ECOS NEWS

August 2011

EDITORIAL

CONTENT

Welcome to the latest edition of ECOS News

The recent presidential elections in Peru were important not only to the country itself, but also had a regional effect that should not be underestimated. After the first round, in which the apparently the more moderate candidates were beaten by Ollanta Humala and Keiko Fujimori, the Peruvian electorate saw itself suddenly in an uncomfortable situation of having to choose between two candidates earmarked as representing either a Chavez-like leftist line (Humala) or a rightist (Fujimori) which reminded everybody directly of the not too far away quasi dictatorship of Alberto Fujimori, father of the candidate.

Humala won the election in an astonishingly calm vote; and the Peruvian voters can be congratulated: already during his campaign, Humala distanced himself from Chavez (during the previous election campaign, he was clearly a protégé of the latter), and oriented himself to the more moderate left that characterizes the Brazil of Lula and Rousseff. The recent appointments of key Ministers in his cabinet show that such campaign messages were not “empty words”, and give reason to be optimistic. It is now in the hands of the new government to implement a policy, which is following the Brazilian model, promising both for stable and continuous economic development and for social and environmental progress. The importance of renewable energy has been recognized and the government has pledged to give the sector some prominence.

The regional importance of this election can be interpreted in a convincing way. The moderate Lula-line has outweighed the more aggressive (but increasingly unpopular) Chavez style in Latin America; inspiring trust for regional stability in a moderate left – right political pendulum. With each election, the degree of a threat to fall back into extremism on both sides is diminishing. This trend is comforting, especially in light of the region’s recent history which is characterized with such threats.

In the case of Brazil, the largest economy of the continent, and the country of the already mentioned achievements of Lula, the election of his successor Dilma Rousseff did not come as a surprise. She will continue to implement the successful moderate line of her predecessor. The country’s success has been such that the economy is showing certain signs of “overheating” in some sector. This should be taken into account by any serious investor, analyzing critically real underlying values of company or project valuations, and by implementing a niche strategy. Such niches in less crowded sectors can still be very attractive, like the previously mentioned woody biomass to energy area, or specific subsectors of clean technology and other sustainable development related areas.

Internally at Ecos, Salvador Escobedo (Investment Manager at Ecos), decided to create his own advisory company, Solam, and has become independent since July. We remain closely connected and Ecos is Solam’s first client: We have outsourced our solar portfolio management duties and future solar-related investments in Latin America to Solam. We would like to thank Salvador for his outstanding contributions to Ecos through the years and wish him all the best in his new challenge as entrepreneur.

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 management.

ECOS NEWS

LATIN AMERICA TRENDS

Jose Guardiola - CFO

Latin American Trends

By Jose Guardiola & Ricardo Mesa

In contrast to recent events unfolding in most developed economies around the world, where growth prospects have deteriorated due to fiscal consolidation and debt concerns, Latin American growth prospects continue to improve. Developed economies, such as the United States, have showed signs of a lifeless recovery from the recent world wide recession and a concerning rising unemployment. For Latin America, the recovery from the recession was strong and economists are forecasting a GDP expansion of 4.5% for this year. In addition, inflationary pressures have eased due to a recent cooling in the commodities market and monetary tightening of central banks around the region.

Furthermore, Chile, Colombia, Mexico, and Peru signed an agreement (Acuerdo del Pacífico) that sets the basis of an aggressive integration program, focused on the economic front, including the intent of presenting a common trade strategy towards the Asia Pacific region. The agreement also intends to integrate the stock markets of Chile, Colombia and Peru known as MILA (Mercado Integrado Latinoamericano). Panama was invited as an observer and possible future member.

The Brazilian economy has been solid during 2011, supported by healthy investments and government spending. High interest rates continue to attract capital inflows into the economy, placing the local currency to historic highs. Moody´s has lifted Brazil´s sovereign rating from Baa3 to Baa2 with a positive outlook due to the government´s prudential fiscal stance as well as the country´s stable debt position.

Economic activity has expanded considerably in Chile during the first half of this year due to vigorous domestic demand and excellent export numbers, which were benefited from high cooper prices. In its quarterly Monetary Policy Report from June, the Central Bank raised its economic growth forecast to a range between 6.0% and 7.0% this year based on sound economic activity. Analysts are forecasting Chile´s GDP growth rate to be 6.4% and have an inflation of 4.2% this year.

