals has picked up and also the number of Latin American fund projects is increasing. This reflects the state of economic development, policy stimulation and market growth of those regions, as well as a growing pool of professionals experienced in both fund management and in renewable energy and energy efficiency sectors. A majority of pipeline projects have been sourced through personal contacts and sector networks. During the first half of 2014, GEEREF conducted two positive due diligence exercises on a solar vehicle, based in India and on a Georgia small hydro opportunity.

Based on the current deal-flow, the GEEREF team is confident that the GEEREF Fund can be fully deployed at the current commitment level within the GEEREF investment period (end 2016). The current pipeline, which includes upcoming second funds of GEEREF’s early investees (Renewable Energy Asia Fund and Evolution One), provides assurance that new capital raised can be deployed at a good pace.

**GEEREF'S GEOGRAPHIC FOCUS**  
AS OF DECEMBER 31, 2013

Geographic Split of GEEREF Regional Fund Commitments



## REGIONAL FUNDS

**ARMSTRONG SOUTH EAST ASIA CLEAN ENERGY FUND**

**GEEREF Has Committed €10.0 Million To The Armstrong S.E. Asia Clean Energy Fund, Managed By Armstrong Asset Management**

Armstrong is a private equity fund that invests in small-scale renewable energy and resource efficiency projects in Southeast Asia, focusing particularly on Thailand, Philippines, Indonesia and Vietnam. This strategy is driven by the high energy demand and strong market fundamentals in the region.

The investment strategy is based on a market demand supported by strong economic fundamentals; a commitment to positive social and environmental impact; risk minimisation through a portfolio of small-scale projects; no technology risk; the ability to generate early cash flows; positive entry valuations due to lack of investor competition; competitive advantage as a result of the team's local operating experience; and a clear exit strategy.

You can read more about Armstrong South East Asia Clean Energy Fund by visiting its website: [www.armstrongam.com](http://www.armstrongam.com)

**DI FRONTIER**

**GEEREF Has Committed €10.0 Million To The Di Frontier Market Energy & Carbon Fund, Managed By Frontier Investment Management**

DI is a private equity fund providing equity financing to small-scale renewable energy (wind, solar and solar heating, hydro, biomass, waste to energy, geothermal), fuel switch and energy efficiency projects in Sub-Saharan Africa with a focus on Eastern and Southern Africa, particularly Kenya, Rwanda, South Africa, Tanzania and Uganda.

DI may participate actively in the development of projects from a very early stage but it is also open to investments in mature projects. Projects may be standalone such as wind farms or captive such as bagasse based power generation at sugar factories.

You can read more about DI Frontier by visiting its website: [www.frontier.dk](http://www.frontier.dk)

**EMERGING ENERGY LATIN AMERICA FUND II**

**GEEREF Has Committed €12.5 Million To The Emerging Energy Latin America Fund II, Managed By Emerging Energy And Environment**

EELAF II is a private equity fund providing equity financing to renewable energy infrastructure in Latin America, principally in the high growth economies of Brazil, Mexico, Peru, Chile, and Colombia. The fund will mainly invest in companies within the energy related sectors of hydroelectricity, wind power generation, and solar energy.

EELAF II will also invest in regional mid-market companies that provide support and energy services to the renewable and energy efficient sectors using market proven technologies.

You can read more about Emerging Energy Latin America Fund II by visiting its website: [www.emergingenergy.com](http://www.emergingenergy.com)



**GEEREF Has Committed €10.0 Million To The Evolution One Fund, Managed By Inspired Evolution**

Evolution One is a private equity fund providing equity financing to projects on the clean energy and clean technologies sectors in the Southern African Development Community.

It focuses on the following eight sectors and sub-sectors: cleaner energy generation and energy efficiency; cleaner production technologies and processes; air quality and emissions control; water quality and management; waste management; agribusiness and forestry; natural products, organics and natural health; sustainable buildings and environmental real estate.

Evolution One makes early stage, expansion and development stage, and later stage or mature equity and equity-related investments primarily for control or significant minority positions in market-leading growth businesses.

