



EDITORIAL

Welcome to the latest edition of ECOS News

We have recently been asked if the Fukushima disaster presents an opportunity for wider spread use of non-traditional renewable energy faster than in the past. Before answering, it must be made clear that we do not speculate on top of such a huge human and environmental catastrophe and take this chance to express our solidarity with the victims' families. Back to the question: We have always insisted that nuclear power generation, whilst "clean" only from a CO2 point of view, is not renewable (uranium is a finite resource), nor is it safe (and the consequences of Fukushima-like accidents are beyond imagination). Additionally, the question of storing radioactive waste has still not found satisfactory answers after decades of nuclear power.

Truly renewable energy sources (wind, water, sun, biomass, geo-heat, etc.) will certainly have their share in any market's energy mix, but will not be the only energy sources in the mid-term. Nonetheless their share is poised to increase, be it because of tragic events such as Fukushima or because of a growing acceptance that peak oil is not too distant anymore (or has happened already); or why not because of the ever more prominently debated issue of energy independence in any country.

In this context, it is interesting to see that most Latin American governments have finally placed renewable energy on their agenda. Some have started to introduce measures geared towards end customers (most notably Ecuador announced the introduction of a feed-in-tariff as recently as a couple of weeks ago), and most of the governments –even smaller ones - have adopted renewable energy tender auctions, based on the successful models that have been used in Brazil, Peru or Uruguay for some years. This is a promising trend, and coupled with the extraordinary abundance of renewable energy resources, we can only predict an increase in the renewable' shares in the region's energy mix.

Internally at Ecos, in April 2011 we sold our participation in Ecogeo SA, Brazilian leader in environmental services, technologies, consulting and engineering. We would like to thank Ernesto Moeri and his entire team for the outstanding three years of cooperation during which we learned a lot and had the privilege to work together as shareholders, Board of Directors members or at the level of concrete initiatives and projects. Ecos remains invested in Biolatina, a subsidiary of Ecogeo, focused on decentralized biogas and biodiesel modular plants based on agricultural waste and biomass.

Finally, we have strengthened the team through our partnership with Pragma Patrimonio in Brazil (mentioned in the last edition of the Ecos News), by incorporating Eduardo Vasconcellos as Investment Analyst to our group. Eduardo will work out of Pragma's São Paulo office, but will dedicate 100% of his time to the partnership with Ecos. This will help to increase our visible presence in Latin America's most vibrant market, Brazil. Please join me in welcoming Eduardo to the team.

Enjoy the reading! Andreas Eggenberg

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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 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.



Latin American Trends

By Jose Guardiola & Ricardo Mesa

Commodity prices have been on the uptrend during the first part of year accompanied with a depreciating dollar. Political disorder in the Middle East and North Africa has been the cause that drove up the oil price to 2008's high levels. Other Metals like gold, silver and copper are also near their all-time record prices. For the moment, high commodity prices have only translated into rising inflation, but economic growth around the world could also be affected negatively if this inflation continues. However, *growth prospects in resource-rich Latin America remain solid as economists around the region forecast 4.4% growth for this year.*

Nonetheless, Central Banks around the region have continued to adopt measures against a rising inflation and the appreciation of their local currency such as rising interest rates, sterilizing capital inflows, taxing foreign indirect investment, implementing capital controls or raising the reserve requirement ratio. All these measures are aimed at preserving the region's financial stability and competitiveness. Overall, analysts forecast regional inflation to be around 6.6% for the year.

Brazil's economy is showing strong signs of growth for the first part of the year. Economic activity, retail sales and industrial production have grown more than expected along with the lowest unemployment level reached since records began in 1995. Against the Brazilian Real appreciation, which is approaching a ten year high, the government uncovered some new measures aimed at preserving the country's stability and competitiveness. Business analysts around the region currently expect Brazil's GDP growth rate to be around 4.2% and the inflation rate to be 5.8% for the year.

Chile has recovered strongly from the 1.7% contraction of GDP growth witnessed during 2009. For the full year 2010, the GDP had a growth rate of 5.2% and recent data remains well for a very good first quarter in 2011 as Chile's economy continues to benefit from higher copper prices. Economic activity remains robust and exports continue to steam ahead. The Central Bank raised the interest rate 50 basis points to 4.0% at its March meeting. Financial experts are expecting Chile's GDP growth rate to be 6.1% and inflation to be 4.4% this year.

