

# GUINNESS

ASSET MANAGEMENT LTD

## PRESS RELEASE

### **“Guinness launches Renewable Energy EIS Fund 2”**

18 October 2011 - Guinness Asset Management has launched the Guinness Renewable Energy EIS Fund 2 to make follow-on investments in EIS qualifying companies that have already received investment from the Guinness Renewable Energy EIS Fund (“Fund 1”).

The Investee Companies will primarily develop, install, own and operate roof-mounted solar PV projects in the UK.

Returns from these opportunities have improved over 2011: EIS income tax relief has risen from 20% to 30%, solar panel prices have fallen by an estimated 35% and the Feed-in Tariffs have increased by 4.8%.

The ability to take advantage of this opportunity only exists until April 2012, when wind and solar Feed-in Tariff projects will become excluded for EIS investors and the Feed-in Tariff for new projects is expected to fall.

#### **Improved solar investment opportunity**

The investment case for investing in solar PV projects that qualify for EIS relief has strengthened over the year. Most importantly, the largest input cost – the cost of solar panels – has fallen by an estimated 35% during 2011.

The imposition of the April 2012 deadline has increased the importance of being able to construct projects in a short timeframe. Solar projects can be installed faster than wind, hydro or anaerobic digestion projects.

As a result, there is an abundance of attractive opportunities to invest in roof mounted solar projects on residential and small commercial sites.

#### **Follow-on fund**

The Guinness Renewable Energy EIS Fund 2 will make follow-on investments in Fund 1 Investee Companies and other opportunities from Fund 1’s investment pipeline.

Fund 1 has agreed terms on three investments into companies that will develop, install, own and operate residential and commercial roof-mounted solar PV projects in the UK. Based on conservative assumptions these would deliver 12% to 14% per annum returns to investors after fees and tax benefits. Each of the companies has a pipeline of additional

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projects which would be supported by investment from the Guinness Renewable Energy EIS Fund 2.

By investing in the same companies as Fund 1, the Guinness Renewable Energy EIS Fund 2 will benefit from shared transaction costs and fast deployment of capital. Once Fund 1 is fully invested, the Investment Manager will be able to deploy the Guinness Renewable Energy EIS Fund 2 into the Investee Companies that are delivering projects with the most attractive returns and that are hitting deployment milestones.

### **Finite window of opportunity**

Feed-in Tariffs guarantee a minimum inflation-linked price for electricity generated by qualifying solar, wind, hydro and anaerobic digestion projects for 20-25 years. Solar and wind will be excluded from further EIS investment after 5 April 2012. Feed-in Tariffs are under review and new lower tariffs are expected from April 2012.

There is, therefore, a finite window to make EIS investments at current Feed-in Tariff rates that will expire in April 2012.

### **Strong team**

The Fund will be managed by Shane Gallwey, Tom Hill-Norton and Edward Guinness who bring extensive EIS, private equity and renewable energy experience. They are supported by Matthew Page, and an Investment Committee that includes Tim Guinness, Andrew Martin Smith and Lord Flight.

### **Dedicated fundraise**

The Guinness Renewable Energy EIS Fund 2 is targeting a limited fundraise of £2.5 million to take advantage of our identified investment opportunities. There is a short deadline to invest in the Fund – the closing date is 30 November 2011.

There is no minimum amount that this fund needs to reach to close. The investment team reserve the right to increase this maximum but will only do so if they are highly confident that any additional capital can be invested effectively by the April 2012 deadline.

Shane Gallwey, Fund Manager said:

“Renewable energy companies that generate electricity under the Feed-in Tariff regime have great visibility of revenues. Combining this with the enhanced tax benefits available to EIS qualifying companies has created an excellent investment opportunity, but only for a very short period of time. We have a first rate team and are ready to make investments soon after the Fund closes.”

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### Notes to Editors

#### Background

##### Feed-in Tariffs

Under the Feed-in Tariff programme, qualifying renewable energy projects will receive a guaranteed price for electricity they produce.

Key characteristics of the Feed-in Tariffs:

- Long Timeframe: Tariff levels are fixed for 25 years for solar PV and 20 years for hydro and wind, giving a high degree of visibility to the revenue streams of Investee Companies.
- Inflation Linked: Tariff levels are index linked to the Retail Price Index, insulating them from inflation as measured by that Index.
- Small Scale: Eligible projects are up to 5MW installed capacity.
- Specific Technologies: solar photovoltaic (Solar PV), wind, hydro-electric, anaerobic digestion, and micro combined heat and power (microCHP).

Smaller projects benefit from higher tariffs for each kilowatt hour kWh generated and all projects receive the same minimum tariff for each kWh exported to the grid.

