ECOS NEWS

CONTENT

EDITORIAL

Welcome to the latest edition of ECOS News

According to Business News Americas, the list of energy related activities in Latin America is impressive: currently there are 127 mid to large scale energy projects being carried out in the region, out of which 45 are hydro-electric (mostly in Brazil, Chile, Peru and Colombia; does not include micro hydro projects), 23 are wind parks (mostly in Brazil, Chile, Mexico, Argentina and Uruguay), 7 are geothermal projects, 2 are biomass related (there are much more biomass related projects at smaller scale), and already 6 solar farms are being commissioned (mostly in Chile and some in Peru), which is underlining the gaining acceptance of solar as an important element of any markets' energy mix. 9 projects are related to transmission lines, which is a sign that sooner or later the issue of smart grids will become part also of Latin America's energy agenda.

Sure, there are currently also 33 thermo-electrical and even 2 nuclear projects being implemented, but the fact that the overwhelming majority of energy related projects in Latin America is based on renewable energy sources, is noteworthy and shows the ever increasing commitment of the region with a cleaner energy mix, logical both from the point of view of energy security and the one of taking advantage of the abundance of wind, sun, water and volcanoes in the continent.

Investing in renewable energy related projects continues to be promising, even if in some countries (particularly in Brazil) power prices reached at the local tenders fell to levels that would result for financial or strategic investors alike in returns that are below their expectations. On one hand it is healthy that the investor crowd with a focus on renewables has started to accept lower return perspectives than the ones claimed for during the hype a few years ago; on the other the risk taken as an equity investor continues needing to be rewarded with acceptable and realistic returns, which is now the case in most markets of the region.

Such more realistic return expectations gain even more importance if we compare the private equity market focused on real assets, with the roller coaster on which stock exchanges are currently riding at a global level. But not only stocks are under extreme volatility, the same goes for commodities (including minerals), currencies and even governmental bonds, particularly in some European countries. In times of the volatilities and uncertainties mentioned above, focusing on real assets is a healthy strategy, or in our judgment a safer bet than other asset classes; and within this asset class, our focus on renewable energy, sustainable forestry and clean technologies continues to be a choice of preference.

Regarding our investment portfolio, it is my pleasure to announce that our investee company Hybrytec (leader in solar in Colombia) has successfully concluded a second financing round with the entry of Colombian investor Promotora / Progreso Capital. We welcome our new partners and look forward to a successful relationship, and to jointly implement our growth strategy in this increasingly booming segment.

Enjoy the reading! Andreas Eggenberg

THE FUNDS AT A GLANCE

- Private Equity Development (Growth / Expansion) and SPV project equity finance, occasionally partial buyouts and venture capital.
- Focus on boutique equity investments in companies and project equity finance, active in selected Sustainable Development segments, mainly in Latin America:
  - Sustainable forestry (woody biomass to energy, specialty woods)
  - Cleantech (Renewable energy, Other sustainability investments)
- Usually minority shareholdings as active investors, accompanying portfolio companies at Board levels (corporate expertise, "door opening" capacities for portfolio companies).
- Committed to a triple-bottom-line approach (sustainable development; social and environmental responsibility) and business ethics, along with the aspiration of above market performance in economic returns of the Funds and its portfolio companies.
- Functional and integrative governance, rigorous investment decision making process, meticulous dealflow and network

Latin American Trends

By Jose Guardiola & Ricardo Mesa

The global economy continues to slow down and the debt crisis in the U.S. and Europe continue to unravel and to further contribute to the disorder in financial markets around the world. Latin America has been able to withstand these adverse conditions, but growth has been softening as well. However, economists believe the region is in better shape than developed economies to resist a global economic slowdown by benefiting from a strong domestic demand, sound macroeconomic policies and very good commercial links with the fast growing Asia-Pacific region.

Economists are forecasting a year over year GDP growth rate for Latin America during 2011 of 4.2% alongside a 6.9% inflation rate. Latin American GDP´s growth rate has been revised down from what it was at the beginning of the year. However, with sound macroeconomic policies established around the region over the last years, Latin American countries have sufficient monetary and fiscal means to stimulate their economies in case of a pronounce slowdown. In contrast, developed already used up most of their monetary and fiscal means to stimulate growth and will have to resort to unconventional measures.

