

Octopus Renewable Energy Opportunities Fund (OREO)

Manager Report for the period ending 30 September 2023

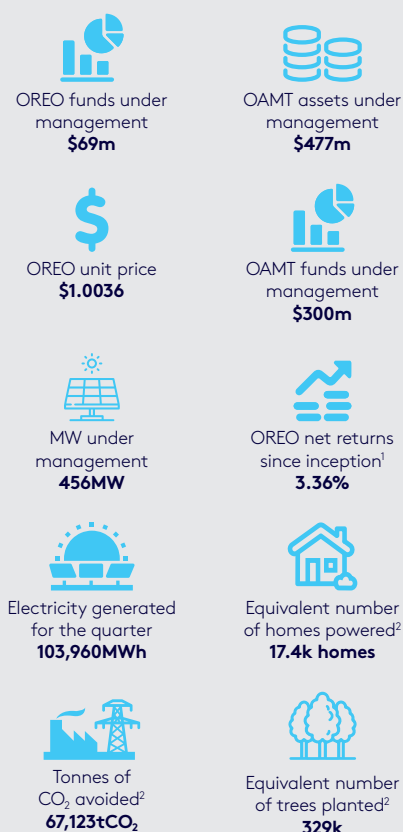
octopusinvestments
A brighter way

Octopus Renewable Energy Opportunities Fund ("OREO", or the "Fund") is an open ended unregistered wholesale Australian unit trust. The Fund focuses on providing investors with exposure to a diversified portfolio of Australian clean energy infrastructure assets through its investment in the Octopus Australia Master Trust ("OAMT") alongside the Octopus Australia Sustainable Investments Fund ("OASIS").

Highlights

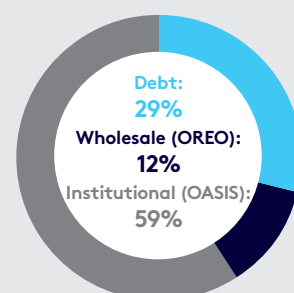
- The valuation of OREO as at 30 September 2023 was \$68.5m, reflecting the share in OAMT. The OREO unit price has risen from \$1.00 at fund launch to \$1.0036 at quarter end.
- In October, post quarter end, OAMT completed the acquisition of the Dulacca Wind Farm ("DWF") for \$291.7m. Located in Southern Queensland the site recently completed its final AEMO performance standard testing and will be fully operational from November. DWF was officially opened on 18 October 2023 and is one of the largest wind projects within the state.
- Darlington Point Solar Farm ("DPSF") generation for the quarter was 4% below forecast, the result of state wide grid upgrades to improve the transmission network in July and August. DPSF exceeded expected generation levels in September. Overall the quarter saw irradiance levels higher than forecast reflecting the beginning of the El Nino weather expected over the upcoming quarters.
- A distribution of \$0.02 per unit was paid to investors in July 23.
- Octopus Australia expanded and welcomed two new staff to the Assets team; John Puckett and Siddhant Pandey. John brings a wealth of knowledge as Octopus' new Grid Manager with previous work experience at AEMO and Canadian Solar. Siddhant joined OA as a Project Engineer previously with Jacobs and has exposure to development, construction and technical due diligence. Kian Loke also joins Octopus Australia as a Senior Investment Manager who has previously worked with Vena Energy and KPMG.
- During the quarter the OASIS Development Trust acquired the Blackstone storage development; Queensland's biggest battery project. The 1 gigawatt-hour project, is located 30 kilometres from Brisbane and will have the ability to power c70,000 homes. The project is forecast to be construction ready for transfer into OAMT in H2 2025 with an expected enterprise value of \$720m on completion.
- The Manager's pipeline of renewable assets across Australia includes 348MW of exclusive or shortlisted generation assets and 1,625MW/3,360MWh storage. Three sites in the secured development profile are expected to be construction ready in 2024, deploying c\$1bn.

Fund Statistics



¹Not annualised ²Based on current quarter generation.