You can read more about Evolution One by visiting its website: [www.inspiredevolution.co.za](http://www.inspiredevolution.co.za)

**MGM SUSTAINABLE ENERGY FUND****GEEREF Has Committed €10.0 Million To The MGM Sustainable Energy Fund, Managed By MGM Innova Capital Llc**

MSEF is a private equity fund providing equity and mezzanine financing to projects in the demand-side energy efficiency and renewable energy sectors in Colombia, Mexico, Central America and the Caribbean region.

The fund will seek to invest 70% of committed capital in energy efficiency (residential sector: consumer financing for green appliances; commercial sector: hotels, hospitals, other large buildings; municipal sector: street lighting); and 30% in renewable energy (proven technologies including hydro expansion/rehabilitation, solar and wind).

You can read more about MGM Sustainable Energy Fund by visiting its website: [www.mgminnovacap.com](http://www.mgminnovacap.com)

**RENEWABLE ENERGY ASIA FUND****Geeref Has Committed €12.5 Million To The Renewable Energy Asia Fund, Managed By Berkeley Partners LLP**

REAF is a private equity fund providing equity financing to small hydro, wind, geothermal, solar, landfill gas and biomass projects in South and South East Asia.

REAF targets markets and assets where value is supported by maturing and expanding local renewable energy legislation, deregulation of the electricity sector, and demographic and commercial drivers under-pinning future demand growth for power. To date, REAF's investment activity has focused on the substantial opportunity available in the Indian and Philippines markets, with interest to consider opportunities across the region in countries such as Bangladesh, Sri Lanka, Indonesia, Thailand, Vietnam and Malaysia.

REAF seeks investment opportunities into post-permitted assets and project developers.

You can read more about Renewable Energy Asia Fund by visiting its website: [www.berkeley-energy.com](http://www.berkeley-energy.com)

## SAMPLE OF CURRENT PROJECTS UNDERWAY

### RED CAP INVESTMENT – ON-SHORE WIND

THE PROJECT IS ONE OF EVOLUTION ONE FUND INVESTMENTS

Description	Location	Size
<p><b>Renewable Energy Type: Onshore Wind</b></p>	<p>The project site is located approximately 70km to the south west of Port Elizabeth, in the Kouga Municipality in the Eastern Cape of South Africa.</p>	<p>Kouga Wind Farm ('KWF', the project company) is a 80MW wind farm generation capacity project.</p>

#### The Investment

The development process for this onshore wind farm began in 2009 with Evolution One providing support in 2010 to help get the investigatory work completed. A fully-permitted wind farm together with the required funding was finalized in November 2012 with the preliminary wind turbine layout and design already underway from mid 2011. The total cost of the project was about ZAR 2 billion (ZAR is South African Rand) of which the equity component was about 20% with Evolution One providing about one quarter, ZAR 98 million, of that equity. The estimated payback of the equity component is 5 years with the debt ( provided by Standard Bank and Nedbank – two of South Africa’s largest banks) being repaid over 15 years aligned with the long term power purchase agreement (PPA). The PPA initial price is ZAR 1.15 per kilowatt hour and is fully indexed to the South African Consumer Price Index, annually.



#### Impact

KWF, as a key part of its commitment to the socio-economic development of the local communities living in close proximity to the proposed wind farm, is establishing the Kouga Wind Farm Community Development Trust (“Trust”). With the backing of the Industrial Development Corporation, the Trust will acquire a 26% shareholding in KWF, which will allow profit distributions made by KWF to accrue to the Trust and become available for investment in socio-economic and enterprise development projects for the benefit of local previously disadvantaged communities. The community is defined as black communities residing within the immediate proximity of the wind farm site within specific co-ordinates given in the Trust deed.



## RUSTMO 1 SOLAR PARK INVESTMENT

THE PROJECT IS ONE OF EVOLUTION ONE FUND INVESTMENTS

Description	Location	Size
<b>Renewable Energy Type:</b> <b>Solar PV ( photo-voltaic)</b>	RustMo1 Solar Farm is a solar photovoltaic power generation facility located at Buffelspoort, which is 22 kilometres outside the city of Rustenburg in the North West Province of South Africa. This is the first renewable energy project in the North West Province.	A 7 Mega Watt Solar Park.

