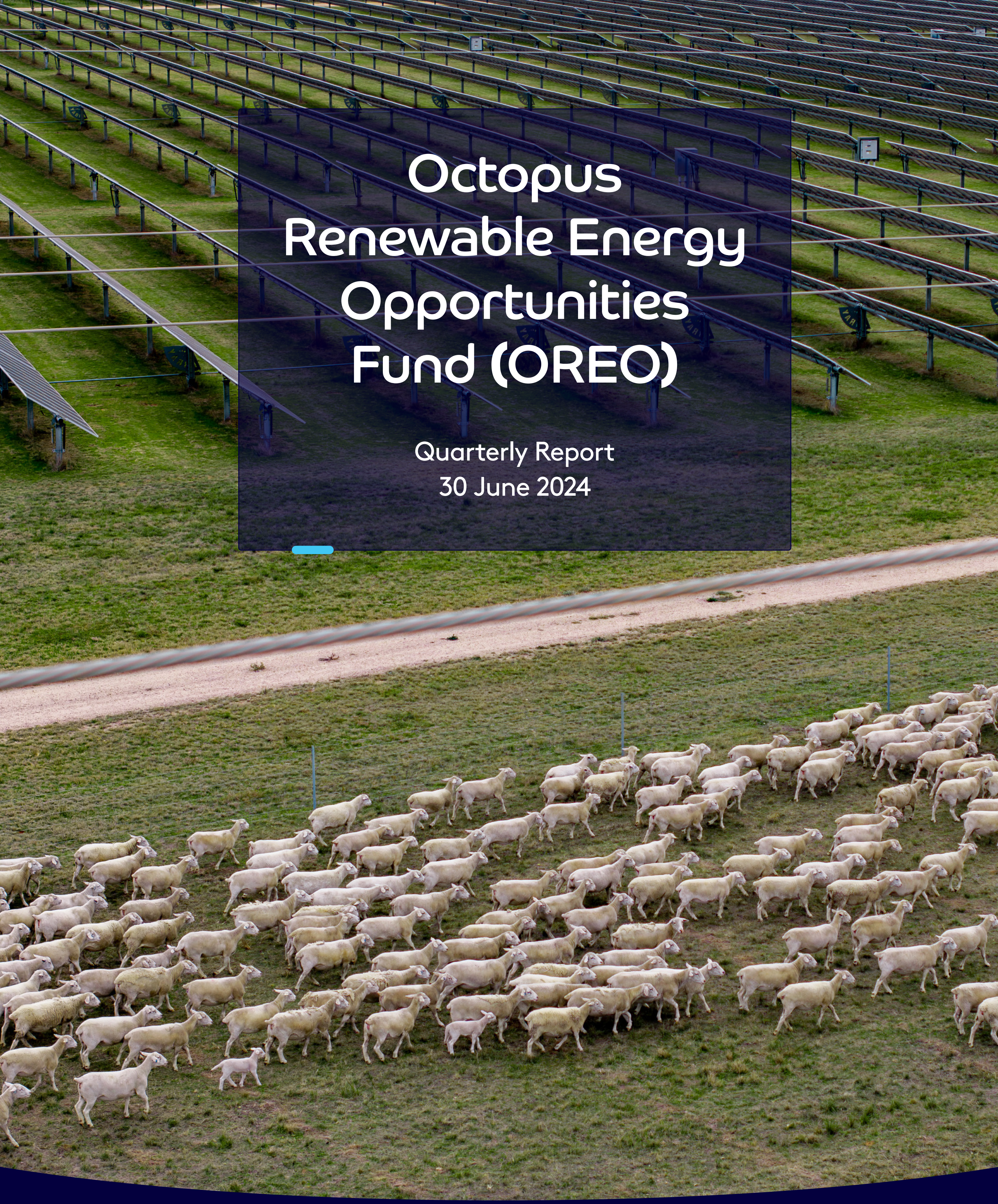
Octopus Renewable Energy Opportunities Fund (OREO)