Assets under management



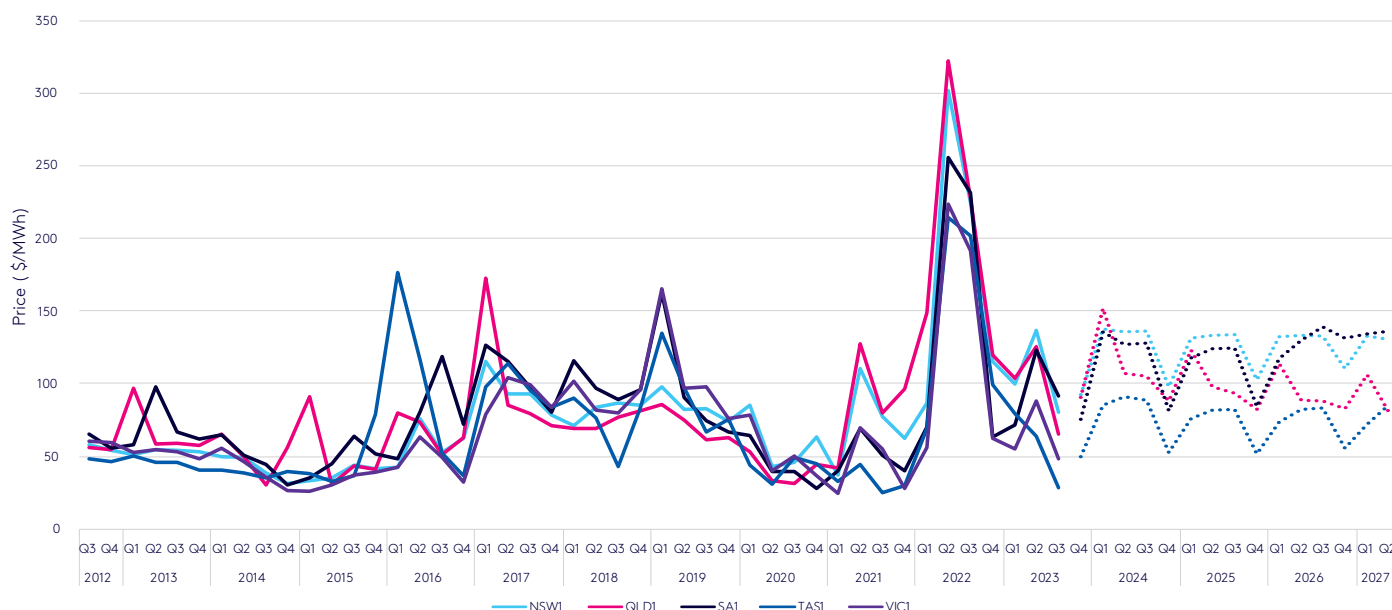
Scan the QR code or click [here](#) to view the latest videos from the Octopus Australia team

Energy market update

The quarter saw continued volatility and a decline in wholesale prices, compared to Q3 last year, and the lowest quarterly average prices seen since 2021 for Victoria, New South Wales and Queensland. South Australia was an outlier, as low wind generation and network constraints through August resulted in high volatility, pushing up its quarterly results.

A range of NEM records were beaten late in the quarter, with hotter than usual but favourable spring weather resulting in strong renewable resource and low demand. With continually growing renewable capacity, in particular rooftop solar, the NEM hit a record 70% instantaneous renewable generation for the first time in mid-September. These conditions also drove record low daytime operational demand and record low coal generation; highlighting the operational difficulties coal generators face with increasing solar penetration. South Australia, saw negative market demand for the first time with more than 100% of its load met by rooftop solar.

Baseload swaps remained relatively flat through the quarter, easing from the high levels seen through the previous quarter, whilst Q1 24 caps across all regions continued to rise, reflecting the market's expectation of an El Nino driven hot summer and resulting high levels of volatility. Prices in New South Wales, Queensland and South Australia continue to trade at a significant premium to Victoria.



LGC Pricing

LGC certificates remain above \$50, continuing to outperform expectations as voluntary demand and various other market dynamics make up for the levelling of mandatory demand post 2020. The futures pricing continues to rise in the coming years, in part due to the shortfall strategy adopted by some liable entities, while delays to renewable capacity and a growing voluntary demand suggests the certificates will retain value into the future.

Octopus Australia's average sale price for the quarter was \$52.50 per certificate against a budget of \$46.00 per certificate.

The Energy Markets Team continually monitors LGC prices and the forecast outlook, adjusting OA's strategy as the market evolves.

Portfolio summary

Project	Technology	Location	Sites	Generator Capacity (MW)	BESS Capacity (MW/MWh)	Average asset life remaining (years)	Status	Current Asset NAV (\$m)
Darlington Point	Solar PV	NSW	1	275	–	33	Operational	236.5
Dulacca Wind Farm ¹	Wind	QLD	1	181	–	30	Operational	218

¹ Dulacca was acquired post quarter end in October 2023.