Colombia´s economy has been firm as the GDP expanded on a year to year basis 5.1% during the first quarter of 2011. Growth is fuelled by the domestic demand, especially by the accumulation of stock compared with the same quarter last year. Exports have also been robust due to an increase demand from Europe and China (Oil shipments growth rate is 91% year over year). Furthermore, Fitch was the last agency to assign investment grade status to Colombia and upgrade its sovereign credit rating from BB+ to BBB- with a stable outlook. Colombia´s forecasted GDP growth rate and inflation rate for this year will be 5.0% and 3.4% respectively.

In Mexico, during the first quarter of 2011, the GDP increased by 4.6% compared to the same period last year. This growth was mainly fuelled by exports which are expected to grow to USD $337 billion this year; a 13% increase from last year. However, Mexico´s economy outlook has slightly moderated due to weak growth in the United States, which decelerates industrial production. Also, the domestic sector remains sluggish as it has slowed from 4.5% growth rate in the fourth quarter of 2010 to a 3.7% growth rate in the first quarter of 2011 mainly due to a downward shift in inventories. Currently for 2011, Mexico´s GDP is forecasted to grow at a 4.3% and inflation to be 3.9%.

In Peru, the economy continues to grow at a very healthy pace as it expanded 7.4% in April over the same period last year. However, the Central Bank has revised its growth forecast and now expects the economy to grow 6.5% this year, down from previous 7.0% estimate. The adjustment was due to beliefs that newly elected President Ollanta Humala could raise taxes on the mining industry, which could dent foreign investment. The external sector remains fit as exports are expected to grow 15.2% this year to USD $41 billion. Economists around the region are forecasting GDP to grow 6.4% and inflation to be 3.4% this year.

US Dollar vs. Latin Currencies lastest Quarters				Source: Internet	
Dates	Argentina Peso	Brazil Real	Colombian Peso	Chilean Peso	Mexican Peso
30-Jun-11	4.10	1.57	1,778	470	11.78
31-Mar-11	4.04	1.64	1,877	459	11.93
31-Dic-10	3.97	1.67	1,950	462	12.37
30-Jun-10	3.93	1.79	1,898	528	12.83
Change vs. Previous periods					
Change (%)	Argentina Peso	Brazil Real	Colombian Peso	Chilean Peso	Mexican Peso
1 year	4.4%	-12.5%	-6.3%	-11.0%	-8.1%
6 months	3.4%	-6.2%	-8.8%	1.6%	-4.7%
3 months	1.6%	-4.4%	-5.3%	2.3%	-1.2%

For the last 3 months, the US dollar has been mixed against Latin American currencies. The US Dollar has gained value against the Argentinean Peso (1.5%) and the Chilean Peso (2.2%), but has dropped in value against the Colombian Peso (-5.2%) and the Brazil's Real (-4.4%). However, compared to same period last year, the US dollar has dropped against most Latin American currencies between -6.2% and -12.4 %, except against the Argentinean Peso where it gained 4.4%.

Stock Exchanges Index Prices				Source: Internet	
Dates	Argentina	Brasil	Colombia	Chile	Mexico
30-Jun-11	3,361	62,404	14,068	4,795	36,558
31-Mar-11	3,388	68,587	14,470	4,624	37,441
31-Dic-10	3,524	69,305	15,497	4,928	38,551
				Source: Internet	
(%) Change	Argentina	Brasil	Colombia	Chile	Mexico
1 year	53.8%	2.4%	13.0%	18.0%	17.3%
6 months	-4.6%	-10.0%	-9.2%	-2.7%	-5.2%
3 month	-0.8%	-9.0%	-2.8%	3.7%	-2.4%

Mayor Latin American stock exchanges have started the year roughly with loses between -2.7% and -10.0%. However, the 12 month performance remains strong with positive changes between the ranges of 2.4% to 53.8%. Latin American stock markets returns have outperformed mature stock markets over the last year (20.9% vs. 16.7%).

Mayor Latin American bonds yields continue to offer great values to investors around the world even though they have come down a little compared to previous periods. Argentina´s government bonds continue to offer the highest yields in the region with a 9.1% yield for a 6 year bond. The yields for Brazilian, Colombian and Mexico´s government bonds continue to have very similar rates including average yields of 4.3% for a 15 year bond, 5.3% for a 20 year bond and 5.4% for a 30 year bond. Chile´s has the lowest yields in the region for their bonds ranging between less than 1% for a one year bond to 3.7% for a ten year bond.

