

Octopus Renewable Energy Opportunities Fund (OREO)

Manager Report for the period ending 31 December 2023

octopusinvestments

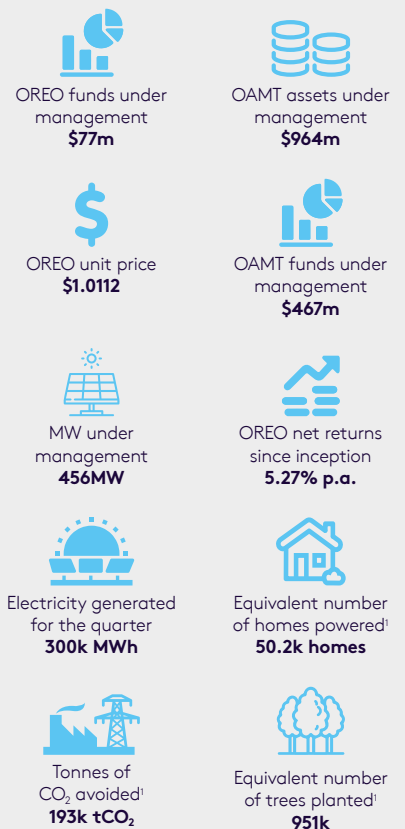
A brighter way

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

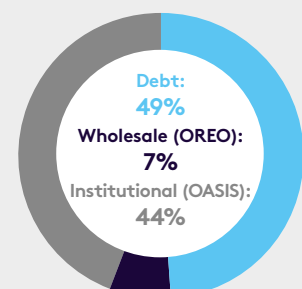
- The valuation of OREO as at 31 December 2023 was \$76.8m, reflecting the share in OAMT. The OREO unit price has risen from \$1.00 at fund launch to \$1.0112 at quarter end.
- Since the completion of construction, DWF has performed strongly and has passed all its commissioning tests. This has resulted in all of its generational constraints being lifted during the quarter, which has allowed DWF to operate at 100% output and, achieving its maximum peak rated power of 173MW. The site is expected to reach its official completion date ("COD") in February 2024. DWF has been one of the strongest performing wind farms in Queensland and in Australia, with high capacity factors and dispatch prices. This reflects DWF's favourable generation profile.
- Darlington Point Solar Farm ("DPSF") generation was impacted by a 17-day planned network outage in early October. The network operators were undertaking maintenance and upgrade work across Southwest NSW, which impacted all solar farms in the region. These works are expected to enhance the robustness of the network in the future, in order to minimise the occurrence of unplanned outages. Generation for November and December was broadly in line with expectations.
- During the quarter, OREO received a "Recommended" Rating from Zenith Investment Partners[^], a leading investment research house.
- A distribution of \$0.0247 per unit was paid to investors for the period ended 31 December 2023. The fund has paid a 4.5% net yield over the last 12 months in line with the yield target.
- Octopus Australia bolstered its ranks during the quarter with the hires of: Tara Tan (Electrical Engineer); Steve Williams (Development Manager); Brendan Chan (Senior Business Development Manager); and Patty Huang (Senior Investment Associate).
- The pipeline of renewable energy assets continues to grow strongly, and includes 2,208MW of generation and 1,810MW/3,590MWh storage. Two sites in the secured development pipeline are expected to be construction ready in 2024.