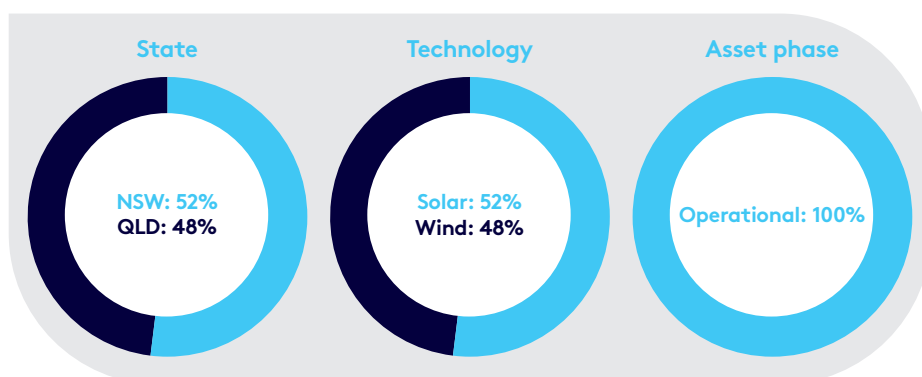
456MW
under
management

100%
operational

76%
operational output
contracted

Portfolio composition

Portfolio composition broken down by total assets under management.



Portfolio performance

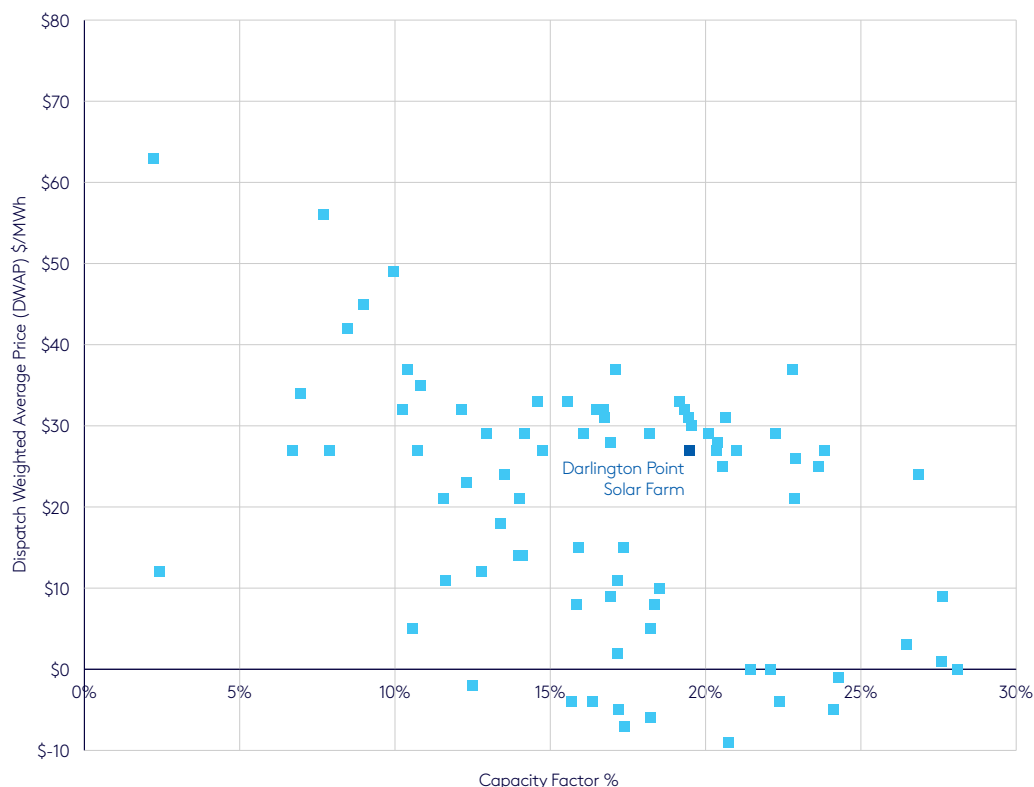
In July 23, a distribution of \$0.02 per unit was paid to OREO investors.

Return for quarter	Return since fund launch
1.18%	3.36%
Cash yield for quarter	Cash yield since fund launch
1.98%	3.00%

Asset performance – Darlington Point Solar Farm

DPSF generation for the quarter was 4% below forecast, largely as a result of wider network grid upgrades to improve the transmission network. However, plant availability remains in line with budget. Irradiance was up 1% reflecting on improvement as NSW moves into the warmer and drier summer period. The Bureau of Meteorology declared El Nino weather patterns are likely. Generation from and increased solar capacity (both utility scale and rooftop) contributed to negative pricing intervals during the day and lower overall solar capture pricing. Darlington Point, however, has 80% of its generation covered with fixed price PPAs, and thus the impacts of pricing this quarter were somewhat muted. OA expects this to improve as we move into the summer periods as there is more demand on the grid. Despite performance below forecast, DPSF's overall performance relative to Australian utility scale solar farms was robust. The graph below which charts average price outcome (DWAP) vs total availability (Capacity Factor) for the quarter. DPSF is comfortably above the median for performance.

