ECOS NEWS

February 2011

EDITORIAL

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Welcome to the latest edition of ECOS News

A recent study by Bloomberg New Energy Finance revealed that 2010 was a record year for clean energy investments: “New investment in clean energy smashed through previous levels to reach $243bn in 2010, according to the latest figures from research house Bloomberg New Energy Finance. This is up 30% from a revised figure of $186.5bn in 2009, and makes 2010 easily the strongest year so far for investment in clean energy – double the figure recorded in 2006 and nearly five times that from 2004”.

The study furthermore indicates strong 2011 growth and even higher demand potential for the future in markets in development. Although still far from levels reached in China or India, Latin America is poised for jumping on that train, as its energy consumption projections (that go along forecasted GDP growth) can’t be covered with conventional energy sources alone. Analyzing these facts and trends, we continue to believe that Ecos is in a healthy position to contribute to such developments in a proactive and sustainable way with an investment strategy, sector and market focus, that we have followed ever since the inception of our funds.

Internally, during the second half of 2010, we completed a very thorough analysis of the potential for woody biomass to energy in Latin America. Combining sustainable forestry and renewable energy this way would fit neatly our sector focus and combine aspects of both. We found an interesting potential in this area (particularly in Brazil) and already started the respective deal-flow generation process. In that context and as part of an overall strategy review, which took into account the above mentioned trends, we will include equity investments in renewable energy generation projects in our investment scope (besides biomass, focus on wind and small hydro); as opposed to just analyzing opportunities with project developers like we did in the recent past. We are convinced that this greatly enhances our lead generation perspectives and look forward to partner up with co-investors on that end.

Speaking about partnering up, it is my pleasure to announce that we just concluded our most recent investment in a co-investor partnership with prominent Brazilian investor Pragma Patrimônio. Each of Pragma and Ecos acquired a 28 % share in Empresa Brasileira de Energia Solar (EBES). This is the fourth solar investment Ecos makes in Latin America (in addition to Solar Century in the UK), and having a solar portfolio company in Brazil -the most vibrant Latin American market- is of great value to us, and includes an important synergy creation potential among all four companies. Such synergy creation is one of the most noble value-add activities an investor can bring to the table on top of the financial contribution, and we are looking forward to working closely with the EBES and Pragma teams.

In this context, it is also my pleasure to announce that we have entered a strategic alliance with Pragma, to strengthen our positioning and visibility in Brazil. We are proud of having found such a highly recognized partner in Brazil and are convinced, that the Ecos-Pragma alliance will lead to interesting dealflow sharing, co-investment opportunities and an increased Ecos presence in Brazil throughout the investment cycles.

Enjoy the reading! Andreas Eggenberg

THE FUNDS AT A GLANCE

- Private Equity Development (Growth / Expansion) Capital, occasionally Venture Capital.
- Focus on boutique investments in small and medium sized companies, active in selected Sustainable Development niche segments, mainly in Latin America:
  - Sustainable forestry
  - Cleantech (Renewable energy, Environmental engineering and services)
- 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 and business ethics, along with the aspiration of above market performance in economic returns of the Fund and its portfolio companies.
- Functional and integrative governance, rigorous investment decision making process, meticulous dealflow and network management.

ECOS NEWS

LATIN AMERICA TRENDS

Jose Guardiola - CFO

LATIN AMERICAN TRENDS

By Jose Guardiola & Ricardo Mesa

Economies in Latin American rebounded strongly from the 2009 recession by growing at 6.1% year over year in 2010 according to the latest estimates by economists. Growth rates for mature economies around the world were not as high except in China (USA: 2.8%, Europe: 1.7%, Japan 3.8%, China: 10.0%).The rebound in Latin America was helped by a strong demand from other emerging markets like Asia which compensated for low growth in mature economies. Furthermore, rising commodity prices boosted Latin American exports. Latin American economies should be in good shape for 2011, fuelled with strong growth in Asia which will continue to help exports. The recently approved fiscal stimulus in the USA should also contribute to growth in advanced economies, generating more demand from our region.

An increased number of central banks around Latin America are starting to adopt policy measures to fight back the down fall of the U.S. dollar; they are concerned that the fall could affect exports in a negative way. At the same time, inflation has started to pick up in several economies in Latin America; economists are forecasting inflation to be around 6.6% for 2011.

