



**EKF** European  
Kyoto  
Fund



# A second generation carbon fund

Combining value creation and climate change mitigation



Managed by Natixis Environnement & Infrastructures



## Natixis at a glance

Natixis is the corporate, investment and financial services arm of BPCE, the 2<sup>nd</sup>-largest banking group in France with 22% of total bank deposits and 37 million clients spread over two networks, Banque Populaire and Caisse d'Epargne.

With around 22,000 employees in 68 countries, Natixis has a number of areas of expertise which are organized in three main business lines: Corporate and Investment Banking, Investment Solutions (asset management, private banking, insurance) and Specialized Financial Services.

Listed on the Paris stock exchange, it has a solid financial base.



**22,000 employees  
in 68 countries**

### Key figures 2009

Tier 1 ratio*	9.1%
Tier 1 capital	€12.7bn
Net banking income	€3.679bn

\*pro forma of the payment of the €500m balance of the shareholder advance.

### Long-term ratings

(end-April 2010)

Standard & Poor's	A+
Moody's	Aa3
Fitch Ratings	A+

### Asset Management:

- Assets under management: €505.2bn (31/12/2009)

## Natixis Environnement & Infrastructures Carbon Finance Team



### EKF Carbon Finance Team: key contacts

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## Why invest in carbon assets?



### Market-based environmental regulations are developing around the world to fight climate change

Europe has committed to reducing its emissions by 20% by 2020 from 1990 levels with the help of carbon markets. Countries such as the US, Japan and Australia may pass similar legislation in the future.

These policies, as well as the Copenhagen Accord, which promised to raise \$100bn per year by 2020 to help developing countries tackle climate change, will further contribute to the growth of international carbon markets.

### An alternative asset class with low correlation to traditional assets

Carbon represents an innovative allocation in an alternative asset portfolio. Because the price of carbon is driven by diverging fundamentals, including regulations, energy commodity prices and weather, it has a low correlation to traditional assets such as equities and bonds.

### Highly ethical investment

Carbon assets represent a genuine environmental currency, which is issued in return for emission reductions generated by investments in sustainable development projects around the world (renewable energy, energy efficiency and abatement of other greenhouse gases). Investing in carbon combines climate change mitigation and value creation.

## Why invest with Natixis Environnement & Infrastructures?

### An asset manager dedicated to the environment and infrastructure sectors

Natixis Environnement & Infrastructures (Natixis E&I) is an asset manager with a strong track record in originating and managing environment and infrastructure assets. It is a fully owned subsidiary of Natixis and is regulated by the French financial authority (AMF). Natixis E&I and its subsidiary Natixis E&I Luxembourg\* have over €1bn of assets under management invested in six funds, including the pioneer European Carbon Fund (ECF) and two renewable energy funds.

### A dedicated carbon team

The Carbon Finance Team of Natixis E&I comprises 9 front office professionals, including 2 representatives in Asia. The team has 43 years of experience in carbon finance, including 20 years in project and structured finance in emerging markets, as well as a support team (middle office, risk management, legal advisory and compliance) that work together to identify quality carbon origination opportunities. After five years of experience managing ECF, the dedicated and pioneer carbon team of Natixis E&I, has consolidated quality carbon origination and management skills through an unrivalled hands-on approach.

\* held at 80% by Natixis E&I



Target €50

## Leveraging on the success of ECF



Natixis E&I is building on ECF's successful track record and believes it is uniquely positioned to generate long-term capital growth for investors in its second generation carbon fund. ECF was launched with several large financial institutions in 2005 as a pilot carbon fund. Over the past five years, the team has originated more than 67mt of CO<sub>2</sub> equivalent from a variety of emission reduction projects throughout the world, including 46mt purchased by ECF as principal and 21mt syndicated to third parties.



To date, the ECF portfolio comprises 26 high quality projects diversified across countries and GHG abatement technologies, of which 88% are registered by the United Nations and 65% are already issuing credits, well above global registration and issuance ratios of the UNFCCC pipeline.

With an 8-year lock-up, ECF delivers a 15.5% p.a. net IRR to its shareholders, in line with the expected return of the fund\*. As of March 2009, realised performance allowed ECF to make a distribution of 38% of total capital called (partially as dividend and partially as capital repayment). This performance to date rewards the risks undertaken by ECF shareholders for investing at an early stage of the global carbon market.

\*\* ECF's net asset value as of 31/12/2009 was €169/share, versus €100/share at inception, corresponding to a 15.5% annual performance to date (partially realised). Past performance is not a guide to future performance and may not be repeated by the Company.