Darlington Point DWAP versus NEM Solar Farms



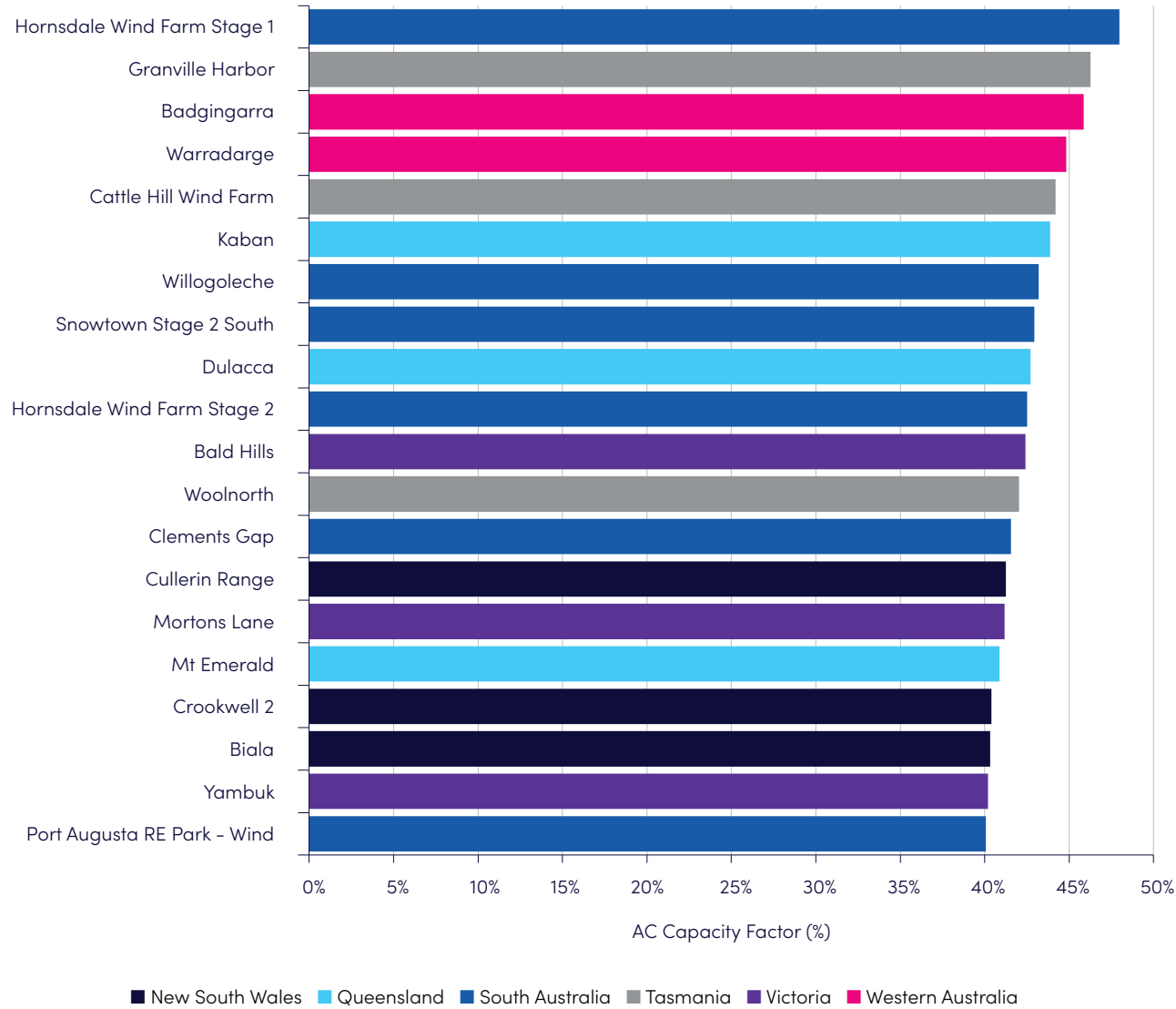
Asset performance – Dulacca Wind Farm

In October, post quarter end, OAMT completed the acquisition of the Dulacca Wind Farm ("DWF"). Located in Southern Queensland the site recently completed its final AEMO performance standard testing and will be fully operational from November.