Quarterly Report
30 June 2024



octopus investments
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 OREO unit price increased by 1.4% to $1.0804 during the quarter. On 30 June 2024, OREO declared a distribution of $0.0244 per unit to its unitholders, which was paid out by the fund in July 2024. As a result of this distribution, the ex-dividend price was $1.0560 at quarter-end.
- Over the past 12 months to date, the fund has achieved a net return of 12.5%, bringing the since inception net return to 7.7% p.a.
- Both of the fund's operational assets maintained their consistent performance throughout Q2. Darlington Point Solar Farm's (DPSF) average merchant capture price was $69/MWh, aligning with the median for the National Electricity Market (NEM) fleet. Due to elevated prices in NSW, solar farms in the region outperformed those in other areas of the NEM, particularly Queensland. The asset also achieved an above median capacity factor for Q2, a reflection of the favourable solar conditions in NSW during the autumn quarter.
- Dulacca Wind Farm (DWF) maintained its strong performance since commissioning, with its capacity factor ranking it among the top 5 wind farms in the NEM. The Wind Farm secured an average merchant capture price of $100/MWh, which whilst historically strong, was lower compared to wind farms in the more volatile NSW market.
- The Dulacca Wind Farm Community Benefit Fund was also established in Q2 with panellists selected to award funds to local initiatives. The $1.25 million Community Fund is dedicated to providing financial support to community-based organisations, projects, businesses, and communities neighbouring Dulacca Wind Farm.
- During the quarter, Octopus Australia completed the acquisition of Merino Wind Farm and Battery, a significant addition to the Fund's pipeline. The proposed 1,000MW wind and 400MW/800MWh battery project is located near Deniliquin, NSW, adjacent to Octopus' 400MW Saltbush Wind Farm and Battery, currently in the development. Combined, the two projects will enable the generation of over 1.5GW of firmed renewable power spanning across up to 35,000 hectares of land in the South-West NSW Renewable Energy Zone. The acquisition takes the secured pipeline to 2,364MW of renewable generation and 1,972/4,524MWh of storage with two sites expected to reach construction this year.

Fund Statistics

OREO net asset value
$83m

OREO assets under management
$137m

OREO unit price
$1.0560

Distribution per unit
$0.0244

Generator capacity under management
456MW

OREO net return since inception
7.7% p.a.

Electricity generated
217k MWh

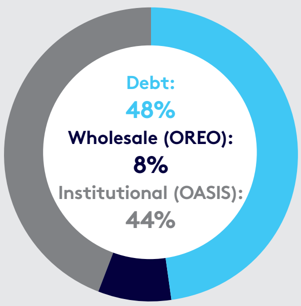
Equivalent number of homes powered[1]
36k homes

