



“Attracting the Right Finance”

Inter-regional Workshop on Energy Efficiency
Investment Projects Pipeline

24 April 2014
Bangkok, Thailand



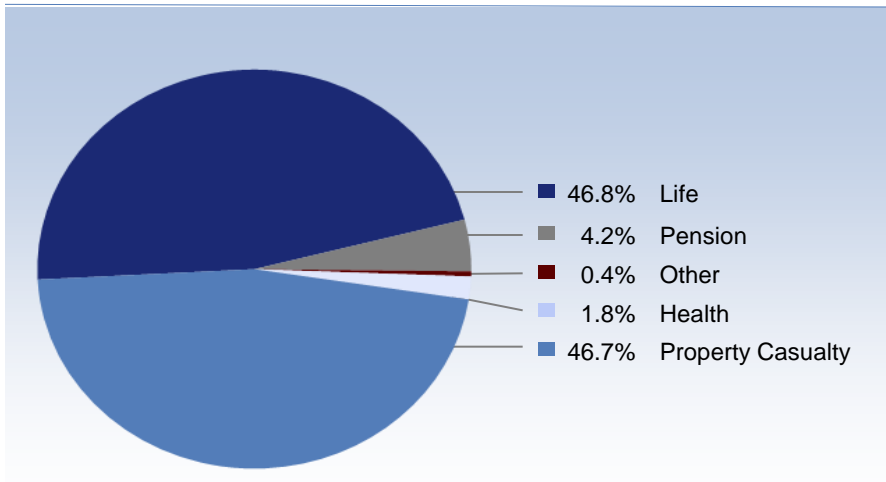
55 King William Street
London, EC4R 9AD
United Kingdom
conning.com

Conning - Overview

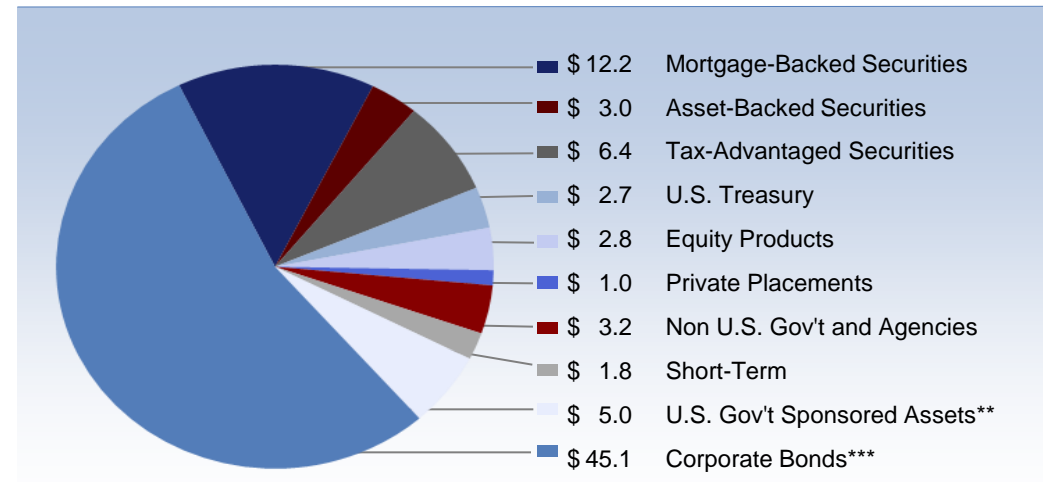
◆ Who we are...

- ❖ Founded in 1912; insurance specialists for more than 100 years; investing insurance assets for nearly 3 decades
- ❖ Managing \$83.4 billion for 126 clients*
- ❖ 282 employees with locations in Hartford, Purchase, London, Cologne, and Hong Kong
- ❖ Independently owned by Aquiline Capital Partners, Conning employees, and Cathay Financial Holdings

Assets by Client Type*



Assets by Security Class*



*As of 12/31/2013 Includes Conning Inc., Conning Asset Management Limited, Cathay Conning Asset Management Limited, and Goodwin Capital Advisers, Inc.