Dulacca is showing delivery of the strategic investment thesis for the site: the wind resource profile at Dulacca is proving to be incredibly valuable as the site generates from the evening peak through the night into the morning when energy prices are high.

In the month of October Dulacca was the number 9 performing wind asset in Australia, this is despite not completing final operational testing until the 20th of the month and thus not yet at full output.

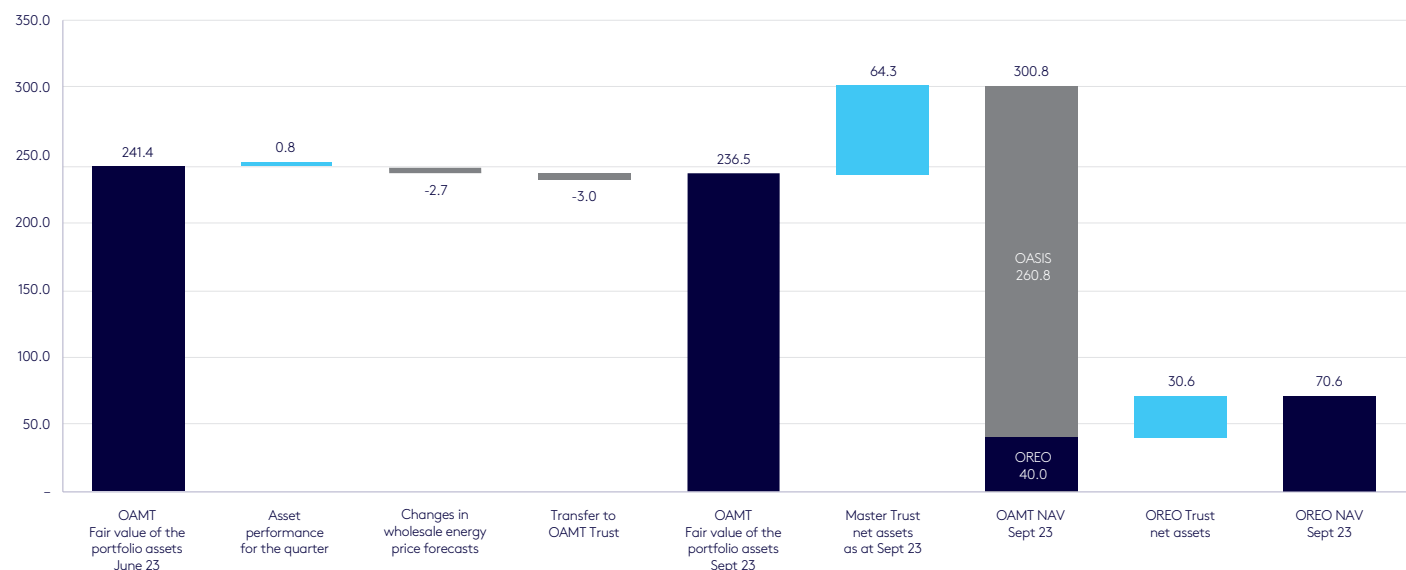
Top utility wind assets for October 2023



Source: Rystad Energy research and analysis.

Valuation bridge

Fund Equity Value Bridge \$m



The graph above illustrates the OREO portfolio net asset value as at 30 September 2023 of \$70.6m, an increase of \$9.1m from \$61.5m at 30 June. The fair value of the OAMT portfolio assets, the significant investment of OREO, have decreased value over the quarter by \$4.9m to \$236.5m.

Asset performance for the quarter (+\$0.8m)

Rolling forward the valuation and adjusting for the portfolio performance discussed in the “Asset Performance” section above, resulted in a net upward movement in the valuation of \$0.8m.

Changes in wholesale energy price forecasts (-\$2.7m)

Unless fixed under PPAs or otherwise hedged, the power prices used in valuations are based on both market forward prices in the near term, and an equal blend of two independent and widely used market consultants’ technology-specific capture price forecasts for each asset. These are updated on a quarterly basis to reflect prevailing market conditions and recent announcements. Updating the latest curves resulted in a valuation decrease of \$2.7m.

Transfer to OAMT Trust (-\$3.0m)

Cash generated by OAMT portfolio assets in the period transferred to the Trust totalled \$3.0m.