In Brazil, the economy continues to be very solid as Brazilian Central Bank (BCB) expects GDP to grow 3.5% in 2011. Furthermore, the BCB also foresees inflation to decline to 6.4% by the end of 2011 and to 4.7% by the end of 2012 helped by the recent global economic slowdown. In a surprise move by the BCB, the interest rate was cut by 50 basis points to 12.0% aiming to provide support for the domestic economy. Also, the Brazilian real which traded at a historic high by the end of June (1.56 per USD), has depreciated considerably and by the end of September it was trading at 1.85 per USD. The BCB decided to intervene by selling USD 2.75 billion of currency swaps in order to boost the value of the currency.

Chile´s economic growth continues to be strong as the Chilean Central Bank (CCB) expects the GDP growth rate to be in range between 6.3% and 6.8% this year and then to moderate from 4.3% to 5,3% in 2012. The business confidence index (IEE) has droped below the long term average (67 points) suggesting that businesses around the country are somewhat less optimistic, but the index still remains above the 50 point mark which separates optimism from pessimism. Additionally, the CCB expects inflation to end the year at 3.3% and then moderating to 2.9% by the end of 2012. In the September monetary policy meeting, the CCB left the policy rate unchanged at 5.2% as inflation remains very close to their target rate, but indicated that it is prepared to act aggressively if the global economy deteriorate further. By the end of September the Chilean peso traded at 515 per USD, which represents depreciation over the 455 per USD at the end of July. However, the CCB has not ended their dollar purchasing program.

The Colombian economy has remained resilient regardless of the slowdown in the global economy. During the second quarter, Colombia´s GDP expanded at a 5.2% YoY rate representing an improvement over the 4.7% rate expansion during the first quarter. The second quarter acceleration has been mainly fuelled by the domestic demand.

The Colombian Central Bank (CCB) expects GDP to grow between 4.5% and 6.5% this year and have set their inflation target at 3.0%. During their September monetary policy meeting, the CCB has kept the interest rate unchanged at 4.5%. Moreover, due to the recent depreciation of the Colombian peso, the CCB has decided to end its program of daily USD 20 million purchases. By the end of September, the peso traded at 1,915 per USD, which represents a depreciation compared to the 1,750 at the end of July.

Mexico´s economy recorded a 3.3% GDP annual growth rate for the second quarter this year which was slightly moderated due to weak growth in the United States. The Mexican Central Bank (MCB) has its growth projections for this year between 3.8% and 4.8% and also expects the economy to grow between 3.5% and 4.5% next year. During their latest policy meeting, the MCB left the policy rate unchanged at 4.5% and has opened the door for interest rate cuts with some of their statements in the near future considering its convenience. The MCB expects inflation to remain dominated for the remainder of the year. The Mexican peso was trading by the end of September at 13.88 per USD, which represents a depreciation compared to the 11.78 per USD by the end of July. The Central Bank has stated that they expect the peso will rebound.

US Dollar vs. Latin Currencies lastest Quarters			Source: Internet		
Dates	Brazil Real	Colombian Peso	Chilean Peso	Nuevo Sol	Mexican Peso
30-Sep-11	1.83	1,898	514	2.74	13.52
30-Jun-11	1.57	1,778	470	2.75	11.78
31-Mar-11	1.64	1,877	459	2.80	11.93
30-Sep-10	1.70	1,788	482	2.77	12.48
Change vs. Previous periods					
Change (%)	Brazil Real	Colombian Peso	Chilean Peso	Nuevo Sol	Mexican Peso
3 months	16.5%	6.8%	9.5%	-0.3%	14.8%
6 months	11.4%	1.1%	12.0%	-2.2%	13.3%
1 year	7.2%	6.2%	6.7%	-1.0%	8.3%

For the last three months, the US dollar has been stronger against most Latin American currencies. Financial markets around the world have been very volatile as investors priced in weaker economic growth outlook. The appetite for risk has decreased substantially and this has triggered capital investments into safer assets. As a result emerging markets saw massive withdrawals of capital and their currencies depreciate in value. Against the Brazilian real, the dollar had a the largest appreciation with a 16.5% increase followed by the Mexican Peso (14.8%), Chilean Peso (9.5%), Colombian Peso (6.8%) and the Argentinean Peso (2.6%).. However, economists around the region expect Latin American currencies to recover the lost ground in the months ahead.

Latin American government bond yields continue to offer great values to investors around the world. Argentina has the highest yields of the region with a 13.3% yield for a 6 year bond. The Brazilian, Colombian and Mexican yields have very similar rates including an average yield of 4.4% for a 15 year bond and 5.1% yield for a 30 year bond. Chile continues to have the lowest yields in the region with a 3.5% yield for a 10 year bond.