In Brazil, the economic outlook remains stable as the country elected its first female president, Dilma Rousseff, taking over from Luiz Ignacio Lula da Silva who was in office for eight years. Rousseff promised to maintain economic stability in the country with a market-friendly economic policy, but with a much stronger role from the state, in particular in the oil sector. In 2010, economic growth in Brazil (GDP year over year growth rate) was very strong with a 7.6% rate and inflation ended at 5.9%. The Central bank of Brazil and economists around the region currently expect Brazil´s GDP grow rate to be around 4.5% and inflation to be around 5.4% for 2011. Brazil´s external debt finished 2010 at USD 249 billion (12.0% of GDP).

Chile´s economic outlook remains stable as the GDP grew at a very strong rate of 5.1% in 2010 and inflation remained at 3.0%. Rising prices for cooper, which accounts for half of the country´s total exports, continue to have a positive effect on the economy with exports growing 33.1% year over year in December 2010. Economists believe Chile´s economy will continue to benefit from high cooper prices and expect exports to grow 6.1% in 2011. Meanwhile, the Central Bank of Chile has announced a plan to purchase USD 12 billion in foreign reserves during 2011 to decelerate the appreciation of the peso. Economists are forecasting Chile´s GDP growth rate for 2011 to be 6.1% and inflation to be at 3.3%. Chile´s external debt ended 2010 at USD 79.7 billion (42.4% of GDP).

In Mexico, the economic recovery remains on track and economists believe the recently approved U.S. fiscal stimulus package should revive the manufacturing sector. Mexico´s GDP growth and inflation during 2010 were a solid 5.0% and 4.4% respectively. Economists are expecting GDP growth to be 3.6% and inflation 3.7% for 2011. Mexico´s external debt ended 2010 at USD199billion(19.4% GDP)

Argentina´s economic performance was also very solid during 2010 as the GDP expanded 8.4% to USD 345 billion. Official inflation increased to 11.3% during 2010 from 7.7% in 2009. Economists are forecasting GDP growth to be 5.1% and inflation 12.4% in 2011. Argentina´s external debt ended the year at USD 120 billion (34.8% of GDP).

For Colombia, economists estimate that GDP will grow 4.7% to USD 314 billion in 2011 which is slightly higher to the 4.1% growth rate in 2010. Inflation in Colombia was sustained during 2010 at 3.2% and economists are expecting the same for 2011. Colombia´s external debt amounts to USD 54.1 billion (19.7% of GDP).

US Dollar vs. Latin Currencies lastest Quarters				Source: Internet	
Dates	Argentina Peso	Brazil Real	Colombian Peso	Chilean Peso	Mexican Peso
30-Dic-10	3.98	1.67	2,004	473	12.39
30-Sep-10	3.97	1.71	1,815	489	12.49
31-Jul-10	3.94	1.76	1,855	534	12.70
31-Mar-10	3.87	1.79	1,913	522	12.41
31-Dic-09	3.81	1.73	2,029	500	13.02
Change (%) US Dollar vs. Previous periods					
Dates	Argentina Peso	Brazil Real	Colombian Peso	Chilean Peso	Mexican Peso
30-Sep-10	0.09%	-2.23%	10.43%	-3.32%	-0.79%
31-Jul-10	0.91%	-5.19%	8.01%	-11.40%	-2.45%
31-Mar-10	2.79%	-6.68%	4.76%	-9.35%	-0.17%
31-Dic-09	4.41%	-3.45%	-1.23%	-5.36%	-4.84%

Exchange Rate Forecasts (year end)				
	Source: LatinFocus Consensus Forecast			
U.S. Dollar (USD)	2009	2010	2011 P	2012 P
United States	-	-	-	-
Argentina	3.80	3.98	4.34	4.95
Brazil	1.74	1.67	1.74	1.78
Chile	506	468	490	513
Colombia	2,046	1,914	1,832	1,868
Mexico	13.08	12.37	12.29	12.65
Peru	2.89	2.81	2.76	2.74
Venezuela	2.15	4.30	4.78	5.14

The U.S. dollar has continued to lose value against most Latin American currencies during 2010 except for the Argentina´s peso where the dollar gained 4.7% during the year. However, most economists believe the U.S. dollar will gain ground against mayor Latin American currencies by year end.