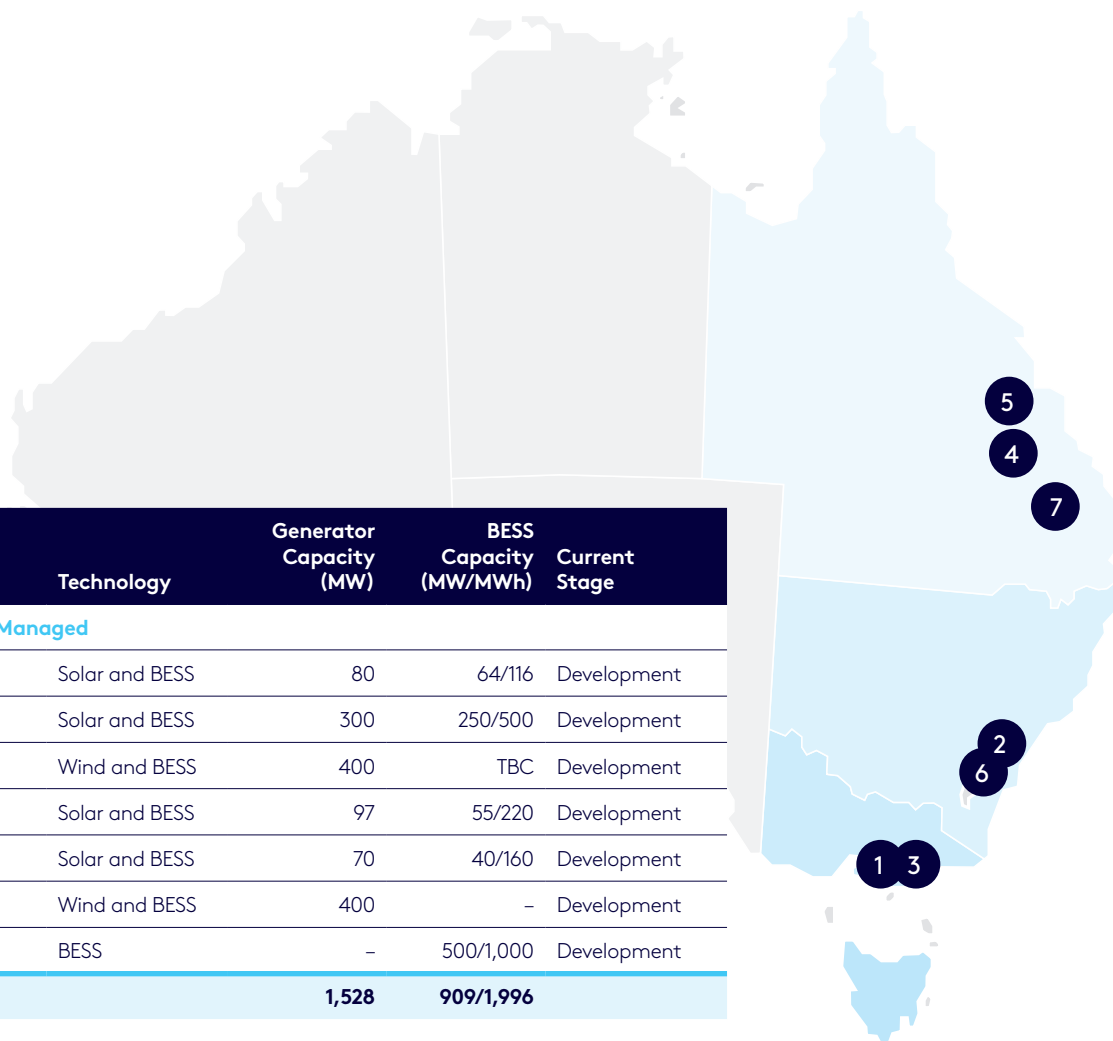
Master Trust net assets (\$64.3m)

The Master Trust net assets of \$64.3m consists primarily of cash for the acquisition of Dulacca Wind Farm which occurred quarter end.

Fund valuation

With the addition of the OREO Fund net assets \$30.6m, reflecting cash for Dulacca acquisition, the total OREO net asset value as at 30 September 2023 is \$70.6m or \$1.0036 per ordinary unit.