Fund Statistics



¹Based on current quarter generation

Assets under management



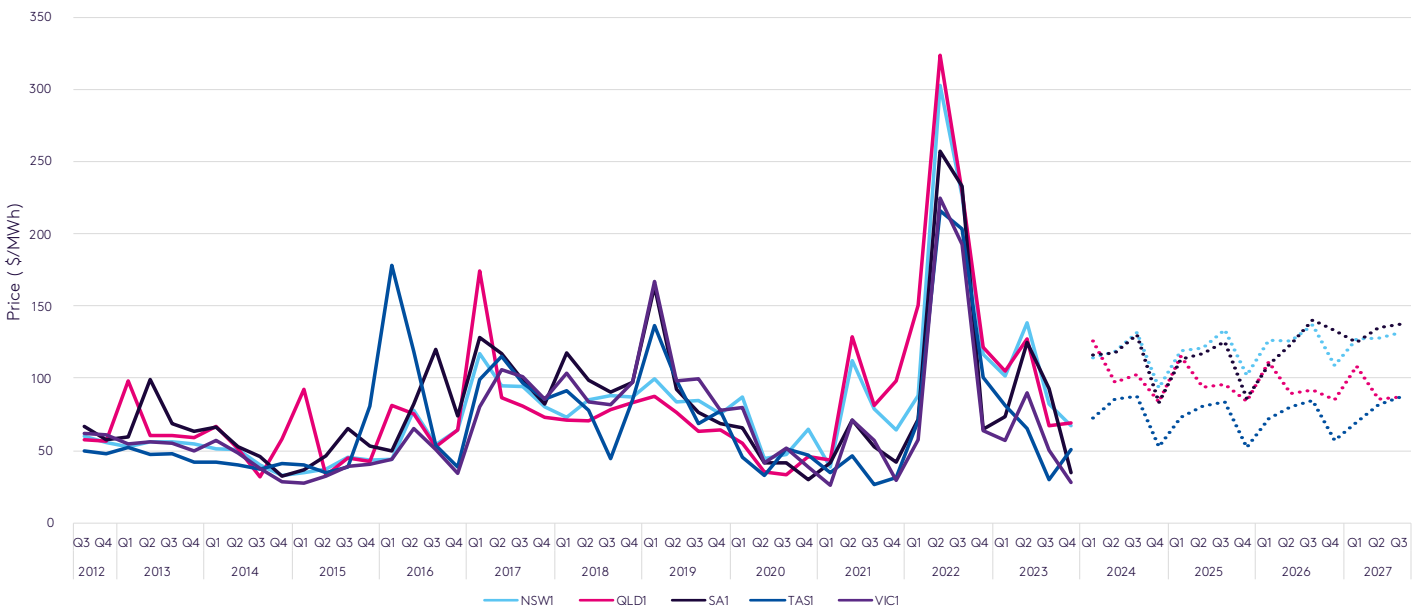
Scan the QR code or click [here](#) to view the latest videos from the Octopus Australia team

Energy market update

Time weighted average prices continued to trend down in Q4 2023, both quarter on quarter and year on year, with prices around half those seen in Q4 2022. The low quarterly average was driven largely by conditions in October – with the high springtime solar resource, increasing levels of rooftop solar penetration and moderate temperatures, record minimum system demand levels were reached across the NEM, driving prices down. November and December saw higher prices (still below forecast) as temperatures and demand increased into summer. An outlier for the mainland states, Queensland saw a slight increase in average price for the quarter, with heatwaves in December driving demand to record levels with subsequent high volatility – highlighting the impact of hot weather on price outcomes.

Lower prices were reflected in the capture price for renewables, in particular in October. The northern states saw significantly higher capture prices for both wind and solar in November and December, owing to lower penetration and therefore cannibalisation, and higher volatility; as the days get longer towards the summer solstice, solar is better able to capture some of the typical evening peak pricing.

Baseload futures and cap pricing declined over the quarter across all regions. Despite higher demand and temperatures, and lower than expected price outcomes in November and December, volatility did not reach levels seen in previous years. This, coupled with lower than anticipated temperatures from a mild El Niño impacted market expectations and pricing.