Tonnes of CO_2 avoided[1]
140k tCO_2

Equivalent number of trees planted[1]
691k

[1]Based on current quarter generation

Assets Under Management

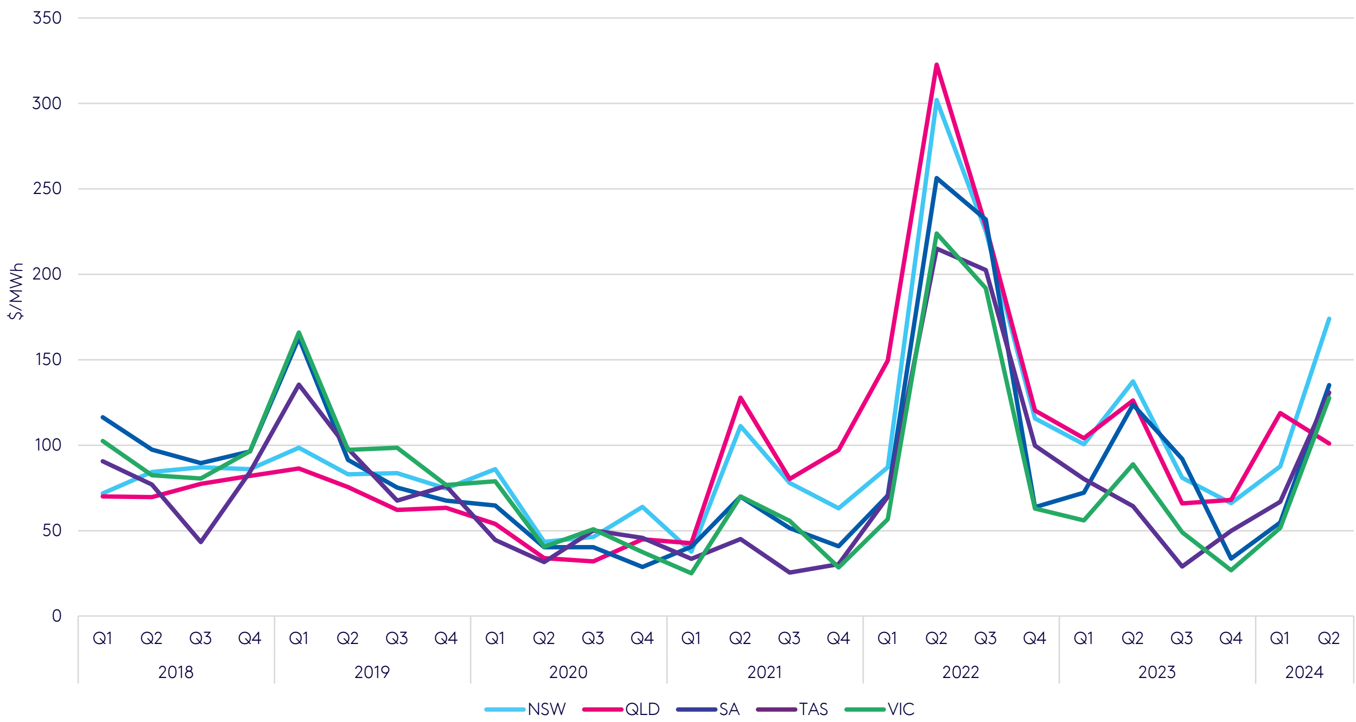


Energy Markets

Q2 Market Update

Q2 2024 was a lively quarter in the National Electricity Market (NEM), with the second highest average Q2 electricity spot price of $133/MWh, lower only than the highs seen during the energy crisis of 2022. Average prices were up quarter-on-quarter for all regions other than Queensland. These high prices reflect a shift in dynamics in the NEM, where Q2 has historically been seen as a subdued quarter. This change in seasonal pattern is the result of the continued retirement of coal.

Quarterly Average Electricity Spot Price



Typical Q2 seasonal market drivers were present, including reduced solar generation and cold temperatures increasing heating demand, particularly impacting the southern states. These factors were combined with lower than typical wind and hydro generation over the quarter, which resulted in an increase in more expensive coal and gas generation setting the electricity spot price. Also contributing to the upward price pressure were multiple unplanned outages across the coal fleet, high gas demand and production issues, and interconnector outages throughout the NEM.