Here in Ecos, we firmly believe that Latin America, despite rising headwinds in developed economies, the region will continue to grow at much healthier rates and offer great opportunities on real assets which could be a potential hedge against portfolios that are heavily weighted in developed markets. Ecos will continue to search and analyze potential investments opportunities in the region and at the same time staying true to our core triple bottom approach.

ECOS NEWS

SUSTAINABLE FORESTRY

Claudio Cabezas – Investment Manager

Legislation on Planted Forests in Brazil
By Eduardo Vasconcellos

The year 2011 was declared the International Year of Forests by the United Nations to raise awareness and strengthen the sustainable forest management, conservation and development of all types of forests for the benefit of current and future generations. This is a great challenge for the world. Studies and projections point out to an increased demand for forestry products. Consumption will increase from 1,6 billion m³/year to 2 to 3 billion m³/year in 2050 according to FAO.

The planted forestry industry has a great importance in the preservation of forests around the world. Although planted forests account for only 7% of all forests, they are estimated to provide more than half of the world's industrial round wood.

Planted forests can provide important environmental and social services, such as rehabilitation of degraded lands, protection of soil and water, the purification of water and air and the recycling of nutrients in many areas. Management of planted forests and wood processing provide considerable employment. The benefits of planted forests to economies and livelihoods are significant throughout the world.

In our last ECOS news of the year we decided to focus on the movement towards a sustainable forestry industry in Latin America's most important forestry economy: Brazil. Curiously, the world Brazil comes from a tree (Pau Brasil) that produces a red dye and was found abundantly in Brazil. The country counts with 6.8 million net hectares of forest attending the demand of the traditional forestry products pulp and paper, charcoal, woody biomass, industrial round wood, sawn wood and panels. The country also has the 6th biggest area of planted forest in the world.

In a scenario in which Brazil is an international player that will continue to growth vigorously for the next years it's interesting to see the movements it has made towards a more sustainable forestry production.

Let's take for example the case of Minas Gerais (MG). MG is the main woody biomass market in Brazil. The planted area growth, from 2009 to 2010, was 7,7%. It presents a planted area of 1,4 million ha and has a potential to have 6 million ha planted in the future, aiming energy forests.
Even with such a positive growth scenario, the state government established the goal of decreasing the use of native forests. With 586 thousand square kilometers, MG has 33,8% of native forest cover

Before, the legislation would only enforce explorers to replant twice the area that was cut. It was not forbidden to cut native trees, which was obviously not a sustainable legislation.

To reduce drastically the use of native forest was a policy difficult to implement, given that charcoal is the main energy source in MG (31.7% of the state's total energy against 31.3% from Oil&Gas and unsustainable and impracticable measures). However, the path towards sustainability required a more decisive strategy.

The solution came through the establishment of a viable schedule with midterm goals that involved the forestry industry, environmental groups, forestry investors, charcoal producers and the pig iron industry.

The goals are: until 2012 – 15% of the total consumption might still be sourced from native forests; Between 2013 and to 2016 – 10% of total consumption; and from 2017 only 5%. New projects are required to attend the 2017 goal. To substitute charcoal from native forest to planted forest will represent a potential market of around 100,000 ha of forest plantations per year

In Mato Grosso do Sul (MS) the most recent pig iron cluster in Brazil, the government developed a "State Forest Plan" (Plano Estadual de Florestas) with impact studies, credit lines for forestry and information database made available for the industry that aims to reduce the pressure on native forest by developing in a sustainable and organized way the planted forestry industry in the region. Although it's not yet a policy that forbids the use of native forest it's also part of movement towards a more sustainable forestry industry. Different actors in the industry, from producers, consumers, regulators, NGOs and others have also been anticipating this movement and are voluntarily changing some of its process and practices.
Currently there is a great debate within the Brazilian society regarding the approval of Brazil's new Forestry Code, as it contains pro's and con's; let's continue to pay close attention to this subject, in view of ever more sustainable forestry practices in Brazil.

PORTFOLIO COMPANY NEWS

PFS has been mandated to carry out the delicate work of taking care of the animal rescue activities in the context of the Panama Canal expansion.

Panama enjoys the economic growth and progress derived from huge construction programs but this produces impacts on the animal life.

PFS counts with a team of biologists and technicians trained for this important assignment.

PFS is showing to Panama and Costa Rica its multi task capacities attending diversified endeavors towards green development.