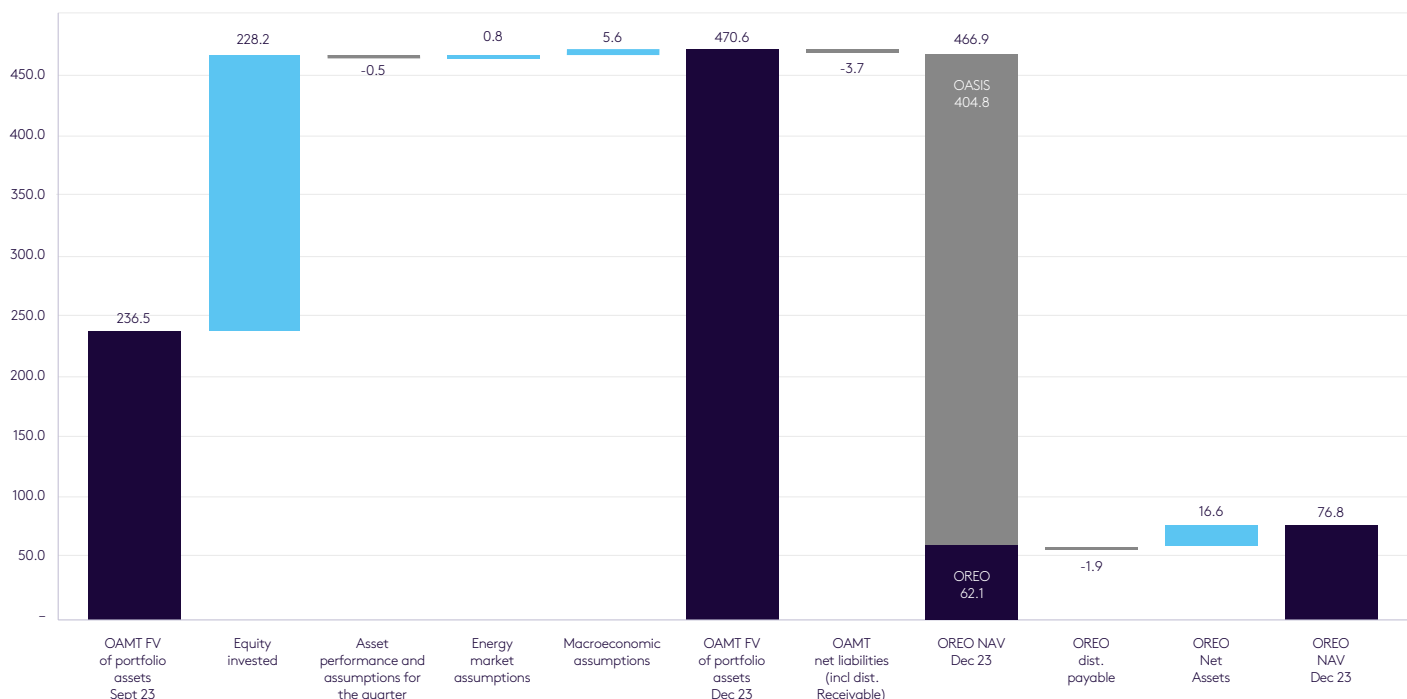
LGC Pricing

Compared to previous quarters, the LGC market was relatively steady in Q4 2023, with prices at quarter end close to those seen at the start. Whilst the Federal Government’s announcement of an expanded Capacity Investment Scheme in November triggered uncertainty and a significant overnight price drop across all vintages, these losses were made up quickly. 2023 and 2024 certificates ended the quarter around \$50/certificate, \$2-3 below the levels at the start of the quarter. 2025 and 2026 certificates ended up at \$46 and \$40 respectively, again close to starting levels. Whilst the expanded Capacity Investment Scheme should significantly increase certificate supply into the late 2020s, these price movements suggest the market sees a similar increase in voluntary demand to assist in enduring value for LGCs.

Octopus’ average sale price for the quarter was \$47.60/certificate against a budgeted \$43.70/certificate, with a consistent strategy applied across 2023.

Valuation bridge

Fund Equity Value Bridge \$m



The graph above illustrates the OREO portfolio net asset value as at 31 December 2023 of \$76.8m, an increase of \$6.2m from \$70.6m at 30 September. The net asset value of OAMT has increased by \$166.1m from \$300.8m at 30 September to \$466.9m at 31 December.

Equity invested (+\$228.2m)

This reflects the equity acquisition of Dulacca Wind Farm during the period and additional equity contribution to Darlington Point Solar Farm for the purpose of early repayment of senior debt.

Asset performance and assumptions for the quarter (-\$0.5m)

Rolling forward the valuation and adjusting for the portfolio performance resulted in a negligible impact on the valuation. Positive asset performance was broadly offset by updated operating expense forecasts at DPSF.