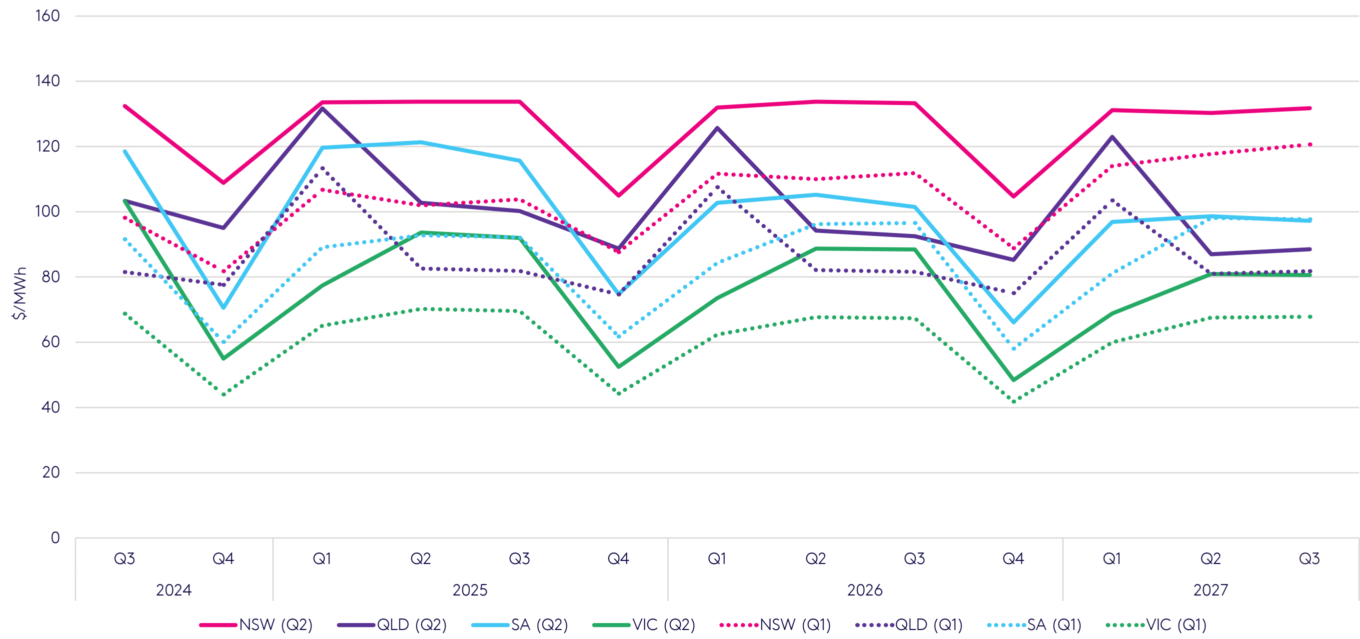
Whilst generation was down for renewables, both wind and solar captured higher dispatch weighted prices, compensating for lower production. In a rare occurrence, Victoria and South Australia solar saw a higher capture price than wind for the month of June.

The most significant event to occur in the quarter was New South Wales (NSW) having its market price capped for a week for only the second time in history, as a confluence of the factors above saw extreme volatility which breached the NEM's cumulative price threshold on May 8. Interconnector issues also impacted the Queensland market, where market separation from NSW resulted in extremely high ancillary services prices over the same period.

On the back of this energy and ancillary market volatility, multiple batteries in New South Wales and Queensland earned more revenue over this time than they had in the previous 100 days. Since the creation of the NEM, this kind of unprecedented volatility and subsequent administrative pricing, has only been seen during the energy crisis of 2022 and could be a sign of things to come as coal retires. It also highlights the opportunities for battery storage to take advantage of a volatile market.

Driven by increased market prices, electricity future prices mostly increased throughout the quarter, demonstrated by the shift upwards from the dotted to solid lines in the chart below. The increase was most substantial for NSW, with these movements suggesting concern over high prices if the market conditions seen through the quarter continued. There was some cooling off by the end of the quarter, but prices remained higher across all regions and products, particularly for NSW.