Stock Market performance in % during year 2010			
	Source: LatinFocus Consensus Forecast		
	December	Sept - Dec	Whole Year
Argentina	8.00	33.30	51.80
Brazil	2.40	0.10	1.00
Chile	0.20	2.80	38.20
Colombia	3.80	5.30	33.60
Mexico	4.70	15.70	20.00
Peru	12.10	30.80	65.00
Venezuela	-1.20	0.10	18.60
World	7.20	8.60	9.60

Most Latin American stock markets have continued to increase impressively during 2010 with an average growth rate of 29.7% during the last 12 months compared with the 9.6% growth rate around the world.

ECOS NEWS

SUSTAINABLE FORESTRY

Claudio Cabezas – Investment Manager

GUATEMALAN FORESTRY INCENTIVES

The forestry incentive program that is currently available in Guatemala is considered to be among the most generous and open programs of its kind available in Latin America. The laws, which established this program and its predecessor in Guatemala, are described below.

The 1989 Reforestation Law

Decree 70-89 or the "1989 Reforestation Law" was published on December 20, 1989.

A key part of the 1989 Reforestation Law was the Fiscal Incentive Program (PINFIS). The PINFIS program allowed participating companies to reduce their income taxes and vehicular circulation taxes by up to 50% in exchange for funding qualified forestry projects. Firms participating in this incentive program would enter into a 10-year contract with a forestry development company and with the Guatemalan government. The investor company received a forestry investment certificate which could be used to pay up to 50% of its income and vehicular circulation taxes for a period of ten years. The tax incentives provided by the 1989 Reforestation Law expired in the year 2005.

The 1996 Reforestation Law

Decree 101-96 or the "1996 Reforestation Law" replaced the 1989 Reforestation Law in 1997.

A principal part of the 1996 Reforestation Law was the creation of the Forestry Incentive Program PINFOR. The PINFOR program grants forestry companies a six-year cash subsidy to cover the estimated costs of the establishment and early maintenance of new forestry plantations that qualify for this subsidy program. Under the law, the forestry company retains 100% ownership of the profits generated from the development and harvesting of plantations. Forests planted under this program have been denominated "voluntary artificial forests," and are exempt from forest usage licenses (harvesting permits authorized by the Government). The 1996 Reforestation Law is effective until the year 2016, and it may be renewed beyond that date. As of December 2009, there are 95.000 hectares of forestry plantations and 188.000 hectares of natural forest management under Pinfor incentive. Forestry plantations include approximately 34% of Pine species, 18% Teak, 5% Gmelina Arborea, and 43% of other species. Natural forest includes 18.000 hectares of managed productive areas and 170.000 of Protection areas for conservation only.

The 1996 Reforestation Law is managed by the Instituto Nacional de Bosques (INAB). The reforestation company applies for the subsidy and enters into an agreement with INAB prior to investing in the development of a plantation. INAB inspects the selected land and supervises the management process for one year. After the first year, the government subsidizes the investor for a six year period at a per-hectare rate pre-established by INAB's Board of Directors as follows

Operation	Net Subsidy (Quetzales per Ha)	Net Subsidy (US$ per Ha)
Establisment	5,000	625
Maitenance year 1	2,100	263
Maitenance year 2	1,800	225
Maitenance year 3	1,400	175
Maitenance year 4	1,300	163
Maitenance year 5	800	100
Total	**12,400**	**1,550**
assumed exchange rate of Q8.00 per dólar		

The incentive for natural forest management either productive or for conservation purposes changes depending on the number of hectares, but for 100 hectares or more would be Q 360 equivalent to us$ 45 per hectare per year during 6 years. For forestry plantations, INAB monitors the size and condition of area planted, the percentage of trees surviving the first year, and the procedures followed to ensure the long-term viability of the plantation. INAB does not monitor the actual costs incurred by the forestry company. There is no inflation adjustment to the subsidy payments in later years.

PORTFOLIO COMPANY NEWS

PANAMA FOREST SERVICES

Panama Forest has been strengthening its position in the Darien province by planting and maintaining teak plantations; and also started doing commercial thinning and harvesting teak plantations. Darien and Panama East are areas with a lot of teak forestry projects in expansion.

Until today 19.300 has in Darien and 11.500 has in Panama East are planted, making a total of 30.800 teak hectares.

