

PROJECT SUMMARY

MGM SUSTAINABLE ENERGY FUND (MSEF II) (RG-Q0035)

The MGM SUSTAINABLE ENERGY FUND (MSEF II) is a green infrastructure fund providing equity and mezzanine financing to investment opportunities in energy efficiency (EE) and renewable energy (RE) that generate triple-bottom line benefits for Latin America and the Caribbean (LAC). It aims to provide a solution to the challenge of channeling and deploying capital for EE in emerging LAC markets, tapping into the increased financial institutions and private investors' interest in EE.

MSEF II's investment mandate centers around the implementation and operation of investments in i) EE in commercial sectors, including: hospitality, education, fast food, retail, hospitals, etc. ii) Industrial EE solutions customized for the food and beverage, cement, petrochemical, glass and other energy intensive industries; iii) Municipal EE in street lighting, waste water treatment, water pumping, and iv) RE at early stage that adheres to strict environmental and social guidelines in solar photovoltaic, small scale hydro, and biogas/biomass to energy generation.

MSEF II is a follow on to MSEF I, also supported by the MIF. On October 13, 2010, the Donors Committee approved an equity investment in MSEF I for US\$ 5 MM (MIF-AT1100), out of which US\$ 4,873,383 have already been disbursed. MSEF I is performing well, with a target gross return of 16 - 17%, and a Total value to paid-in-capital of 86,99%. The MIF is now seeking to invest USD 3 MM in equity in a second fund. MSEF II has a capitalization target size of US\$ 200 million, an expected minimum gross annual internal rate of return of 16% and a first closing scheduled for QII 2018. MSEF II's specific objective is to invest in 30 to 40 projects that (i) increase access to clean or efficient energy technologies for households, municipalities and MSMEs, (ii) create business opportunities for MSMEs, (iii) generate carbon finance and associated economic benefits from verified reductions in greenhouse gas (GHG) emissions, and (iv) produce a net return to investors. MSEF II will thus contribute towards sustainable development through the implementation of projects that mitigate and help adapt to the effects of climate change.

The Fund will invest at least 60% of its total committed capital in EE projects and no more than 40% of its total committed capital in RE. Average investment size will be about USD 5 MM with a minimum investment size of USD 500,000. MSEF II will invest in projects across a range of sectors and countries, thus guaranteeing a well-diversified portfolio.

The General Partner of MSEF II will be MGM Innova Capital II and MGM Innova Cap Management will serve as Manager of the MSEF II. The Manager employs a team of investment and administration professionals with extensive experience in the fields of energy efficiency, renewable energy and climate finance and a solid track record. The team complements its core competencies by working with trusted equipment providers, third party developers, and affiliate companies to assess the technical feasibility of an investment opportunity during the pre-investment phase, and to manage the physical implementation/construction on a post-investment phase.

MSEF II has been designed to optimize the energy requirements of companies and local governments in the target region, as they transition to a low carbon economy through the implementation of green infrastructure projects that reduce energy/water consumption or generate energy from renewable sources.