Pipeline



Location	Technology	Generator Capacity (MW)	BESS Capacity (MW/MWh)	Current Stage
Current Octopus Australia Managed				
1 Fulham Solar Farm	Solar and BESS	80	64/116	Development
2 Blind Creek	Solar and BESS	300	250/500	Development
3 Giffard Wind Farm	Wind and BESS	400	TBC	Development
4 Ardandra Solar Farm	Solar and BESS	97	55/220	Development
5 Theodore Solar Farm	Solar and BESS	70	40/160	Development
6 Hay Plains Wind Farm	Wind and BESS	400	–	Development
7 Blackstone	BESS	–	500/1,000	Development
Total		1,528	909/1,996	

Location	Technology	Generator Capacity (MW)	BESS Capacity (MW/MWh)	Equity Deployment Value (\$)
Medium Term Equity Deployment Pipeline (Under Exclusivity/Shortlisted)				
Queensland	Solar and BESS	98	55/220	10
South Australia	BESS	–	100/200	8
Total		98	155/420	18

Medium Term Equity Deployment Pipeline (Early Stage Pipeline)				
Northern Territory	Solar and BESS	100	30/30	15
Queensland	BESS	–	170/340	8
New South Wales	BESS	–	1050/2100	40
Victoria	Solar, BESS	250	250/500	32
Total		350	1,500/2,970	95

Grand Total Pipeline		1,228	1,969/4,006	113
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Case-study: Blackstone Battery

The Blackstone Battery is a 500MW/1000MWh standalone Battery Energy Storage System (BESS) located at Swanbank in South-East Queensland. This project presents a strategic cornerstone stand-alone battery storage asset for the portfolio; as well as offering diversification in technology and geography.

The project will allow the Fund to capitalise on opportunities to provide firming services within the Queensland market. The demand for which is in part by the State Government’s recent policy and investment announcements which will unlock over 13GW of renewable assets across the state by 2030.

Additionally, the project location is complementary to the Dulacca Wind Farm (181MW) and the Ardandra and Theodore Solar Farms (200MWac+), providing additional storage and revenue optionality to support for these projects. The part of the grid where these sites are located has strong system strength for charging and discharging, as well as access to the high-capacity Greater Brisbane transmission networks.

The project has land lease options through to June 2026, and a development application has been submitted. The project is forecast to be construction ready for transfer into OAMT in H2 2025.

Battery Energy Storage System (BESS)



BESS is an enabling technology for the transition to a renewables based generating system



Supports grid stability during a time of increased volatility (ie coal closures)



Optimise energy system and reducing the cost of energy for consumers

Opening of Dulacca Wind Farm

Dulacca Wind Farm ("DWF") was officially opened by Queensland Premier Annastacia Palaszczuk and Minister for Energy Renewables and Hydrogen Mick De Brenni on October 18. Dulacca is the sixth and second biggest wind project to be completed in the state. Premier Palaszczuk described the opening as a "significant milestone" in reaching the state government's renewable energy targets. Premier Palaszczuk commented "We're not just powering Queensland, we're contributing to a global shift toward decarbonisation, and our publicly owned clean energy generator CleanCo is at the forefront".

DWF is a significant milestone for the Fund being the second operating asset and the first operating wind farm in Queensland. DWF offers the OA operational portfolio geographical and technological diversification as well as an attractive income profile complementing that of DPSF. Additionally, DWF forms the cornerstone asset for OA's strategy in Queensland as it will be supplemented by our development assets in the state: the Theodore and the Ardandra solar farms and integrated battery storage as well as the standalone Blackstone large battery.

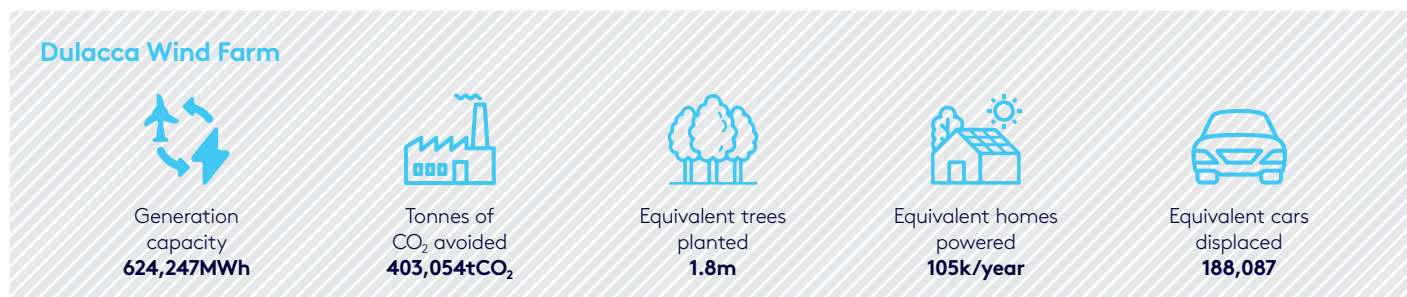
State-owned CleanCo has contracted 70% or an equivalent 126MW of output of DWF, which in turn is selling the output to customers including Scentre Group, which owns and operates Westfield shopping centres in Queensland.