Also as part of their program during the dry season the company is training people on Fire Prevention and Control by the forestry projects located at the Panama Canal Basin.

SILVOTECNIA S.A.

After getting the Quality Certification ISO 9001, Silvotecnia is implementing the best practices of social responsibility to solidify its corporate governance.

The company has hired a consulting firm to define the necessary strategic changes to develop their own management system integrating Social Corporate Responsibility with its Corporate Governance, to develop a benchmark story for the company, the employees and the communities. This way, the company is preparing to anticipate the market trends and the increasingly high demand of services needed in the forestry expansion in Colombia.

INTERFOREST, SRL

Interforest as a way of diversifying its forestry service strategy, is structuring sustainable native forest projects in Guatemala and Honduras.

The company is developing business plans and forestry management plans for international investors who are interested in exporting precious woods. Those projects involve the sustainable management of natural forest through forest enrichment programs with native species. This not only provides economic benefits to the investors but it also helps restore degraded forestry areas, protect local watersheds, maintain native timber populations and provide local employment.

ECOS NEWS

CLEAN TECHNOLOGY

Salvador Escobedo – Investment Manager

The types of trends we like

The recent negative policy news coming from countries that are well known to have driven technology, massive installations and investments on clean power, are without a doubt, making investors, banks, public utilities and top management extremely nervous.

One of those special cases is Germany's previously announced and organized cut in their solar feed-in-tariff that is set to begin in 2011. This action will inevitably shrink the country's impressive solar appetite which in 2010 broke records before seen as "unthinkable" (with a total of 8.5 new Gigawatts, or gWp- of newly installed solar capacity). To put things into perspective, 8.5gWp is equivalent to almost 6 nuclear power plants, in one year – it is not uncommon for the construction of only one nuclear power plant to take at least 10 years (plus 10 years of permitting).

This means that Germany was able to install more than 20 megawatts of solar power *every day* of the year, including weekends and holidays. To install the same capacity in a mini-hydro run-of-river plant it can take up to 4 years.

Spain, the UK, France, the United States and other countries have also either cut their subsidies for renewable energy or are "reviewing" current policy (despite that, as mentioned in the Editorial of this version of Ecos News, 2010 saw a record breaking +$240 billion in renewable energy investments worldwide).

So what does all this mean for Latin America and how will it impact Ecos' renewable energy portfolio?

Narrowing down the renewable energy industry to the solar energy sector (which is most dependent on subsidies in advanced countries today), all the "terrible news" in the "north" are actually very good news to the Southern Cone. Strong, and many times complex feed-in-tariff policy that is coupled with executable programs have been absent in most of Latin America (the only exception being the Dominican Republic – which despite having an attractive legal framework for solar feed-in-tariffs, has been unable to effectively execute it for at least the past two years) and none are expected to come online anytime soon. However, massive growth is expected and the driver, **grid parity**, will be much more interesting to long term investors.

You see, as production capacity grew over the last years to supply the gigantic government-incentive driven solar markets in Europe, technology improved and prices dropped for solar components; especially solar panels. Now companies are stuck with massive production capacities and very large inventories that will have to find a market at ever lower prices. Countries (and very large markets) like Brazil, Mexico, Chile, Colombia and Peru are now able to take advantage of this trend and local companies are able integrate solar systems that can supply electricity at much lower prices than the grid.

The significance of this is that the solar sector attractiveness is now fundamentally economic in many places.

Governments now are simply allowing solar energy to be consumed locally under a "Net Metering" system rather than trying to implement difficult to manage & unpredictable feed-in-tariffs. Creative but very effective PPA's will be signed and the markets will grow.

We welcome EBES Brazil to our portfolio; together we will make this reality happen.