In Mexico, economic recovery remains strong and GDP growth is likely to have picked up pace in the first quarter of the year backed up by a maintained demand from abroad, particularly from the USA, and a steady recovery on the domestic activity. At the same time, inflation fell to the lowest level in almost five years. Economists around the region forecast Mexico's GDP growth rate to be 4.3% and inflation to be 3.9% for 2011.

Argentina's economy continues with a positive start for the beginning of 2011 after experiencing a healthy GDP growth rate of 9.2% in Q4 of 2010. Current economic growth has been driven by good domestic demand which expanded at 7.7% year over year. In addition, consumer confidence continues to rise which suggests domestic demand will remain strong. Current forecasts for GDP growth rate are at 5.7% and inflation to be 11.1% for this year.

In Colombia, economic activity continues to be strong during 2011 fuelled by a resilient domestic demand. Furthermore, Standard and Poor's lifted Colombia's credit rating to investment grade level (BBB-) on March 16. However, economic activity may be affected negatively as Colombia is experiencing its worse winter in years. Colombia's GDP growth rate is expected to be 4.3% and inflation to be 3.5% this year.

In Brazil, a recent decision to reduce the tax on foreign exchange transactions from 6% to 2% for overseas investors into private equity funds, and venture capital funds, is an early sign that Brazilian policy makers will continue to favor PE/VC. Furthermore, Brazil has a very friendly private equity tax structure as there is no capital tax for the most popular Brazilian PE/VC investment vehicle called Brazilian Participation Fund ("FIP") and no tax on dividends.

US Dollar vs. Latin Currencies latest Quarters					Source: Internet
Dates	Argentina Peso	Brazil Real	Colombian Peso	Chilean Peso	Mexican Peso
31-Mar-11	4.04	1.64	1,877	459	11.93
31-Dec-10	3.97	1.67	1,950	462	12.37
30-Sep-10	3.97	1.70	1,815	489	12.49
30-Jun-10	3.93	1.79	1,897	528	12.83
31-Mar-10	3.87	1.79	1,912	522	12.41

Change (%) US Dollar vs. Previous periods					
Dates	Argentina Peso	Brazil Real	Colombian Peso	Chilean Peso	Mexican Peso
Dec 10 - Mar 11	1.76%	-1.82%	-3.74%	-0.63%	-3.56%
Sep 10 - Mar 11	1.64%	-3.53%	3.43%	-0.27%	-4.47%
Jun 10 - Mar 11	2.80%	-8.38%	-1.05%	-13.07%	-7.01%
Mar 10 - Mar 11	4.39%	-8.41%	-1.83%	-12.07%	-3.87%

The US dollar has continued its slide against most Latin American currencies except against the Argentinean peso. The biggest drop compared to last March was against the Chilean Peso (-12.07%), followed by the Brazilian Real (-8.41%), Mexican Peso (-3.87%) and Colombian Peso (-1.83%).

Stock Exchanges Index						Source: Internet
Dates	Argentina	Brasil	Colombia	Chile	Mexico	
31-Mar-11	3,388	68,587	14,170	4,624	37,441	
31-Dec-10	3,524	69,305	15,497	4,928	38,551	
30-Sep-10	2,643	70,229	14,711	4,803	33,807	

YoY (%) Change						Source: Internet
Dates	Argentina	Brasil	Colombia	Chile	Mexico	
Mar 10 - Mar 11	41%	-3%	19%	23%	14%	
Dec 10 - Mar 09	52%	3%	34%	38%	20%	
Sep 10 - Sep 11	28%	15%	31%	43%	18%	

Mayor National Stock markets in Latin America have started out the year retracting from 2010 highs. However, their 12 month performance continues to be impressive and much higher compared against the world index' growth rate.