In Ecos, we believe that Latin America is a potential hedge against portfolios which are heavily weighted in developed markets; where prospects are getting worse due to fiscal consolidation and where mayor debt concerns are looming. We will continue to search and analyze potential investments opportunities in the region while staying true to our strong environmental beliefs.

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ECOS NEWS

SUSTAINABLE FORESTRY

Claudio Cabezas – Investment Manager

Misconceptions in Timber Investment

By Eduardo Vasconcellos

(Extract of Misconception in Timber Investment - The Root of the Problem, by Shelley Goldberg, July 2011)

A major misconception about timber is that because it is a hard asset it should act like a commodity. It does not. Investment and management of timberland is unique and highly specialized. Recently Roubini Global Economics, recommended pure-play timber-either directly or through TIMOs(Timber Investment Management Organizations) as having the best long-term upside potential, in light of growing emerging market demand and future supply constraints.

There has been growing attention paid to timber investment as portfolio managers seek diversification, hard asset exposure and low volatility. The general portfolio benefits of investing in timber are fourfold: 1) Timber can deliver high risk-adjusted returns; 2) it serves as a portfolio diversifier, exhibiting low correlations to other asset classes, the highest being with inflation; 3) as such, it can be a partial inflation hedge; and 4) timber investments can provide tax benefits. The total return on timberland during the past 20 years has exceeded that of the S&P and of most other asset classes. Timber has a low correlation to equities, bonds and other securities that can help diversify a portfolio.

Global lumber consumption is expected to double in the next 30 years. Meanwhile, the world's natural forests are steadily shrinking. According to the UN Food and Agricultural Organization (FAO), there was an estimated 35,000 square miles lost per year in the 1990s, resulting in depletion of the world forests (which covered 46% of the planet) by half.

Another positive aspect of the industry is the new emphasis on using wood for power production, particularly in times of high energy prices like the present. Limbs and other tree parts once left on the forest floor are being chipped and converted into pellets used in many parts of the world (especially Europe) to generate electricity and heat homes. Compared with other forms of alternative energy, wood pellet fuel doesn't require advances in technology. In the U.S., more than 80 new bioenergy plants have been announced.

A commonly used benchmark to track timberland performance is the NCREIF Timberland Index. From 1987 through 2010, timber returns, as measured by the index, have averaged 15% per year as compared to the S&P's 9.1% average, while the price of harvested timber has appreciated 5% per year over the last century. In 2008, when stock indexes were down 40-50%, the index gained 9.52%.

The most pure-play investment in timber is direct ownership of trees. Investors who choose not to own timberland outright can purchase shares in a TIMO. Timberland Real Estate Investment Trust (TREITs) could be a way to invest in timberland. However TREITS are not pure-plays, as they generally have exposure to saw and paper mills, plywood, and other unrelated assets.

Wood manufacturers and pulp and paper companies also don't have the performance of timberland. In addition to labor and energy costs as well as corporate taxes, both industries suffer heavy capital expenditures

There are also exchange-traded funds (ETFs) that specialize in timberland investments. While they too are far more liquid than buying acreage, they are also more volatile and exhibit more market beta. ETFs often invest not just in acreage, but also in forest-related industries, making these investments behave much more like stocks than like real assets. Additional holdings include basic materials, consumer cyclical, real estate, consumer defensive and utilities names

In summary, the growing global population, coupled with cutbacks in harvesting by some governments, means that prices for timber are likely to remain buoyant. Forestry tends to be less volatile than other assets and brings an important element of diversification to a portfolio. Direct investment or via a TIMO offer the best approach to a pure-play timber investment if you want both feet firmly planted in the sector.

PORTFOLIO COMPANY NEWS

PANAMA FOREST SERVICES — ECOFOREST (PANAMA), S.A.

Panama Forest Services has been very active attending the ACP bid won early this year. The project implies developing agricultural activities, such as planting coffee and pastureland for ACP community projects. In addition, the Company must continue with ACP's teak plantation and native forest maintenance for the second year.

At the same time PFS is challenging its organization to develop new activities as Property Manager of international organizations with important investments in Panama and Costa Rica.

SILVOTECNIA S.A. — INGENIERIA Y CONSULTORIA CON RESPONSABILIDAD AMBIENTAL

Silvotecnia was given economic resources to finance the Executive Management of the Forestry Chamber of Antioquia. The company is working together with FAO, Fedemaderas Colombia and the "Gobernacion of Antioquia".