Silvotecnia was representing Colombia in the International Teak Conference "Planted Teak Forest" sponsored by Catie, FAO and TEAKNET (Asia), held in Costa Rica early November 2011.

This was a large conference with representation of countries from all over the world where Teak is present. (Asia, Africa and America).

Silvotecnia presented the business case Teak Quality and Social Responsibility in Antioquia Colombia, showing the positive impact on the communities and on the company growth resulting from fair relations, good communication, training, fair salaries, labor security; developing this way a new win win culture.

Guatemala was nominated to the 2011 Future Policy Award. The World's Future Council was looking for the best Country's Forestry Policy of the world. Guatemala was selected as one of the 16 countries nominated for the award.

The nominations were received from international organizations, among them the United Nations Development Programme (UNDP), FAO, the International Union for Conservation of Nature (IUCN) as well as German GTZ.

Interforest S.A. is very proud that Guatemala forestry policy is recognized to be one of the best in the world.

ECOS NEWS

CLEAN TECHNOLOGY

Salvador Escobedo - Solam

World Wide Clean Energy in Numbers

(Source used: REN21: Renewables 2011 Global Status Report)

Despite the economic turbulence that was felt last year (and continues to shake the world today), an encouraging report by REN21 (www.ren21.net) indicates that the renewable energy industry's positive trends continue to break records.

We narrow the extensive report to easily accessible figures that can be used as references when making investment decisions:

Wind Power:

Among all renewables, wind capacity increased the most in 2010 with an addition of 39 new Gigawatts (GW) installed (a growth of 24% relative to 2009 and a 5 year CAGR of 27%). ***For the first time, the majority of new wind capacity was added in developing countries and emerging markets.*** Global capacity has surpassed the 200 GW mark, spread through 83 countries using wind energy as a viable commercial solution. China accounted for 50% of the new capacity installed in 2010, up from only 4.4% in 2005.

In Latin America, total installed capacity grew by 54% with Brazil and Mexico leading the way.

Solar Power:

More than a staggering 100 countries added solar power to their grid in 2010. This made sure that, once again, solar remained the world's fastest growing renewable energy technology with an estimated 17 GW of new capacity added (marking a growth of 72% relative to 2009) for a global total of approximately 40 GW (seven times more than the installed capacity only five years earlier). This trend marks a CAGR of 49% over the last five years and an estimated CAGR of more than 40% in the last 10 years. **In Europe, for the first time, more solar energy was installed than wind.**

The EU absorbed 80% of all newly installed capacity with approximately 13.2 GW with Germany alone adding more capacity than the entire world did in 2009. *In the first quarter of 2011, Germany generated 87% more electricity from solar than it did in the same period a year earlier.* Beyond the EU, the largest PV markets were Japan, the US and China (Japan and China more than doubled their capacity in 2010).

Latin America is one of the most insolated areas in the world and PV is starting to pick up with a gigantic potential to be exploited.

Hydro Power:

150 countries use hydro power in some way to power their grid. Globally, hydro power represents about 16% of total energy production (1010 GW by the end of 2010). Asia leads the way with China at the top (with a total of 263 GW installed), followed by Europe and then Latin America (Brazil with 81 GW). Asia and Latin America were the two most active regions in the world for new hydro capacity in 2010. Interest in pumped storage is increasing, particularly in regions where variable renewable resources are achieving a relative high penetration.

Biomass Power:

Although reliable data has been collected only since 2008, globally, a total estimated 62 GW of biomass power capacity was in place at the end of 2010. Led by the United States (with 10.4 GW), other significant producers included Germany, Sweden, the UK, Brazil, China and Japan. Brazil's biomass power capacity, mostly cogeneration, continued its penetration reaching 7.8 GW at the end of 2010.

Policy Trends:

By early 2011, 118 countries had a policy supporting renewable energy. Developing countries represent more than half of those countries.