Latin American government bonds continue to offer great values to investors around the world. Argentina's government bonds have the highest yields in the region with a 9.2% yield for a 6 year bond. Meanwhile Brazil, Colombia and Mexico offer similar rates for all their bonds including an average yield of 4.4% for a 10 yr bond and average yield of 5.9% for a 30 yr bond. Chile has the lowest yields in the region for their bonds with 4.2% yield for a 10 yr bond.

In Ecos, we anticipate that Latin America will play an important role in the future for global economic growth. There are large amounts of attractive investment opportunities in the region that we are currently analyzing; while always staying true to our strong environmental beliefs. We will continue focusing to form strong partnerships with local companies and entrepreneurs to pursue opportunities in the renewable energy and forestry businesses.



The case for woody biomass in Brazil

By Claudio Cabezas & Gerardo Rojas

Brazil is one of the dominant forest economies in Latin America. The country counts has 6.8 million net hectares of forest attending the demand of the traditional forestry products such as pulp and paper, charcoal, industrial round wood, sawn wood and panels. On top of a 10 % projected growth per annum, the industry is facing new opportunities in additional segments, such as the Woody Biomass to Energy market.

Ecoss has recently held an internal seminar on opportunities in that emerging segment, presented by leading firm Pöyry Silviconsult.

One of the most interesting topics in this training was the potential that woody biomass has for charcoal, a particular area of interest to Brazil (and with less potential in other countries of the region) as pig iron and steel companies use charcoal to supply their energy requirements and to add specific properties to the ore during the melt process. The charcoal used in Brazil was based on native forests for many years and thus reflected one of the most unsustainable business practices.

Recently, the government and some companies have committed to decrease and ultimately eliminate the native forest use by replacing it with sustainable Eucalyptus plantations as the best solution for the charcoal supply. The business potential could be as high as 100 thousand hectares of new forest plantations per year.

In this context, the region of Minas Gerais hosts the main players in the charcoal industry. The State has around one million hectares of energy forests.

In Carajas, Para, the demand increased over the past 10 years from 4 million to 10 million mdc (cubic meter of charcoal) per year. Even during the financial crisis the charcoal demand kept growing steadily, around 9,3 million mdc per year.

In the same area, it may take around 3 years to meet the future demand, planting about 26 thousand extra hectares per year.

Mato Grosso do Sul is the most recent pig iron cluster in Brazil; its installed capacity is around 750 thousand tons of pig iron per year, which requires 13,5 thousand ha of plantations per year, or a total of 81 thousand hectares with 6 years rotation.

In this region it may also take around 3 years to meet the future demand, planting 10 thousand hectares per year.

Another interesting topic addressed in the aforementioned training was the ever growing Brazilian Agro-industry and its heat and steam needs used to process the grain production. Woodchips are and will remain the main fuel source of energy. Oil, diesel, and electricity are less viable fuels (environmentally and economically). Mato Grosso is the largest grain processor in Brazil; its grain harvest, 2010/2011, will reach 30 million tons in the state, representing almost 20% of the country's total production.

It is estimated that Mato Grosso requires 7 million cubic meter sob (solid over bark) of firewood for 2015 and 9 million by 2020.

Another topic analyzed at the seminar was the Brazilian pellet market, which is still incipient. Logistics and transportation are critical for this business and the prices seem to be still not attractive enough to boost this market

The expectation of international growth in pellets is based on the export potential to Europe, given the EU 2020 mandatory target on renewable energy. To reach such targets, Brazilian biomass exports could be an option, and would require considerable local investments. Currently the world pellet market is at 15.7 million tons. The expected annual growth rate is 10,5%, so demand should reach 25,8 M tons by 2015.

Brazil has high yields and productivity in the forestry business, vast quantities of available land suitable for the wood industry, a considerably high local market demanding traditional products (and now increasingly woody biomass products for energy purposes), private and bank capital available for project finance, advanced research (especially in eucalyptus and pine genetics), and a reasonable infrastructure with plans to further develop it to meet future needs.

Grupo Ecoss is convinced of the promising expansion opportunities of the forestry sector in Brazil and is looking forward to be part of it.

PORTFOLIO COMPANY NEWS



In Panama, as an effect of the 1992 law of forestry incentives, 30.000 teak hectares are becoming mature for commercial thinning and harvesting in the next 2 to 5 years.