### The Investment

The development process for the solar park began in 2010 with Evolution One providing support in 2012 to help get the investigatory work completed. A fully-permitted solar farm together with the required funding was finalized in November 2012 with the preliminary photovoltaic layout and electrical design already underway from mid 2011. The project includes the installation of 11 inverters and 29 808 photovoltaic solar modules, with a step up transformer to connect to the 88kV substation. The engineering contractor for the project is the Juwi Holding AG, a leading German developer for renewable energy projects. The farm is expected to produce 244 643 MWh of energy over the 20 year contract period via a power purchase agreement to supply power to the South African public utility Eskom grid and national grid infrastructure.

The Industrial Development Corporation (IDC) has funded this project in terms of Broad Based BEE (Black Economic Empowerment) equity funding. Equity has been provided in the form of preferential share funding for the BEE participation and local community share participation in the project. The equity component was about 30% with Evolution One providing, ZAR (South African Rand) 40 million, of that equity. The estimated payback of the equity component is 6 years with the debt ( provided by IDC and Nedbank –one of South Africa’s largest banks) being repaid over 15 years aligned with the 20 year long term power purchase agreement (PPA). The PPA initial price is ZAR 2.85 per kilowatt hour and is fully indexed to the South African Consumer Price Index, annually.

### Impact

Momentous Energy, a South African black-owned development company, was awarded the RustMo1 Solar Farm project by the South African Department of Energy, in December 2011.

The shareholders of the project include the Momentous Foundation Community Trust, Momentous Solar Farm, Momentous Technologies and Evolution One Fund. The plant creates much needed employment in the Rustenburg area and will also contribute to social development in the community. Up to 80% of the employees of the project will be recruited from local areas. The Momentous Foundation Community Trust has been set up to own a 17% share of RustMo1 Solar Farm. The beneficiaries of the Trust are the local communities of Lapologang and Tsakane. The disbursements from the income to Momentous Foundation will be utilised strictly to bolster the economic development of the local areas. Additionally, more than 1% of annual revenue will be spent on local socio-economic development. A partnership with the local College has also been forged, where RustMo1 Solar Farm will sponsor students at the college in Rustenburg.



Cyrille Arnould Head of GEEREF with a member of the Rustmo team



**SLIMSUN SOLAR PARK INVESTMENT – SOLAR PV (PHOTO-VOLTAIC)**

THE PROJECT IS ONE OF **EVOLUTION ONE FUND** INVESTMENTS

Description	Location	Size
<b>Renewable Energy Type: Solar PV (photo-voltaic)</b>	The project site is located approximately 25km to the north-west of Malmesbury in the Swartland Region of the Western Cape of South Africa.	SlimSun (Pty) Ltd (the project company) is proposing to develop 22 mega watts (MW) of already permitted solar PV assets, initially 5MW

**The Investment**

Franco Afrique Technologies and Evolution One are jointly developing the project which can effectively be split into the development phase (SSP development company) and the commercial operating asset phase (SlimSun project company). Inspired Evolution, the manager of the Evolution One Fund, initially invested ZAR (South African Rand) 1.07m to help develop the project and allocated an additional ZAR3.85m in order to bring the project to its financial close (this includes project costs, success fees and bid bonds). The total project cost (SlimSun) is ZAR187.7m of which Inspired Evolution will contribute ZAR15.017m. Juwi Holding AG (a leading German solar PV developer) is providing the engineering, procurement and construction for the project.



**Impact**

20% shareholding in the project company has been ring-fenced for a Broad Based Black Economic Empowerment (BBBEE) Community Trust called the Darling Trust. The overall objective of establishing the Community Trust is to promote the participation of local communities to acquire an equity stake in the proposed PV Project. It is envisaged that the equity stake will be for the benefit of identified local communities residing within the defined area. The stake will benefit poor local communities that lack adequate infrastructure and are faced with myriad socio-economic challenges. The Community Trust will be the vehicle used to invest the returns to address identified and prioritised socio-economic needs with a view to improve the socio-economic livelihoods of the communities surrounding Swartland Solar Park.

*Sources:*

*http://geeref.com, European Investment Bank, GEEREF Investors Quarterly Report, 31 March 2014, GEEREF Information Memorandums, June 2013 and June 2014.*

*African Development Bank Group, Boosting African Green Growth – “AfDB Invests USD 25 million and mobilizes USD 39.5 million in Africa Renewable Energy Fund”, November 13, 2013.*