



CVC Sustainable Investments

A member of the CVC Group of Investment Companies

Profits that don't cost the earth®

Protecting Our Environment

Update - December 2010

Quarter Highlights

- CVCSI Strategic Direction
- Trends at Half Year
- EGL Share Consolidation
- HydroChile
- Dry Cleaning Fluid Recycling
- More Investor Sessions Planned

CVCSI Strategic Direction

In line with the 2010 Annual Report, CVC Sustainable Investments (CVCSI) has commenced a strategy to invest more directly in the clean energy market. CVCSI is reviewing a number of opportunities in both the project development and the market side of renewable energy power generation.

The Federal Government has established the Renewable Energy Certificates (RECs) scheme to achieve a 20% target for renewable electricity generation by 2020. Based on current market fundamentals, this will require over 1200MW of renewable energy power generation to be built each year from 2012 to 2018. The opportunity is reinforced by delays to conventional coal and gas stations as a result of the Global Financial Crisis and environmental policy uncertainty. These delays to new capacity are expected to result in higher electricity prices in the national market that could support cleaner power generation projects.

CVCSI's new strategy includes some changes to the portfolio to create liquidity for new investments and working capital. CVCSI's loan from CVC Limited is to be repaid along with some outstanding fees. CVCSI's holding in Dolomatrix Limited (ASX:DMX) will be sold to CVC Limited on an "arm's length" basis. The immediate benefit to CVCSI will be greater financial capacity to develop businesses in the clean energy sector.

Trends at Half Year

DoloMatrix (ASX:DMX) and Pro-Pac Packaging (ASX:PPG) have reported good progress at their respective AGMs in late 2010.

An interesting trend over the last 12 months has been the acquisition of smaller businesses and the consolidation of existing operations:

- DoloMatrix reports that its 2010 acquisitions of Veolia Packaged Waste in Sydney and Evermoore Consulting, have been successfully integrated into Chemsal and Entech respectively.
- Pro-Pac Packaging advised that the three acquisitions that it made in 2010 had been consolidated into its operations resulting in significant synergies and growth opportunities.

EGL Share Consolidation

Following approval by shareholders at the AGM, The Environmental Group (ASX:EGL) has consolidated its share capital on the basis of one new share for every three existing shares.

At the date of this report EGL has not yet reported its first half results.

HydroChile

HydroChile recently closed the all important US\$120m debt financing package of its two "run-of-river" hydro power plants, San Andres and El Paso. The debt package via a syndicate of four major European banks combined with around US\$80m equity commitment by New York based investment house Eton Park, enables full construction of the two projects to proceed. The EPC (Equipment Procurement and Construction) contract is in effect for the San Andres project. The EPC contract for El Paso is in the final stages of negotiations.

The two projects will cost in excess of US\$200m and take between 14 and 18 months to complete. The projects have 15 year offtake agreements with local electricity utilities AES Gener and Chilectra and are expected to supply in excess of 70MW to the Chilean grid.

Dry Cleaning Fluid Recycling



Chemsal, a division of Dolomatrix (ASX:DMX), has introduced a process called C-Vap designed for the dry cleaning industry. This revolutionary process has been developed in house and represents a breakthrough in the waste management industry.

Until recently, dry cleaning factory operators could not recycle the toxic solvent perchlorethylene (know as Perc). These operators had to continually purchase Perc at considerable expense to the industry, not to mention the environmental problems involved with the stringent requirements for the disposal of used Perc.

More Investor Sessions Planned

Many potential and existing investors and their advisers have shown strong interest in attending the Investor Sessions run by CVCSI Investment Managers in recent months. Jo Hume, Investment Analyst, is to be featured in an upcoming series of such sessions in Perth, Adelaide, Canberra and Melbourne. It is also likely that there will be Investor Sessions in Sydney and Brisbane.



Fund Performance

Net Asset Value

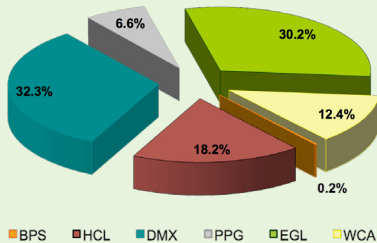
Net assets, based on unaudited management accounts as at 31 December 2010 were:

Net assets	\$8.48 million
Net assets per share CVCSI No.1	5.13 cents per share
Net assets per share CVCSI No.2	6.47 cents per share
Net assets per share total	11.60 cents per stapled security

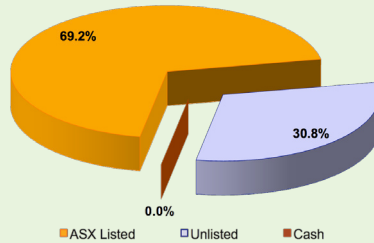
Asset Allocation

The pie charts illustrated below show that the fund is substantially invested across a diversified range of environmental sectors:

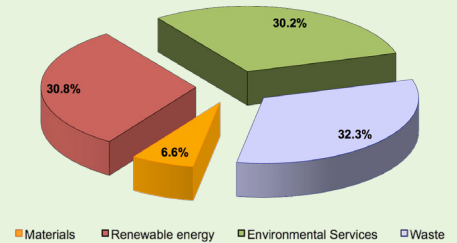
CVCSI portfolio – December 2010



CVCSI portfolio market mix – December 2010



CVCSI portfolio sector mix – December 2010



Current Investments



DoloMatrix (ASX: DMX) is a technology-based business, specialising in treatment of hazardous wastes and waste materials that present complex problems. DMX's system offers an environmentally sound and economically viable solution for the treatment of site remediation soils, dredging sediments and industrial process residues.

Waste Management



Increasing environmental awareness and regulation has created a demand for the provision of expert environmental services to the industrial and mining sectors. The Environmental Group (ASX: EGL) specialises in the provision of water and waste services, assisting their clients to transform the way they interact with the environment.

Water Services



Many hundreds of thousands of tonnes of plastic packaging are deposited into Australian landfills each year. Pro-Pac Packaging (ASX: PPG) is helping to arrest this environmental damage by leading the introduction of biodegradable and environmentally friendly industrial packaging in Australia.

Materials

Biodiesel Producers Ltd

Conventional diesel is both a major pollutant and a depleting resource. Biodiesel Producers has developed a plant in the transport hub of Wodonga, Victoria, that is effectively utilising local waste-streams to produce lower carbon emissions and a lower particulate alternative to conventional diesel.

Biofuels



Chile has a shortage of available fossil fuel sources and a growing energy demand driven by its recent economic growth. HydroChile is an Australian company using the know-how and expertise of some of Australia's leading hydroelectricity experts to develop small scale run-of-river hydro projects in Chile.

Renewable Energy



Australia's brown coal-fuelled power industry is a major producer of greenhouse gases. Wind Corporation is developing a movement away from unsustainable electricity generation with its portfolio of existing and planned wind energy projects including the wholly owned Hampton Wind Park facility.

Renewable Energy



BioPower Systems Pty Ltd (BPS) is a renewable energy systems company based in Sydney. BPS is currently building and installing full-scale prototypes of the company's bioWAVE™ wave power and bioSTREAM™ tidal power systems for generating renewable energy at two sites in Tasmania.

Renewable Energy

Investing in CVCSI

Investment in CVC Sustainable investments (CVCSI) can be made on the basis of the Small Scale Offerings provision contained in Section 708 (1) of the Commonwealth Corporations Act 2001.

We will be pleased to provide appropriate forms and current information to investors who are considering investing in CVCSI.

Call 02 9087 8000 and ask for CVCSI Client Relations.

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