Change in Average Quarterly Baseload Futures Prices, Q1 to Q2

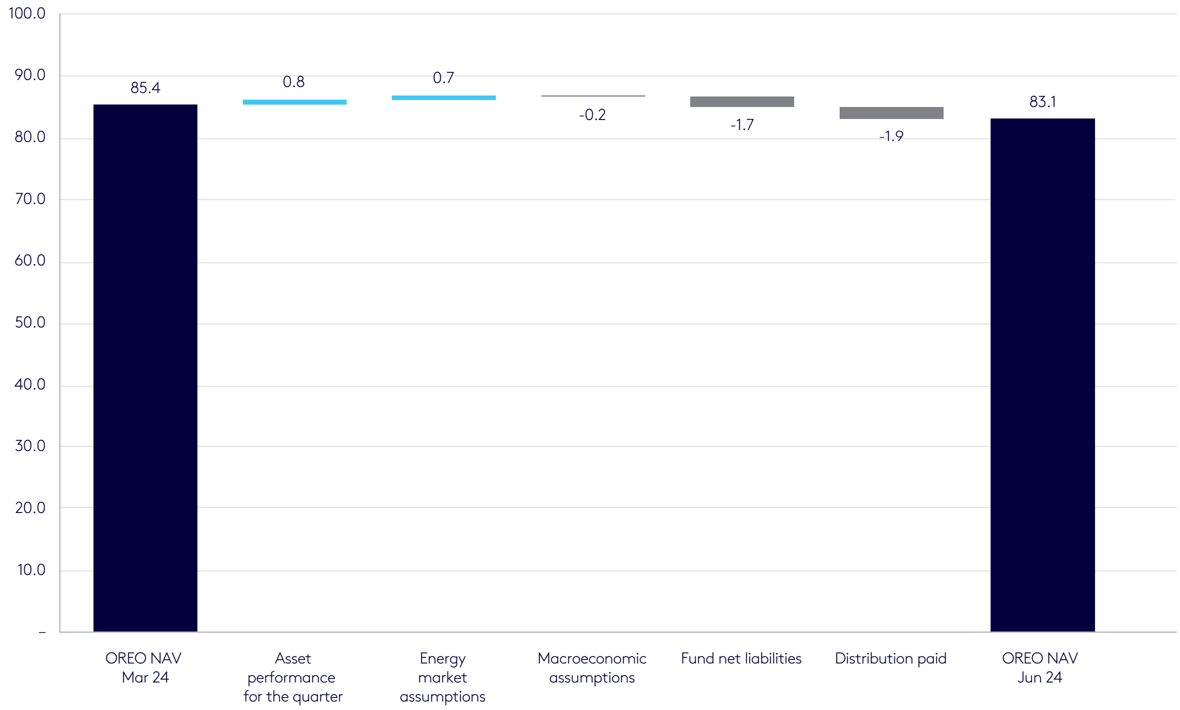


LGC Pricing

Large Scale Generation Certificate (LGC) prices were relatively steady for the first two months of the quarter, before seeing some up and down price movement in June, ending the quarter slightly lower than the start. Spot LGC prices ended the quarter at $45.50 per certificate, down from $46.80, whilst calendar year 2024 and 2025 ended at $46.80 and $44.50, down from $48.80 and $48.30. There were no major policy announcements or market news that significantly shifted long term expectations for LGC pricing.

Valuation Bridge

Fund Equity Value Bridge $m



The OREO portfolio net asset value as at 30 June 2024 was $85.0m before distribution, representing a decrease of $0.4m in fund value over the quarter. On 30 June 2024, a distribution of $1.9m was declared by OREO resulting in a post-distribution NAV of $83.1m. As per OREO fund documentation, this quarter all assets within the portfolio were independently valued by third-party firm, KPMG.

Asset performance for the quarter (+$0.8m)

Rolling forward the valuation and adjusting for the portfolio performance resulted in an increase of $0.8m to the valuation. For more details on asset performance, please refer to the Asset Summaries section.

Energy market assumptions (+$0.7m)

Updating the valuation with the latest wholesale energy price forecasts, provided by independent market-leading experts, has resulted in a positive movement of $0.7m. This includes the partial recognition of LGCs post 2030 which is consistent with the latest assumptions from the external forecasters.

Macroeconomic assumptions (-$0.2m)

Updating macroeconomic assumptions resulted in a reduced valuation of $0.2m.

Fund net liabilities (-$1.7m)

The movement of $1.7m in fund net liabilities is primarily made up of a reduction in cash and receivables.

Distributions paid (-$1.9m)

The fund made a distribution of $1.9m ($0.0244 per unit) to its unitholders at quarter-end.

Portfolio Performance

Fund Performance Summary

	3 months	6 months	1 year (p.a.)	Since Inception (p.a.)
Net return[1]	1.4%	7.4%	12.5%	7.7%

	Financial Year To Date
Net yield[2]	6.8%

Quarterly Portfolio Performance – OREO

	Opening NAV (Mar 24) ($m)	Capital Contributed Over Quarter ($m)	Closing NAV (Jun 24) ($m)	Distributions Over Quarter ($m)	Total Return Over Quarter (%)
Operational					
Darlington Point Solar Farm	33.4	–	34.0	0.8	4.2%
Dulacca Wind Farm	33.7	–	32.8	0.8	-0.5%

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

[2] De-annualised IRR for the period.