PORTFOLIO COMPANY NEWS

Entelin

In addition to the ongoing installations in the Amazon, Lima and others in the northwest of Peru, Entelin was recently awarded a 7-figure public contract to supply solar panels to the ongoing One Laptop per Child program. The Company is positioned as a leader in Peru and is poised to continue breaking records in 2011.

www.entelin.com

GREEN Greenventing Energy

Green has began its pilot installations in a large scale Green Affordable Housing project currently in development with one of the largest and most important real estate developers in Guatemala. The Company will supply solar thermal systems and PV systems.

www.greenergyze.com

Hybrytec Energía Solar

Hybrytec has opened new offices in the Colombian capital of Bogota, expanding its operations to continue driving the tremendous growth that this company has seen. With new offices and strongly newly established solar-thermal line of business (in addition to PV), the company is leading the solar market in Colombia.

www.hybrytec.com

solarcentury

Solarcentury completed one of Berlin's largest solar roof-top installations at the SulfurCell facilities, using SulfurCell technology. The installation used SolarCentury's innovative Fast Sun framing systems to maximize the number of panels installed.

www.solarcentury.com

EBES

Empresa Brasileira de Energia Solar (EBES), the newest addition to the Ecos portfolio of solar companies, started 2011winning two large contracts to supply PV engineering, logistics and installation services in Brasil. In addition, the company is working in one highest profile projects in Latin America (soon to be disclosed).

www.ebes.com.br

NEW DEAL FLOW:

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

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ECOS NEWS

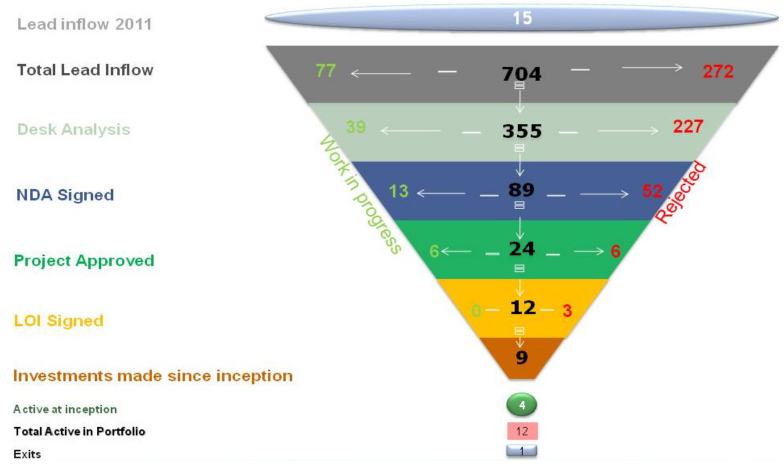
NEWS AND EVENTS

Web Report 1st May 2008 – 31st January 2011

The www.grupoecos.com website has been visited 17.010 times since 1st of May 2008 until 31st of January 2011, what makes an average of 16, 91 visits per day.

Since its inception in May 2008 visits were distributed as follows: Panama (33.80%) visits, United States (13.23%), Brazil (5.47%) and Colombia with (4.97%).

Ecos Net Dealflow Analysis



Solar System at Elementary School: Successful installation bringing light to rural areas

In December 2010, as part of our internal social and volunteering initiative, the ECOS team successfully installed an off-grid solar system in Lagartera Grande elementary school located close to EcoForest' teak plantations in the "Las Pavas" vicinity. This activity was made possible with the products and technical help of engineers from Hybrytec and the desire of the entire ECOS team to improve education and rural school infrastructure.

EVENTS

Energy	Forestry	Environment
FEB 24-25 San Francisco, USA Geo Power America www.greenpowerconference.co.uk	MARCH 29-31 / APRIL 1 Sao Paulo, Brazil Timberland Investing www.timberlandinvestinglatam.com	FEB 15-17 Sao Paulo, Brazil Super Return Latin America 2011 www.icbi-events.com
FEB 22-24 Miami, USA REFF LatAm www.refflatam.com	JUNE 6-10 Berlin, Germany 19th European Biomass Conference www.conference-biomass.com	APRIL 12-13 DF, Mexico Enerwable 2011 www.iirspain.com
MARCH 30-APRIL 2 Guatemala, Guatemala Regional Forum"Small Hydroelectric Power Plant" www.sica.int	17-20 JULY International Conference on Algal Biomass, Biofuels & Bioproducts St. Louis, USA www.algalbbb.com	MAY 11-13 Porto Alegre, Brazil ERACS www.eracs.org.br
MAY 25-26 Sao Paulo, Brazil Hydro Power Summit Latin America 2011 www.latinhydrosummit.com	SEPT 5-7 New Zealand Forest Industries Expo 2011 www.forestevenst.co.nz	JUNE 23-24 Zurich, Switzerland 2nd Latin America Europe Investor Forum www.latinfinance.com

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