Energy market assumptions (+\$0.8m)

Updating the valuation with latest wholesale energy price forecasts has resulted in an uplift of \$0.8m.

Macroeconomic assumptions (+\$5.6m)

Updating macroeconomic assumptions including CPI related forecasts resulted in a movement of \$5.6m in valuation.

OAMT net liabilities (-\$3.7m)

The Master Trust net liabilities consisted primarily of cash and current payables.

OREO dist. payable (-\$1.9m)

OREO has declared distribution of \$1.9m or \$0.0247 per unit to its investors as at 31 December 2023. The distribution was paid to investors in January 2024.

OREO net assets (\$16.6m)

OREO has fund level net assets of \$16.6m. The total OREO net asset value as at 31 December 2023 is \$76.8m or \$1.0112 per ordinary unit.

Portfolio performance

Fund Performance Summary¹

	3 months	6 months	1 year	Since inception
OREO return	3.22%	4.37%	6.52%	5.27%

Quarterly Portfolio Performance – OREO

	Opening NAV (Sept 23) (\$m)	Capital contributed over quarter (\$m)	Closing NAV (Dec 23) (\$m)	Distributions over quarter (\$m)	Total return over quarter (%)
Operational					
Darlington Point Solar Farm	31.4	1.3	32.6	0.0	-0.4%
Dulacca Wind Farm	-	29.0	29.9	2.0	10.1%

¹ Annualised IRR net of fees and expenses, periods less than one year are not annualised.

Portfolio summary

Project	Technology	Location	Generator Capacity (Mwac)	BESS Capacity (Mw/Mwh)	Average asset life remaining (years)	Current Asset NAV (\$m)
Darlington Point	Solar PV	NSW	275	-	32	245.6
Dulacca	Wind	QLD	181	-	30	225.0