** Includes Agencies, Taxable Municipals and Government related assets

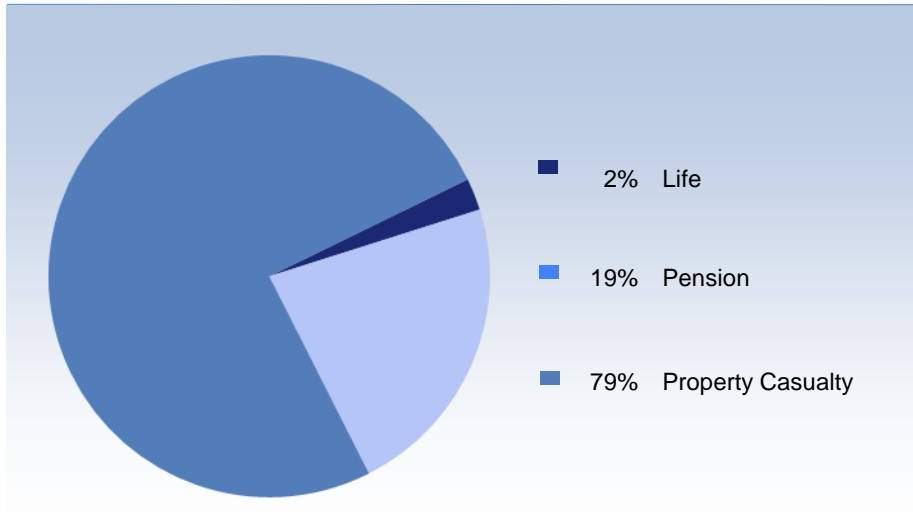
*** Includes Convertible and High Yield Securities



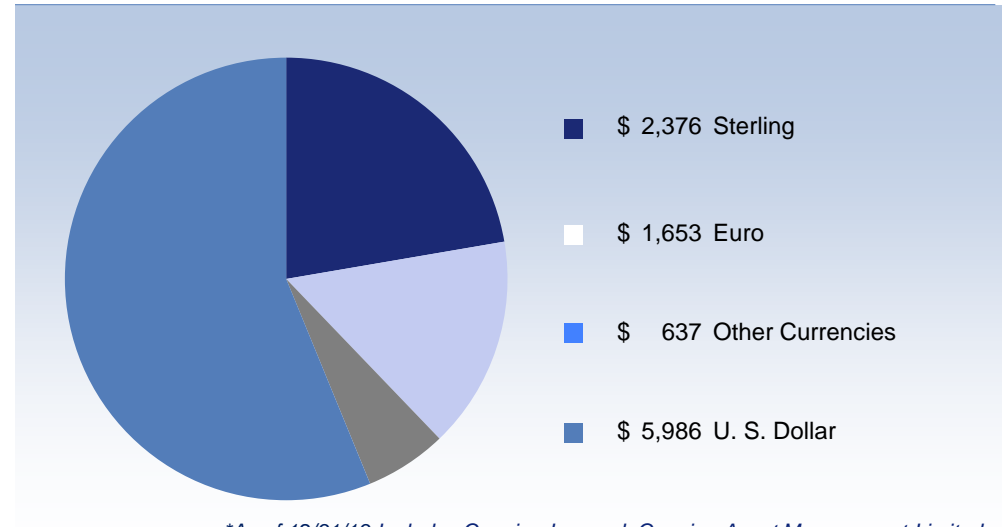
Conning - European Overview

- ◆ 17 clients – Insurance Companies, Lloyd’s Agencies & Pension Funds
- ◆ \$10.6 billion in Assets under Management for European domiciled clients of which \$8.6 billion is managed out of our London Investment centre*
- ◆ Full client service including
 - ❖ Input into ICA/ Solvency II
 - ❖ Extensive knowledge of Trust requirements, custodians, documentation etc
 - ❖ Lloyd’s reporting – LIM/QMR

Assets by Client Type*



Assets by Currency**



*As of 12/31/13 Includes Conning Inc. and, Conning Asset Management Limited
**USD equivalent, in millions

Conning - Investment Capabilities

Investment Grade Securities (USD)	Investment Grade Securities (Non-USD)	Specialty Asset Classes	Equities and Alternatives
<ul style="list-style-type: none">◆ U.S. Treasury / U.S. Agency Bonds◆ Treasury Inflation-Protected Securities (TIPS)◆ U.S. Corporate Bonds◆ Mortgage-Backed Securities◆ Commercial Mortgage-Backed Securities◆ Asset Backed Securities◆ Municipal Securities (Taxable and Tax-Exempt)◆ Foreign Government / Provincial / Corporate Bonds	<ul style="list-style-type: none">◆ Government Bonds◆ Agency Bonds◆ Covered Bonds◆ Inflation-Linked Bonds◆ Corporate Bonds◆ Structured Securities	<ul style="list-style-type: none">◆ High Yield Bonds◆ Private Placement Bonds◆ Convertible Bonds◆ Supply Chain Finance◆ Commercial Mortgage Loans	<ul style="list-style-type: none">◆ Liquid Alternatives◆ Master Limited Partnerships◆ High Dividend Income Equities◆ Indexed Equities



- ◆ Energy efficiency and renewable energy projects, like all projects, need a project description
- ◆ Similarly, a financial model will be needed, essentially to project cash flows through the project cycle

What is an adequate project description ?

What makes a financial model viable ?