Also continuing the active participation in the development of the forestry industry of Antioquia, the Company achieved the update of the Competitive Agreement of the Forestry Sector. With it, the Sector will be formally organized and is expected to grow faster in the coming future by promoting research projects to foster technical improvements and develop technological packages for all Members.

INTERFOREST, SRL

Iin a recent benchmark with other Latin American forestry companies, Interfores S.A. shows a very competitive harvesting cost per cubic meter. This is a very interesting strength that has accumulated after three years of continuous logging activity.

Since Guatemala planted forest are becoming mature for commercial thinning and harvesting, Interforest forestry services Company is ready to share its strength with other local companies.

Guatemala from the Nahualt word "guaugtmallan" which means Land of Trees, expresses the natural wealth of a country with natural forestry vocation.

ECOS NEWS

CLEAN TECHNOLOGY

Salvador Escobedo - Solam

A brief note on Peak Oil

(Source used and recommended: Jeremy Leggett's "Half Empty")

Ever wondered why most United States presidents since the Second World War have ordered military action of some sort in the Middle East? Are you aware that the production of ninety percent of all the goods in shops or ninety five percent of all the food products we consume require the use of oil?

Farming a single cow and delivering the meat to the market requires at least six barrels of oil… that's enough to drive a van well past New York if you are coming from Los Angeles. In fact, our civilization consumes over 88 million barrels of oil *per day*, that's equivalent to ***161,944 liters per second.*** The figure is so staggering that it is worth putting it into a more tangible context: If that oil were water, it would be sufficient to supply a country with 93 million people the amount of water that an average British national consumes. This figure does not include the amount of water used to extract, distribute and sell those 88 million barrels per day. And that's not all; it is estimated that by 2025, our oil consumption will increase to 220,833 liters per second (or 120 million barrels per day). However, somehow, even with our fully networked societies in which information is distributed faster than we can imagine, very few question the feasibility of our lifestyle with regards to oil consumption and the oil industry's capacity or preparedness to meet that type of demand. As Jeremy Leggett points out: "Our society is in a state of collective denial that has no precedent in history, in terms of its scale and implications".

Today, the United States alone consumes 20 million barrels per day; 5 of which come from the Middle East. Those 5 million barrels could be avoided if the domestic auto industry increased fuel efficiency of autos and light trucks by a mere 2.7 miles per gallon, but that's not happening.

So it could be that all of this sounds a little dramatic to you, the reader; after all, there are so many other issues to deal with that are much more manageable and tangible. Several generations have passed through our civilization purely enjoying the benefits of "endless oil" and we seem to be wired to easily justify our non-stop consumption of goods without ever questioning how much longer we will be able to do so or what the consequences of the opposite could be. Many of us have even gone as far as simply discarding any type of analysis because thinking of the end of an era is just too drastic or can be easily minimized to one more "conspiracy theory" not worth our times. But the facts are alarming.

The entire planet has been scanned for oil. We've been consuming it at increasing rates for more than 150 years (the first oil field was drilled in 1859). Although exploration technologies have advanced at the same or faster rate as other technologies, and hundreds of billions have been spent in exploration by some of the world's largest companies, the two biggest oil fields in the world were discovered more than half a century ago! The third largest oil field in the world was discovered in 1961 and it only contained 20% of the so called proven reserves of the first and second largest oil fields in the world (Saudi Ghawar discovered in 1948 & Kuwaiti Burgan field discovered in 1938).
If that's not enough, consider this:

The last time we discovered more oil than we consumed was more than 25 years ago.
Since then, we've been consuming progressively more and finding progressively less.

It's time to wake up and realize that today's widely media-praised and official definition of a "giant oil field" (last of which was discovered in 2002) could supply merely 1 week of our consumption rate. If that's not enough "fundamentals" to go by when deciding to invest in renewable energy, then we are just lying to ourselves once again.

PORTFOLIO COMPANY NEWS

Entelin

Entelin continues to execute on the largest scale projects it has won this year that include the design and installation of more than 2,000 photovoltaic islands systems in Peru

www.entelin.com

ENDRIVEN

Endriven´s biodiesel plant has broken production records and continues to ramp up production efficiently.

www.endriven.com

Hybrytec Energia Solar

Hybrytec´s presence and efforts in its new office in Bogota are paying off: The company was appointed two large rural electrification projects that jointly will power more than 100 schools and other institutions in Colombia.
The company will also install a large rooftop solar system on a historic building.

www.hybrytec.com

solarcentury

Solarcentury together with Lightsource Renewable Energy installed the first large scale solar power farm in England. This installation is unique as it took advantage of reclaimed ex-tin mining lands in the south west town of Cornwall.

www.solarcentury.com

EBES

EBES is penetrating the Brazilian solar power market and is ready to implement a country-wide strategy that will position the company strongly.