##### Enterprise Investment Scheme ("EIS")

The EIS benefits for investors are well documented, and include:-

- 30% Income Tax Relief
- No Capital Gains Tax
- CGT Deferral Relief
- No Inheritance Tax
- Loss relief

#### Structure

- Target Fund Size: £2.5 million

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- Minimum Individual Investment: £10,000
- Closing Date: 30 November 2011
- Expected Life of Fund: 4 - 5 years

### **Biographies**

#### **Shane Gallwey**

Shane Gallwey heads up Guinness Asset Management's EIS franchise. He has, over the last twelve years, launched, advised, invested in and sold a multitude of EIS businesses. Most recently working as a director of Northland Capital Partners, where his key focus is advising growth companies on capital structuring, with an emphasis on tax efficient funding through EIS and VCT for a range of small to mid size technology and alternative energy companies.

From 2002 to 2006 Shane was based in Gibraltar with Trafalgar Financial Futures. Previously, he spent six years at HSBC Investment Bank, where he worked in both Specialised Finance and Corporate Finance, with a focus on advising growth companies.

Shane holds an MA from the University of Edinburgh, and is a CFA Charterholder.

#### **Tom Hill-Norton**

Tom has spent the last three and a half years originating, executing and managing private equity investments in clean energy and emission reduction projects in emerging markets.

Tom's background is in corporate finance (four years working for Robert Fleming & Co and Fredericks Michael and Co in Lima, London and New York) and strategy consulting (two and a half years working for the Boston Consulting Group as a corporate finance and private equity specialist). Tom has an MA (Hons) from The University of Edinburgh and an MBA from INSEAD.

#### **Edward Guinness**

Edward Guinness is co-manager of the Guinness Alternative Energy Fund, having joined Guinness in January 2006.

Prior to joining Guinness Asset Management, Edward worked from 2003 as a merger arbitrage analyst for the Arbitrage Associates Fund at the Tiedemann Investment Group in

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New York. In 1998 he joined HSBC Investment Bank, where he worked in the Corporate Finance Department in the Energy & Utilities Team and in the Telecoms & Technology Team.

Edward Graduated from Cambridge University with a Master's degree in Engineering and Management Studies.

### **Tim Guinness**

As founder and Chief Investment Officer of Guinness Atkinson Funds in the US and of Guinness Asset Management in the UK, Tim Guinness is a logic-based value investor with nearly 35 years of experience.

From 1999 to November 2002, he was Joint Chairman of Guinness Flight Global Asset Management Ltd. (which merged with Investec in 1998), and was the CEO from 1997 to 1999.

Tim graduated from Cambridge University with a degree in engineering. He then completed a Master's Degree in Management Science at the Sloan School M.I.T. in the United States.

### **Andrew Martin Smith**

Andrew Martin Smith began his career at Hambros Bank in 1975 as a graduate from Oxford University. He has over 30 years' experience in the financial services industry and currently works on private equity related matters with Guinness Asset Management. He is Chairman of Parmenion Capital Management and a Director of other investment related companies including Church House Trust PLC, Runciman Investments, and Atlantis Japan Growth and M&G High Income investment trusts.

Andrew has spent the last 15 years specifically involved in the fund management industry firstly as Chief Executive of Hambros Fund Management. He joined Berkshire Capital Securities after Hambros' successor fund management interests were acquired by Investec.

### **Lord Flight**

Lord Flight was the co-founder of Guinness Flight, a highly successful Fund manager which merged with Investec in 1998. From 1997 to 2005 he served as a member of

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parliament and as a member of the Conservative opposition shadow treasury team. He is currently the director of businesses with over £10bn of funds under management.

Lord Flight is Chairman of the EIS Association and a director of Flight and Partners, which manages the Flight & Partners Recovery EIS Fund.

### **Matthew Page**

Matthew Page, CFA, joined Guinness Asset Management in 2005 and is the co-manager of the Guinness Alternative Energy Fund.

Prior to starting at Guinness, Matthew joined Goldman Sachs on the graduate scheme in 2004 working in Foreign Exchange and Fixed Income.

Matthew graduated from New College, University of Oxford with a Master's Degree in Physics. He holds an Investment Managers Certificate and is a CFA Charterholder.

### **Guinness Asset Management**

Guinness Asset Management are specialists in energy investment, and so are ideally placed to capitalise on this opportunity. Founded in 2002, the firm is the investment manager of the Guinness Global Energy Fund and the Guinness Alternative Energy Fund. The team are recognised as being leaders in their field. Together with its US affiliate, Guinness Atkinson Asset Management Inc, the investment team manages over US\$800 million.

Guinness Asset Management is authorised and regulated by the Financial Services Authority. Guinness Atkinson Asset Management is authorised and regulated by the SEC.