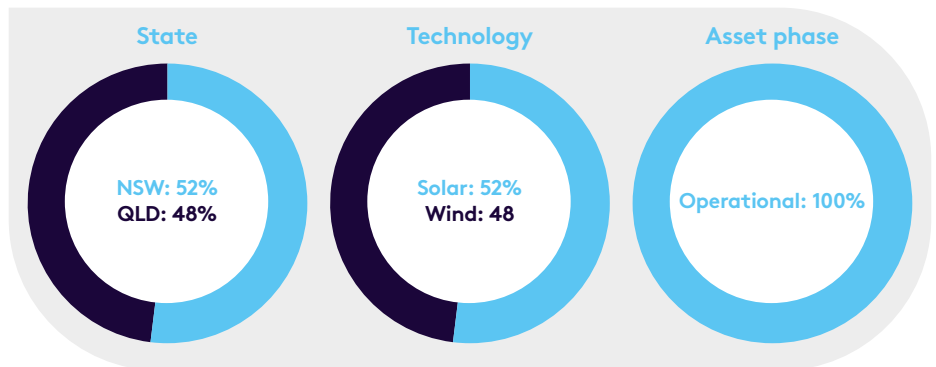
456MW
operational under management

100%
operational

76%
operational output contracted

Portfolio composition

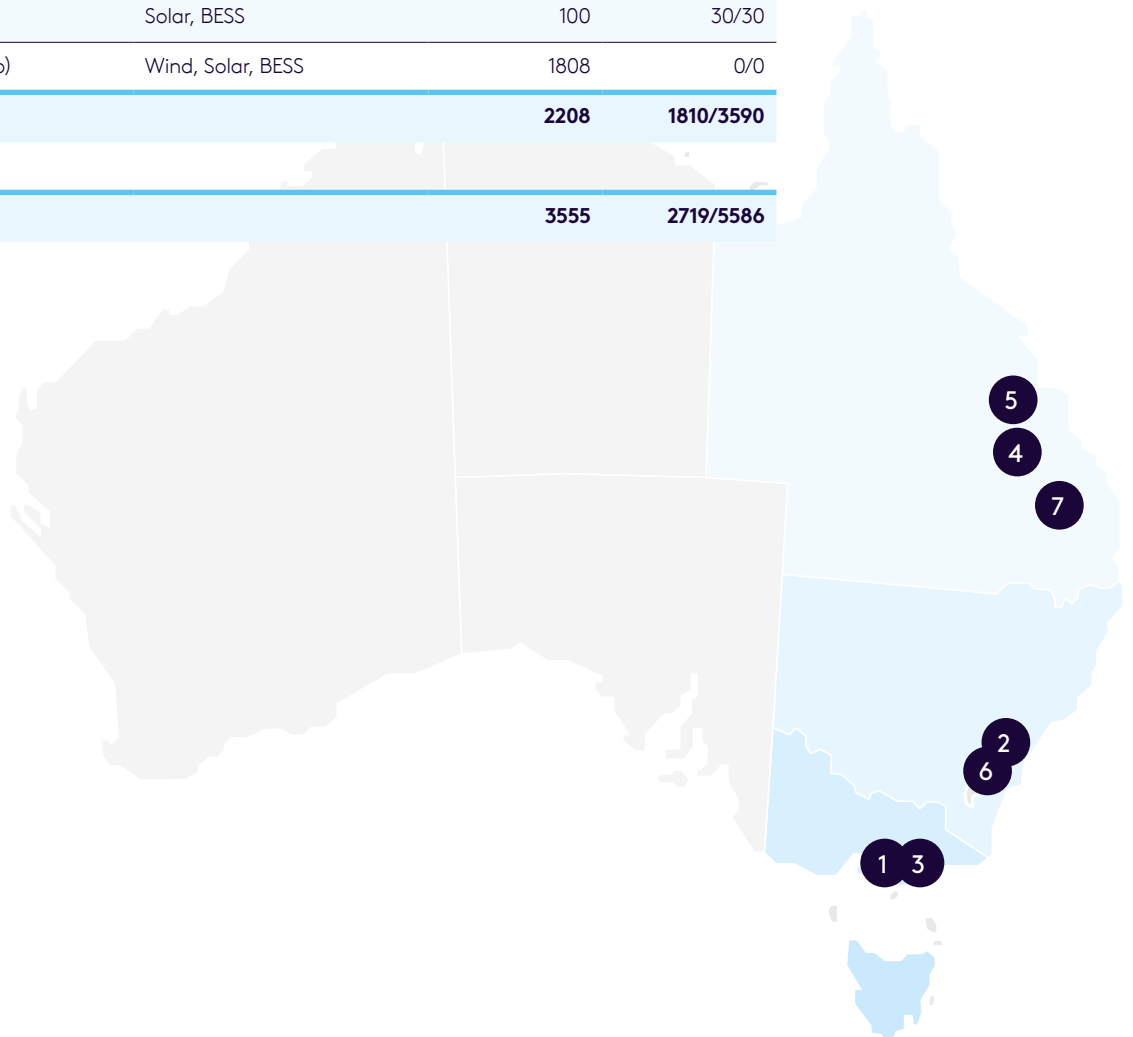
Portfolio composition broken down by total assets under management.



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	-	500/1000	Development
Total		1347	909/1996	

Location	Technology	Generator Capacity (MW)	BESS Capacity (MW/MWh)
Early Stage Pipeline			
Queensland	BESS	-	170/340
New South Wales	BESS	-	1160/2320
Victoria	Solar, BESS	300	250/250
South Australia	BESS	-	200/400
Northern Territory	Solar, BESS	100	30/30
Various States (asset portfolio)	Wind, Solar, BESS	1808	0/0
Total		2208	1810/3590
Grand Total Pipeline		3555	2719/5586



Asset summaries

Darlington Point Solar Farm

Asset Summary

Location	NSW
Technology	Solar
Acquisition Date	July 2022
Status	Operational
Generator Capacity	275 MW

Investment Summary¹

Total Equity Invested	\$234.9m
Total Debt	\$203.8m
Enterprise Value (at acquisition)	\$438.7m
Gearing	46.5%

Investment Background

Darlington Point Solar Farm was the first acquisition by Octopus Australia and has been managed by the team since it began construction in 2018. DPSF achieved full operations in early 2022 and has long-term PPAs covering 80% of its generation.