- ◆ Summary of the project economics
 - ❖ Revenue
 - Contracted revenues
 - Tax incentives
 - Potential incremental revenue
 - ❖ Expenses
 - Operations and maintenance
 - Management & employees
 - Parts, overhaul / replacement account
 - Fuel
 - Taxes
 - Rent/Lease
 - Cost of Financing

UNECE - Different Phases of Finance

- ◆ What is it that determines the phases of the project ?
 - ❖ In essence, the risk:return ratio

- ◆ What does this mean exactly ?
 - ❖ Financing is built on the risks of two key events, namely the certainty of repayment of principal and payment of interest
 - ❖ Return is the price lenders charge to finance part or all of a project

The phases of financing are therefore determined by payment certainty. Starting with less certain to more certain, the range is public equity, private equity, venture capital (or angel finance), mezzanine finance, unsecured lending, secured lending, unsecured (balance sheet) lending (includes bonds) and public or private equity.

- ◆ Senior Debt (Secured and Unsecured):
 - ❖ Has fixed repayment amounts
 - ❖ Has fixed repayment dates
 - ❖ Has a fixed term

- ◆ Mezzanine Debt & Venture Capital Finance:
 - ❖ Has unknown repayment amounts
 - ❖ Has a fixed term
 - ❖ Has minimum repayment amounts

- ◆ Equity (Public and Private):
 - ❖ Has unknown dividend payments
 - ❖ Has an unknown term
 - ❖ Has unknown residual value

- ◆ What triggers refinancing ?
 - ❖ Quite simply when the risk:reward ratio changes to make it more attractive for another party with a different risk profile to step in. (E.g. Senior lenders can accept lower return in exchange for higher payment security, that venture capital funds which need higher returns to make their portfolio of investments worthwhile)

NOTE: Not every lender has the same profile; the project developers skill is to match the current project phase with the right financiers

- ◆ What is the ultimate aim ? It's self amortisation
 - ❖ Self amortisation is the single most important factor which allows for the financing of a project to happen, as it defines the base case while it allows for up-side events like an IPO* or trade sale

- ◆ How do projects attract the cheapest financing ?
 - ❖ Aim for self amortisation, monitor the risk:reward ratio (from a lender's perspective) is matched by the correct financiers risk:reward appetite
 - ❖ The additional benefits are very attractive i.e. scalability and replicability (Consider that more certain cash flows from one phase of a project can be used to cross-subsidise another, simply by lowering the cost of borrowing. A positive track record will be extra beneficial too)
 - ❖ Efficient financial structures encourage asset transfers to the most efficient operators

www.feei.info

<http://www.unece.org/energyefficiency.html>

This document is prepared and issued by Conning Asset Management Limited (“CAML”). The information contained in this document is confidential and is intended solely for the recipients to whom it is transmitted by CAML.

The information in this document is not and should not be construed as any advice, recommendation or endorsement from CAML to any legal, tax, investment or other matter. Nothing in this document constitutes an offer to deal in investments, to buy or sell any security, future, option or other financial instrument, to provide advisory services or to form the basis of any contract or contractual obligation. This document is not to be reproduced or used for any purpose other than the purpose for which this document was prepared and transmitted by CAML. It should not be distributed to or used by any persons other than the intended recipients without the prior consent of CAML.

CAML is authorised and regulated by the Financial Conduct Authority.

CAML is a member of the Conning group of companies and may provide investment management and advisory services together with group companies in the United States of America, Ireland, Germany and Hong Kong. Such clients may not have the benefit of rights designed to protect investors under the regulatory system of the United Kingdom.

Any statistics contained within this document have been compiled in good faith and do not constitute a forecast, projection or illustration of the future performance of investments. The past performance of investments is not necessarily a guide to future returns. Values of investments may fall as well as rise, and changes in rates of exchange may cause the value of investments to rise or fall in value, such that investors may not receive full return of capital invested.

The information contained in this document is compiled from internal and other sources which we consider to be reliable or are expressions of our opinion. Whilst every effort has been made to ensure that the information is correct at the date of publication, CAML does not guarantee the accuracy or completeness of the information. Recipients of this document need to evaluate the merits and risks of the information provided. Decisions based on the information contained within this document are the sole responsibility of the recipient. With the exception of statutory obligations, CAML, its Directors, officers and employees accept no liability whatsoever for any loss or damage which may arise in relying on any opinion, expression or conclusion contained within this document, its content or otherwise arising in connection with this document.

ADVISE®, FIRM®, and GEMS® are registered trademarks of Conning, Inc.

Registered in England No. 3654447

FCA Firm Reference Number: 189316

C11#2376637

Registered Office : 55 King William Street, London, EC4R 9AD

Markus van der Burg
Alternative Investments

Tel: + 44 20 7337 1931
Fax: + 44 20 7337 1941

E-mail: Markus.vanderBurg@conning.com

Conning Asset Management Limited
55 King William Street
LONDON EC4R 9AD
United Kingdom