## European Kyoto Fund: a 2<sup>nd</sup> generation fund



### EKF: ethical investment with long-term profitability

The fund's objective is to generate long-term capital growth while contributing to the fight against climate change and the development of green technologies through the investment in carbon assets.

### EKF: replicating and expanding on the successful strategy of ECF

The fund seeks to achieve this objective by purchasing carbon assets generated by projects that reduce GHG emissions, produce renewable energy and/or use green technologies. Furthermore, EKF will explore investment opportunities pertaining to all carbon assets, including the purchase of pre- and post-2012 assets, project financing with debt/equity, and investing in new offset mechanisms as carbon markets evolve and new schemes emerge.

### EKF: a regulated fund with strict corporate governance and robust risk management

Using the regulatory framework of a Luxembourg Special Investment Fund (SIF), EKF will build on the risk-management approach already applied by ECF, based on portfolio diversification and proprietary VaR monitoring. Asset custody and fund administration are handled by an independent custodian bank and administrative agent (CACEIS Bank Luxembourg, an AA- rated bank).

### EKF: a solid and quality deal pipeline

Benefiting from its own network in the carbon market and the global network of Natixis, the team has built an existing pipeline of diversified emission reduction projects (with 2mt already contracted by EKF) that are expected to be contracted soon after the fund's initial closing.

# Target €500m Carbon Fund

## EKF Term Sheet



Fund type	Cash return fund
Legal status	Luxembourg Specialised Investment Fund (SIF, Luxembourg Law of 13 February, 2007), constituted in the form of a public limited company with variable capital (SICAV, Société d'Investissement à Capital Variable)
Investment targets	Carbon assets from emission reduction projects
Target size	Target size is €500m. Natixis has committed €25m in seed investment
Subscription period	Until 31/12/2011
Minimum subscription	Minimum commitment is €10m per investor
Maturity/lock-up	8 years after first closing
NAV	NAV will be calculated quarterly by the custodian bank (audited semi-annually by PriceWaterhouseCoopers, Luxembourg)
Target IRR	Target net annual investor IRR >15%*** (similar to ECF)

Please note that the Issue Document of the Company described by this Term Sheet is currently being modified and that its content has not yet been approved by the Commission de Surveillance du Secteur Financier (CSSF).

**PointCarbon**

In its Carbon Fund Review published in 2008, PointCarbon recommended EKF (equally with another private fund) as **“the best investment option in the open cash return segment”**.

Managed by  
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[www.europeankyotofund.com](http://www.europeankyotofund.com)

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on August 26, 2002 under number GP02014 with share capital of €550,000

**\*\*\* IMPORTANT INFORMATION:** *European Kyoto Fund ("The Company") will not be sold in the United States nor to Citizens or residents of the United States. This document does not constitute an offer to anyone, or a solicitation by anyone, to subscribe for shares of the Company. The Issue Document of the Company has not yet been approved by the Commission de Surveillance du Secteur Financier (CSSF) and is, thus, subject to further changes as may be required by the CSSF. Nothing in this document should be construed as advice and is therefore not a recommendation to buy or sell shares. Any decision to invest in the Company shall only be based on the latest available version of the issue document of the Company (the "Issue Document") and investors shall consult with their own professional advisors with respect to the financial, accounting, legal or tax consequences of their investments in the Company and as to whether such investment is suitable or appropriate. The offering of shares in certain jurisdictions may be restricted and accordingly persons are required, by the Company, to inform themselves of and observe any such restrictions. Past performances of other carbon funds managed or advised by Natixis Environnement & Infrastructures or its affiliates (especially ECF) are not a guide to future performance and may not be repeated by the Company. An investment in shares of the Company is a speculative investment that involves risks due to, among other things, the Company's investment strategies and policies, the nature of the Company's investments, and the restrictions on redemptions. An investor should not invest in the Company unless the investor is fully able (i) to bear the financial risks of its investment for a long period of time and (ii) to sustain the loss of all or a significant part of its investment and realized or unrealized profits. No representation or warranty is given, and no responsibility or liability is accepted, as to the achievement or reasonableness of any projections, forecasts, estimates, or statements as to prospects or future returns contained in this document. Investors shall pay particular attention to the information under Part II "Risk Factors" of the Issue Document, including in connection with evaluating targets returns. This document is available only for "well-informed" investors within the meaning of the Article 2 of the Luxembourg law of February 13, 2007.*