Panama Forest is preparing itself to attend the Producers needs for thinning and harvesting. It recently attended the Expoforest 2011 fair in São Paulo to buy new equipment. Also, the company is strengthening the capabilities of its forestry extraction division to service properly the demands of its clients. As an example, one client's final harvest in the Sona province is about to be completed by June 2011.



Silvotecnia was mandated to update the Competitiveness Analysis of the Forestry Industry of Antioquia. The purpose was to prepare the forestry sector to the new challenges, including the imminent arrival of large players to the Colombian market. This includes forestry projects, as well as the plywood, particle boards and furniture production industries.

Silvotecnia's General Manager was appointed as Vice-President of the Board of Directors of the Federacion Nacional de Industriales de la Madera. Congratulations to Natalia Quevedo for this new assignment underlying her leadership in the development of the industry.



Interforest S.A. finished successfully the harvesting of its Macho Creek Farm, the teak wood that was exported to the Indian market under good conditions. After harvesting, the area was prepared to plant and start the second forestry teak cycle.

At the same time management started implementing the approved infrastructure improvements to carry out the silvicultural operations in coming years. Pine thinning products continue to enjoy a good acceptance in the local market.



Carbon Exposure Going Institutional

(Source used: *Environmental Finance*, March 2011)

Last year, a survey by ratings agency Standard & Poors (S&P) found that less than half of major European companies have a concrete carbon mitigation strategy and failed to fully integrate carbon risk and exposures into corporate financial decision making. The survey included 41 bond-issuing corporations representing the European industrial sector in general. Ninety percent of the survey respondents said that their current level of carbon exposure did not significantly affect their ability to raise funds and also, a very large majority indicated that they expect to mitigate their exposure by funneling any additional costs to customers in the near future.

One year after the survey; with new and more stringent climate change regulations coming into force in 2013 (Phase III of the EU's emissions trading system), S&P has decided to integrate climate risk into credit ratings systemically.

Their program will be far more reaching than merely Europe and specific industries: All industrial companies issuing bonds will undergo a thorough screening of their carbon exposure and the results will be made public to investors.

The climate change risk that these companies face (and could potentially affect their future cash flows) will be assessed through three main dimensions:

1. General emissions profile including where the emissions are produced.
2. The company's ability to mitigate those emissions.
3. The company's ability to pass any carbon costs through to suppliers.

The outcome of the screening will yield a Carbon Exposure per dollar/euro of EBITDA.

Although S&P does not expect to start downgrading companies this year, as imminent climate-change policy is enacted around the world, the agency will be ready to make carbon risk transparent and easily understood by all investors (including institutional investors that have stayed in the sidelines and have not taken a coordinated action with respect to climate change and its impacts on corporate results).

This first effort to capture and monetize the potential negative economic effects of climate change is very encouraging but it doesn't stop there for S&P. Their vision is to "bring a lot of

these strands and other things in the environmental space together, into an environmental finance unit that includes water, low-carbon technology and climate change adaptation as well as mitigation."

How encouraging can this be for ECOS and its efforts in Latin America?

The region is generally very clean as it only contributes to less than 4% of global emissions. Therefore, it is strategically positioned to help developed economies offset their climate change risk with real opportunities that generate value in Latin American economies.

An example of that would be a German utility investing in clean energy in Peru to offset their higher emissions in Europe: Local suppliers would be able to take on higher carbon costs, the company would also mitigate its higher emissions in Germany and the utility's emissions profile would improve. At the same time, Peru would benefit from clean energy generation, technology transfer and the creation of jobs.

For additional very interesting reading on other carbon issues that will influence Institutional Investors: <http://www.mercer.com/articles/1406410>

PORTFOLIO COMPANY NEWS



The second part of the one laptop per child contract is currently being executed with great success.

In addition, the company won another contract to supply rural electrification systems especially designed for a specific Peruvian region. That contract is also currently being executed

www.entelin.com



Endriven has opened new offices in Bogota to serve the Colombian natural gas markets.