Performance

Darlington Point Solar Farm generation for the quarter was 19% below forecast, largely due to the impact of a 17-day planned network outage in early October. The network operators were undertaking maintenance and upgrade work across Southwest NSW, which impacted all solar farms in the region. These works are expected to enhance the robustness of the network in the future, in order to minimise the occurrence of unplanned outages. Generation for November and December was broadly in line with expectations.



Merchant pricing for the quarter averaged \$22.42/MWh which is down 54.75% due to a high number of negative pricing intervals during the months of October and November. The large amount of solar supply which includes rooftop solar, and lower demand both contributed to the negative pricing.

Total operating expenses was 5% below budget. \$615k of BI insurance claims relating to early 2023 were received during December. In total \$847k worth of BI claims have been made, with the remainder still to be received.

Valuation

NAV	\$245.6m
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The valuation of Darlington Point Solar Farm rose from \$236.5m to \$245.6m during the quarter. This was largely the result of the \$10m additional equity contribution made over the quarter that was used for an early repayment of senior debt.

¹ At acquisition.

Dulacca Wind Farm

Asset Summary

Location	QLD
Technology	Wind
Acquisition Date	October 2023
Status	Commissioning (100% output)
Generator Capacity	181 MW

Investment Summary¹

Total Equity Invested	\$218.2m
Total Debt	\$399.7m
Enterprise Value (at acquisition)	\$617.9m
Gearing	64.7%

Investment Background

Dulacca Wind Farm is a fully constructed and energised wind asset in QLD, Australia. The team has been managing the asset since it began construction in 2021, and its acquisition by the Fund presented a rare opportunity for Octopus Australia to acquire a near-operational wind farm with excellent grid location, 300 kilometres west of Brisbane in the Western Downs Region. DWF comprises of 43 wind turbines with a generation capacity of 181MW.



Performance

DWF had its generation constraints lifted as of late October, allowing the site to achieve its maximum peak rated power of 173MW. DWF recorded high capacity factors across the quarter; notably 41.2% in October, which was particularly high considering the generation constraints due to Hold Point testing. Across the quarter, both site and turbine availability for DWF was recorded at 95% or better and December saw the operational availability rise to over 90%.