PORTFOLIO COMPANY NEWS

Entelin

Entelin is working on the first large scale grid-connected solar rooftop in Peru and continues to execute the large projects it has won in 2011. Fresh marketing, sales and engineering staff have been hired to support the company's strong growth.

www.entelin.com

ENDRIVEN ENERGY DRIVEN

The Explora plant has been operating during the last months almost at full capacity with an output of 9,500 tons/month.

www.endriven.com

Hybrytec Energía Solar

Hybrytec recently presented the first multimegawatt power plant project engineering concept in Colombia, proving that the staff is ready to implement solar solutions on a very large scale. The company is in talks with important institutions for large scale deployment of solar technology.

www.hybrytec.com

solarcentury

Solarcentury has been listed as the fastest growing private renewable energy company in the UK, for the second consecutive year, by the Sunday Times Tech Track 100.

www.solarcentury.com

EBES

EBES is participating in multiple installations and is involved in the development of several large scale power plants with innovative solutions and business models.

www.ebes.com.br

NEW DEAL FLOW:

- Wind in Uruguay, Brazil, Mexico, Peru and throughout Central America
- MiniHydro in Peru, Colombia, Chile and Central America
- Biomass in Brazil

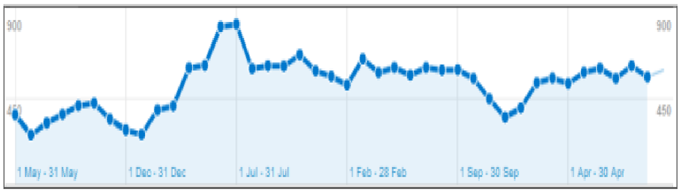
ECOS NEWS

NEWS AND EVENTS

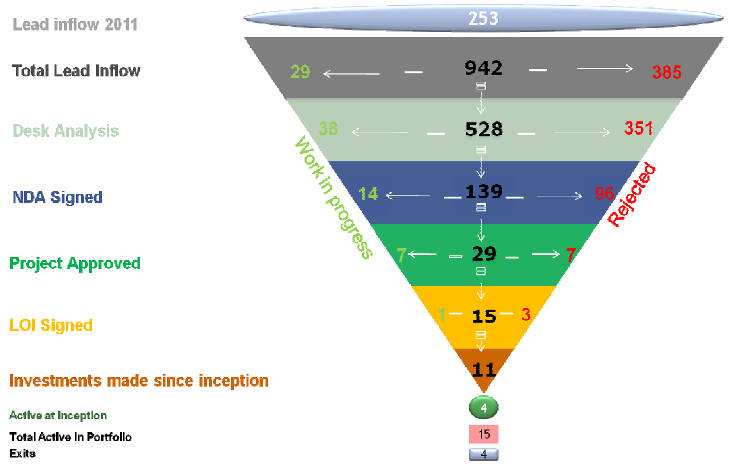
Web Report 1st May 2008 – 31st October 2011

The www.grupoecos.com website has been visited 22.183 times since 1st of May 2008 until 31st of October 2011, what makes an average of 17.41 visits per day.

Since its inception in May 2008 visits were distributed as follows: Panama (31.35%) visits, United States (13.57%), Brazil (6.51%) and Colombia with (4.95%).



Ecos Net Dealflow Analysis



Making the learning environment more comfortable

ECOS Sustainable Equity — ECOFOREST (PANAMA), S.A.

Continuing with our social and volunteering commitment, the ECOS team will make improvements in an elementary school located next to ECOForests´ teak plantations in the Panamanian “Las Pavas” vicinity in early December. This improvement includes: school painting, ceiling repair, and others. This activity will be coordinated with the community, parents and teachers; and the commitment of the whole ECOS team to participate actively in this effort shows our desire to contribute at this volunteering level to the objective of having comfortable learning environments in schools in our neighborhoods.

EVENTS

Energy	Forestry and Biomass	Finance and Development
NOV. 14-15 California, USA Green Energy for 2012 www.pv-insider.com/cpv/	NOV. 24-26 Salzburg, Austria RENEXPO www.renexpo-austria.at	NOV. 16 Bogota, Colombia 2011 Colombia PE & VC Forum www.lavca.org/events2011
NOV.16 London, UK Infrastructure Investors Forum-Renewable Energy www.renewableenergyworld.com	DEC. 01-02 Berlin, Germany Intl. Algae Congress www.algaecongress.com	NOV. 30 Munich, Germany The Corporate Financing Forum 2011 www.euromoneyconferences.com
NOV. 22-23 Lisboan, Portugal Wind Power Portugal www.bit.ly/REREWDL	DEC. 13-15 Las Vegas, USA Power-GEN International www.power-gen.com	DEC. 04-06 California, USA Alternative Investing Summit www.opalgroup.net
NOV. 29 Amsterdam, The Netherlands EWEA Offshore Wind 2011 www.offshorewind2011.info	MARCH 13-14, 2012 Rotterdam, The Netherlands Biopower Generation www.environbusiness.com	JAN. 26-27, 2012 Paradise Island, Bahamas 12th Annual Caribbean Energy www.platts.com

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