



# CVC Sustainable Investments

A member of the CVC Group of Investment Companies

*Profits that don't cost the earth®*

## Planning for the Future

### Quarter Highlights – to June 2011

- Carbon Tax - CVCSI Comment
- Key Investment Personnel – Transitioning CVCSI
- Liquidity Provisions
- Continuing Investor Information Sessions

### Carbon Tax - CVCSI Comment

Once again we are witnessing an attempt by the Federal Government to put a price on carbon, gradually neutralise polluters and shift capital towards renewable energy production and clean technology. This time it looks like the Government's initiative will be successful. The Carbon Tax or Carbon Price Scheme just announced is expected to be legislated in September/October 2011. Responses from economists vary from welcoming to expressions of disquiet. Steel and Coal producers will be helped with their 94.5% free permit (i.e. no price on carbon applies to 94.5% of their emissions) with various compensating packages totalling ca \$1.67bn. Power generators will receive payment for closure, transitional money and loans from the Government. But Renewable Energy and Clean Technology will get a big boost with the Government targeting \$100bn of new investment in renewables by 2050. The program provides more finance for renewables, energy efficiency, clean technology, carbon farming and additional regulation for sectors excluded from coverage under the carbon market. Regulatory support for renewable energy and clean technology is the economic lever to enable new and existing industry in this field to become more competitive offering more attractive investment returns.

### Key Investment Personnel – Transitioning CVCSI

CVCSI, as announced in previous updates, has been navigating through a period of transition over the last 14 months. Key to this transition to a new strategic approach for CVCSI has been the ongoing work of Mr Philip Galloway, as Investment Manager. Philip has held senior level executive positions with CRA, Esso and BHP Billiton. Since returning from London 4½ years ago he has set up highly successful geothermal projects in Western Victoria. With his corporate and entrepreneurial experience Philip has been making progress towards positioning CVCSI into a post-GFC structure where companies with revenues and profits will largely overtake the former early-stage technologies sponsored during a different, more ebullient phase of the market cycle. Melbourne-based, Philip has been working closely with CVCSI, investment advisers and researchers who have shown strong support for viable initiatives in the sustainability sector.

### Liquidity Provisions

In view of the reduced stapled security price, investors have been in touch to discuss CVCSI's progress and the future of the company. In some cases investors have asked how they can liquidate their investments. To clarify, the investment made in CVCSI is in a public unlisted company (that is, it is not listed

on the ASX or any other public exchange, but it is still a public company). CVCSI is not a public trust, where the investor can readily apply to redeem units. Instead it is necessary for a buyer to be found for the investor's securities rather than being able to readily redeem them. Historically the only buyer has been CVC Limited. For some time CVC Limited was able to offer a buy-back at a discount but this provision has been curtailed due to the fact that CVC Limited has an absolute limit on the proportion of the stapled securities it may own.

Investors who have lodged an application to sell their holding to CVC Limited will be advised that their request to redeem is being held in a queue and can only be paid out at a discount set by CVC Limited and when it has the ability to do so.

Investors who have applied to sell their holding have been informed that when, and if, CVC Limited is in a position to purchase more shares in the future, they will be contacted.

### Continuing Investor Information Sessions



CVCSI has an ongoing commitment to contribute to the development of a sustainable economy in Australia. Even though the GFC's fallout continues to hamper capital raising efforts, CVCSI has been maintaining a strong profile and ready communications with investors. Our team with Philip Galloway, Jo Hume and Tony McLennan, along with other fund managers in the sustainability sector, has been conducting Investor Sessions to brief investors on real trends and investment opportunities unfolding in the current period. The CVCSI team expects to roll out a new series of such sessions in the coming months in order to meet with CVCSI investors and intending investors as well as financial advisers who wish to continue to support the cause of sustainability.



### Fund Performance

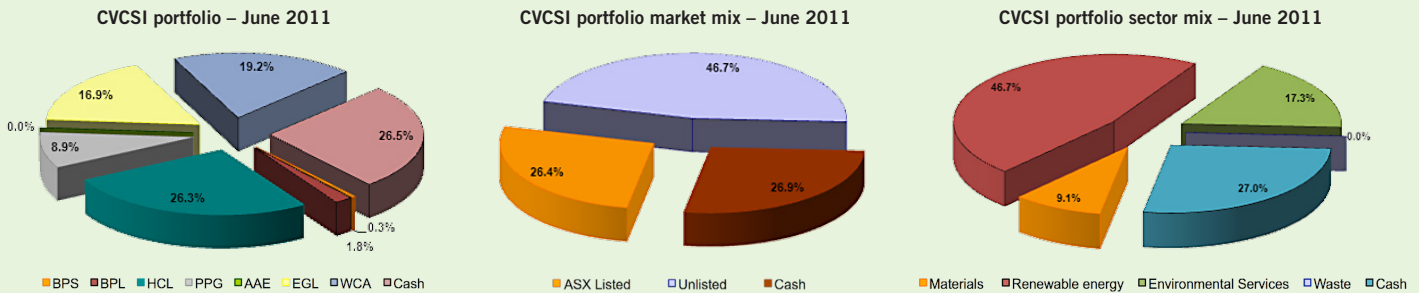
#### Net Asset Value

Net assets, based on unaudited management accounts as at 30 June 2011 were:





Net assets	\$6.40 million
Net assets per share CVCSI No.1	4.77 cents per share
Net assets per share CVCSI No.2	3.99 cents per share
Net assets per share total	8.76 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:



### Current Investments

 <p><b>EGL</b> The Environmental Group Limited</p> 	<p>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.</p>	<p>Water Services</p>
 <p><b>Pro-Pac Packaging</b></p> 	<p>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.</p>	<p>Materials</p>
<p><b>Biodiesel Producers Ltd</b></p>	<p>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.</p>	<p>Biofuels</p>
 <p><b>HydroChile</b> Pty Ltd</p>	<p>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.</p>	<p>Renewable Energy</p>
 <p><b>Wind Corporation Australia Ltd</b></p>	<p>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.</p>	<p>Renewable Energy</p>
 <p><b>BioPower Systems</b></p>	<p>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.</p>	<p>Renewable Energy</p>

### 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.

### Contact Details

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