In addition the holding has created "Fuel Meridional", a liquid fuels marketing Company established in Buenos Aires that will focus on Biodiesel and other biofuels produced in the region.

www.endriven.com



Hybrytec's Bogota office is strengthening the company's project pipeline considerably; adding very important commercial and industrial contacts that could use solar energy as a tool not only to reduce their carbon footprint but also to improve their finances in the short run by using the sun; a cheaper source of energy.

www.hybrytec.com



Solarcentury won the Queens Award for Enterprise: Innovation 2011. The prize was awarded for outstanding performance, corporate social responsibility and excellence in innovation for its 'C21e solar electric roof tile and slate'; a substitute building material that takes advantage of solar energy for local use.

www.solarcentury.com



EBES has been approached by a very important Brazilian Company to study the feasibility of supplying hundreds of rooftops with solar systems designed and installed by EBES.

In addition, EBES has also been approached by an important local solar company facing trouble with their installations. EBES has fixed the errors

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
- Geothermal in Argentina
- Biomass in Brazil

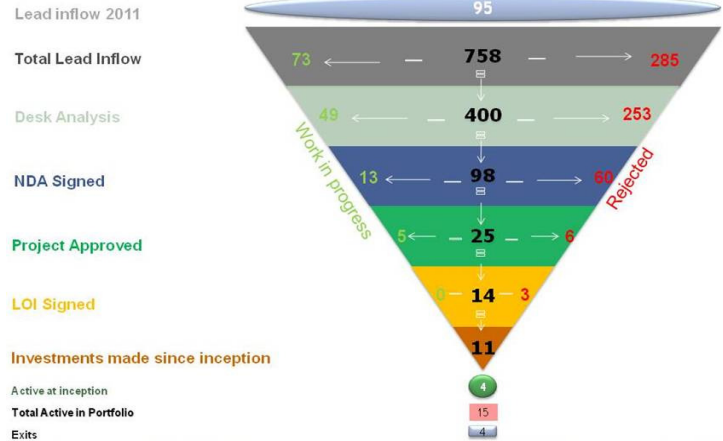
Web Report 1st May 2008 – 30st April 2011

The www.grupoecos.com website has been visited 18.634 times since 1st of May 2008 until 30st of April 2011, what makes an average of 17.02 visits per day.

Since its inception in May 2008 visits were distributed as follows: Panama (32.53%) visits, United States (13.52%), Brazil (5.67%) and Colombia with (5.80%).



Ecos Net Dealflow Analysis



E-Learning Program for Business Strategy for the Base of the Pyramid

The WBCSD has launched a new e-learning tutorial on the business case for sustainable development for the base of the pyramid market segment. It is a 5 months e-learning program (May-October) that seeks to highlight the challenges of implementing business in underserved markets and identify innovative business initiatives or solutions to those challenges.

ECOS, as a member of SUMARSE, strongly supports this initiative, important for the integral development of the markets and societies we operate in. For more information visit: www.sumarse.org.pa



E - Learning en estrategias de negocios para la base de la pirámide.

EVENTS

Energy	Forestry	Finance
JUNE 9-10 Panama, Rep. of Panama 14 th Annual Private Power in Central America www.platts.com	JUNE 6-10 Berlin, Germany 19 th European Biomass Conference www.conference-biomass.com	MAY 5-6 Zurich, Switzerland New Energy Partnering Congress www.nepc.ch
JUNE 8-10 Munich, Germany Intersolar Europe www.intersolar.de	JUNE 22-24 Vancouver, Canada 9 th Timberland Investment Summit www.timberlandinvestmentsummit.com	MAY 11-13 Porto Alegre, Brazil ERACS www.eracs.org.br
SEPT 20-22 Rio de Janeiro, Brazil Hydro Vision Brazil www.hydrovisionbrazil.com	JULY 17-20 International Conference on Algae Biomass, Biofuels & Bioproducts St. Louis, USA www.algalbbb.com	June 2 Santiago, Chile Chile Private Equity and Venture Capital Forum www.lavca.org/events
NOV 29-DEC 1 Amsterdam, The Netherlands EWEA Offshore www.offshorewind2011.info	SEPT 14-16 Houston, Texas Biorefining Conference & Trade Show www.biomassconference.com	JUNE 23-24 Zurich, Switzerland 2 nd Latin America Europe Investor Forum www.latinfinance.com