Portfolio Summary

Project	Technology	Location	Generator Capacity (MW)	Battery Capacity (MW/MWh)	Date Acquired
Operational					
Darlington Point	Solar	NSW	275	–	Jul-22
Dulacca	Wind	QLD	181	–	Oct-23

	Asset			OREO[1]				
Project	Enterprise Value ($m)	Current Asset NAV ($m)	OREO Ownership %	Equity Invested ($m)	NAV ($m)	Distributions ($m)	MOIC[2]	IRR (%p.a.)
Operational								
Darlington Point	419.5	261.6	13%	31.8	34.0	3.0	1.2x	8.6%
Dulacca	625.6	252.4	13%	29.0	32.8	3.0	1.2x	34.3%

[1]Numbers since inception.

[2]MOIC = Multiple of invested capital.

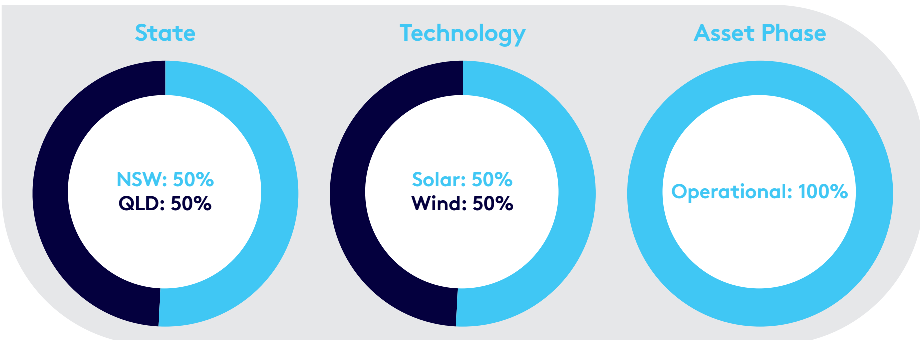
[3] Due to the short holding period of DWF, it is expected that the IRR will normalise over time.

456MW
operational under management

67.9%
operational output contracted

Portfolio Composition

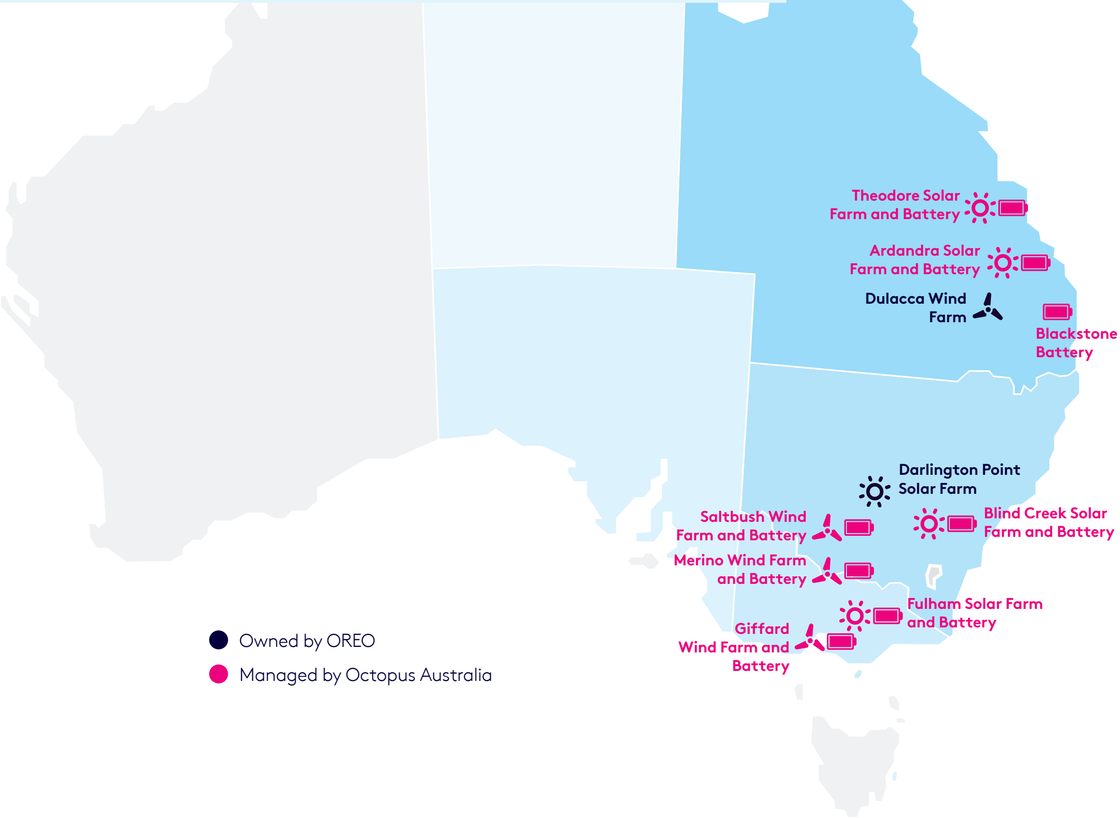
Portfolio composition broken down by total assets under management.