DWF is also the continuation of a global partnership between one of the largest renewable energy developers and turbine manufacturers in the world: RES and Vestas, respectively.

The project has an attractive wind profile in Queensland that captures more of the morning and evening peak energy demand periods. The site co-exists with existing agricultural use of the land (cattle grazing and cropping), occupying less than 2% of the total land area. There is a clear commitment to quality site selection, representing a balance between securing a fantastic wind resource while minimising impacts on existing agricultural land use and significant features and species.



Premier Annastacia Palaszczuk and Minister Mick De Brenni



Premier Palaszczuk opening the Dulacca Wind Farm

Investment guidelines

- Target Returns **7.0%** net IRR (post annual management and performance fees, before tax).
- Target Yield **4-5%** per annum net yield.
- The Fund, via its investment in the OAMT, intends to invest in a geographically and technologically diversified spread of assets and, over the long term, expects that the following investment guidelines will be met:
 - Investment targets will include utility scale Australian solar PV farms, wind farms, storage and hydrogen opportunities;
 - Leverage will not, in aggregate across the Portfolio, exceed 65% of the gross asset value;
 - At any one time, more than 50% of generation from sites within the Portfolio will be covered by a fixed price contract, with a target of more than 60% under normal market conditions (as determined by the Manager, acting reasonably)
- Quarterly liquidity on best endeavours basis.
- Investment manager **Octopus Aust OREO Manager Pty Ltd.**

Octopus Aust OREO Manager Pty Ltd (Manager)

Level 8, 627 Chapel Street
South Yarra VIC 3141

Apex Fund Services (Australia) Pty Ltd (Administrator)

Level 13, 459 Little Collins Street
Melbourne VIC 3000

OneVue Fund Services Pty Ltd (Share Registry)

Level 16, 385 Bourke Street
Melbourne VIC 3000

Equity Trustees Limited (Responsible Entity)

Level 1, 575 Bourke Street
Melbourne VIC 3000

Octopus Australia – who we are

Octopus Aust OREO Manager Pty Ltd (“the Manager”) is a subsidiary of Octopus Capital Aust Pty Ltd (ACN 627 019 096) (“OCA”), which employs greater than 40 energy professionals and renewables experts across wind/solar/storage development as well as construction, asset and fund management. The team has a deep knowledge of the Australian energy market and has extensive experience within the domestic renewable energy market.

OCA provide its team’s experience to the Fund via service contracts directly with the underlying assets (development, construction and asset management) or with the Fund (fund management). Asset-level services relating to a project are carried out by OSCAR Management Aust Pty Ltd (“OSCAR”), a 100% subsidiary of OCA, unless otherwise determined by the Manager in respect of one or more projects. Such services represent the necessary costs associated with developing institutional grade assets designed to perform for 30+ years. Fund management services will be carried out by the Manager.

Glossary

AEMO	Australian Energy Market Operator	MW	Megawatt	OREO	Octopus Renewable Energy Opportunities Fund
BESS	Battery Energy Storage Systems	MWh	Megawatt hour	OSCAR	OSCAR Management Aust Pty Ltd
CPI	Consumer Price Index	NEM	National Electricity Market	PPA	Power Purchase Agreement
DPSF	Darlington Point Solar Farm	OA	Octopus Australia	PV	Photo Voltaic
DWF	Dulacca Wind Farm	OAMT	Octopus Australia Master Trust		
IC	Investment Committee	OASIS	Octopus Australia Sustainable Investments Fund		
LGC	Large-scale Generation Certificate	OCA	Octopus Capital Aust Pty Ltd		

Key risks

An investment in OREO will place capital at risk. The value of investments, and any income, can go down as well as up, so investors could get back less than the amount invested.

Neither past performance nor any forecasts should be considered a reliable indicator of future results. Actual performance will, inter alia, depend on factors such as wholesale power prices, power purchase agreements, regulatory environment, government incentives, exchange rates, inflation, grid connections, asset concentrations and site performance.

OREO is investing in OAMT which is investing in construction and operational renewable energy assets and, therefore, may be exposed to certain risks, such as cost overruns, construction delay and construction defects, which may be outside OREO’s control.

Investment valuation is based on financial projections for the Fund’s relevant Renewable Energy Assets. Projections will primarily be based on the Investment Manager’s assessment and are only estimates based on assumptions made at the time of the projection.

For the full list of investment risks please refer to the OREO Information Memorandum.