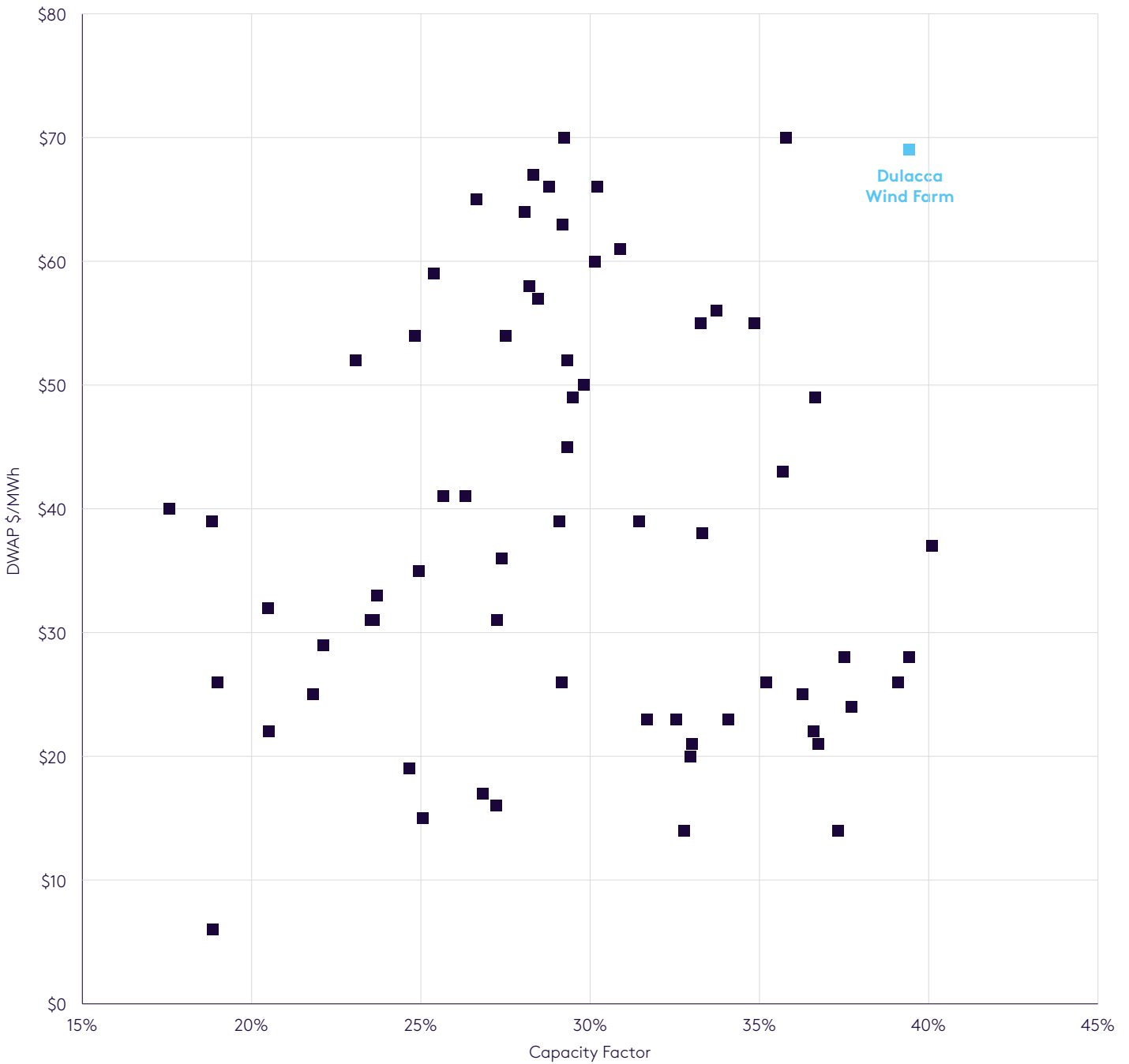
Valuation

NAV	\$225.0m
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The valuation of Dulacca Wind Farm has increased since acquisition, with an uplift of \$6.8m resulting from a combination of the discount rate unwind and a positive adjustment to the expected pre-COD tax payable to the asset balance sheet. Performance to date has been strong, generating higher levels of revenue than expected over the initial periods of ownership.

¹ At acquisition.

Dulacca DWAP relative performance for quarter versus Wind Farms in NEM



Dulacca Wind Farm sits far out in the upper right quadrant, being one of the strongest performing wind farms in the NEM on both a capacity factor and dispatch weighted average basis.

The capacity factor of a generator is the ratio of its actual electricity output over a period of time (in this case, the quarter) to the theoretical maximum electricity output of its nameplate capacity.

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 50 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	LGC	Large-scale Generation Certificate	OCA	Octopus Capital Aust Pty Ltd
AC	Alternating Current	MW	Megawatt (all figures are AC unless otherwise specified)	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
DC	Direct Current	OA	Octopus Australia	PV	Photo Voltaic
DPSF	Darlington Point Solar Farm	OAMT	Octopus Australia Master Trust		
DWF	Dulacca Wind Farm	OASIS	Octopus Australia Sustainable Investments Fund		
IC	Investment Committee				

[^]The Zenith Investment Partners (ABN 27 103 132 672, AFS Licence 226872) (“Zenith”) rating (APIR PLT0852AU and OOM4081AU assigned December 2023) referred to in this piece is limited to “General Advice” (s766B Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual, including target markets of financial products, where applicable, and is subject to change at any time without prior notice. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of, and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Past performance is not an indication of future performance. Zenith usually charges the product issuer, fund manager or related party to conduct Product Assessments. Full details regarding Zenith’s methodology, ratings definitions and regulatory compliance are available on our Product Assessments and at Fund Research Regulatory Guidelines

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.