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

More info: info@grupoecos.com, salvador@solamgroup.com

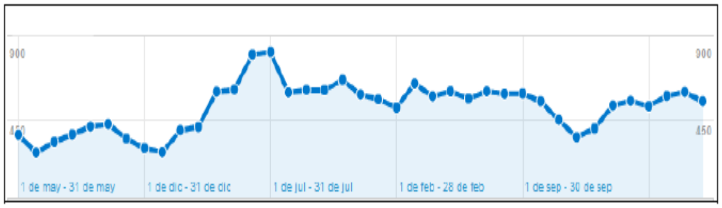
ECOS NEWS

NEWS AND EVENTS

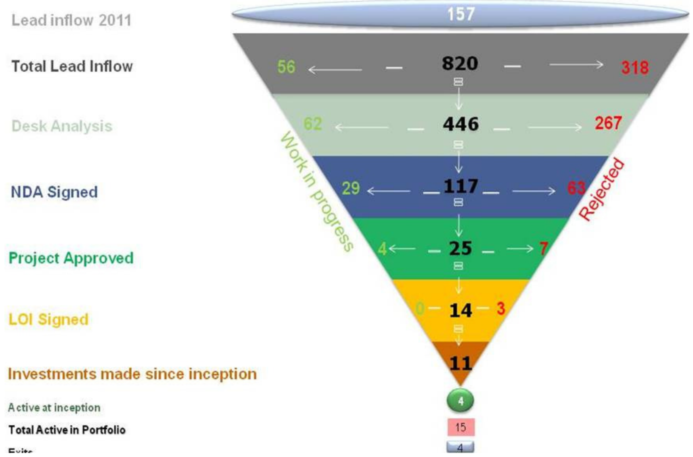
Web Report 1st May 2008 – 31st July 2011

The www.grupoecos.com website has been visited 20.395 times since 1st of May 2008 until 31st of July 2011, what makes an average of 17.18 visits per day.

Since its inception in May 2008 visits were distributed as follows: Panama (31.95%) visits, United States (13.52%), Brazil (6.25%) and Colombia with (4.98%).



Ecos Net Dealflow Analysis



Regional Indicators of Corporate Social Responsibility

The Panamanean Chapter of the World Business Council, SumaRSE (of which Ecos is a member) has launched together with its Central American Partner, Organizations in Corporate Social Responsibility (CSR or RSE in Spanish), the 20011 survey of regional CSR indicators, called IndicaRSE. This useful exercise helps determine each company's CSR management and find out about improvement potential. The tool is available online, easy to use and covers the 7 most important CSR areas (Governance, Internal Stakeholders, Environment, Marketing, Sales, Community and Public Policy).

For more information visit: www.sumarse.org.pa

Es Hora de Sumarse

IndicaRSE

EVENTS

Energy	Forestry and Biomass	Finance and Development
AUGUST 31-SEPT 02 Rio de Janeiro, Brazil Brazil Windpower 2011 www.brazilwindpower.org	AUGUST 23-25 Sao Paulo, Brazil Biomass Investing Brazil Summit 2011 www.biomassinvestingbrazil.com	SEPT 21-22 6th Annual North American Infrastructure & Energy Finance Forum New York, USA www.euromoneyseminars.com/NAIEF
SEPT 05-08 Hamburg, Germany 26th European Photovoltaic Solar Energy Conference and Exhibition www.photovoltaic-conference.com	SEPT 19-21 Portland, USA Who will own the forest Conference wwotf.worldforestry.org	SEPT 27-28 New York, USA LAVCA Annual Summit and Investors Roundtable www.lavca.org
SEPT 20-22 Rio de Janeiro, Brazil Hydro Vision Brazil www.hydrovisionbrazil.com	SEPT 14-16 Houston, Texas Biorefining Conference & Trade Show www.biomassconference.com	OCT 03-05 Washington DC Area, USA 2011 ANDE Annual Conference www.aspeninstitute.org
SEPT 20-22 Washington DC, USA RETECH 2011 www.lac-core.org	OCT 24-27 Minneapolis, USA Algae Biomass Summit www.biomassconference.com	NOV 10-11 Sao Paulo, Brazil 4th Annual Brazilian Energy Finance Forum www.euromoneyseminars.com/beif