Pipeline

Project	Technology	Generator Capacity (MW)	Battery Capacity (MW/MWh)	Current Stage
Current Octopus Australia Managed				
Fulham	Solar, Battery	80	64/128	Development
Blind Creek	Solar, Battery	300	243/486	Development
Giffard	Wind, Battery	417	400/800	Development
Ardandra	Solar, Battery	97	75/150	Development
Theodore	Solar, Battery	70	40/160	Development
Saltbush	Wind, Battery	400	250/1,000	Development
Blackstone	Battery	–	500/1,000	Development
Merino	Wind, Battery	1000	400/800	Development
Total		**2,364**	**1,972/4,524**	

Location	Technology	Generator Capacity (MW)	Battery Capacity (MW/MWh)
Early Stage Pipeline			
New South Wales	Battery	–	1,160/2,520
South Australia	Battery	–	200/400
Northern Territory	Solar, Battery	100	30/30
Total		**100**	**1,390/2,950**
Grand Total Pipeline		**2,464**	**3,362/7,474**



Asset Summaries

Darlington Point Solar Farm

Asset Summary

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

Investment Summary[1]

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

Investment Background

DPSF 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. It is the cornerstone asset of OREO.

Performance

Over the second quarter of 2024, Darlington Point generated over 100,000 MWh, the most of any solar asset in NSW and the second most of any solar asset in the NEM. This represents strong performance with generation broadly matching expectations.

Revenue was flat in April but beat expectations in May when unexpected outages at coal plants in NSW led to significant price volatility which Darlington Point benefited from. Overall, revenue was consistent with expectations for the quarter.

Valuation

NAV	$255.7m

Darlington Point's valuation rose during the second quarter of 2024. Solid performance combined with the partial recognition of post 2030 LGCs increased the value of the asset. Increased inflation assumptions also had a positive impact. The asset paid a distribution at quarter-end which resulted in a post distribution valuation of $255.7m, as compared to $251.0m in March 2024.

[1] At acquisition.

Darlington Point relative performance for quarter versus solar farms in NEM

Darlington Point's quarterly performance was strong compared to the majority of the NEM solar fleet, setting the median average capture price. DPSF had a capacity factor of 17.3% for Q2 which sits slightly above the median of 15.8%.

[1] 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.

Dulacca Wind Farm

Asset Summary

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

Investment Summary[1]

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

Investment Background

DWF is a fully constructed and energised wind asset in QLD, Australia. The team has been managing the asset since it began construction in 2021. Its acquisition by the Fund presented a rare opportunity 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

Dulacca's generation over the quarter was inline with expectations, with May being a particularly strong month. Dulacca sold half of its generation under a PPA during the period and the remaining half achieved a merchant capture price of approximately $100 per MWh.

The panel to award amounts under the Dulacca Wind Farm Community Benefit Fund was established during the quarter, with panellists selected to award funds to local initiatives. The A$1.25 million Community Fund is dedicated to providing financial support to community-based organisations, projects, businesses, and communities neighbouring Dulacca Wind Farm.

The Wind Farm also achieved Hold Point 3, its final commissioning stage in the middle of April and the construction facility was converted to an operating facility at the end of June. The final commercial operations date is anticipated during 2024 Q3.

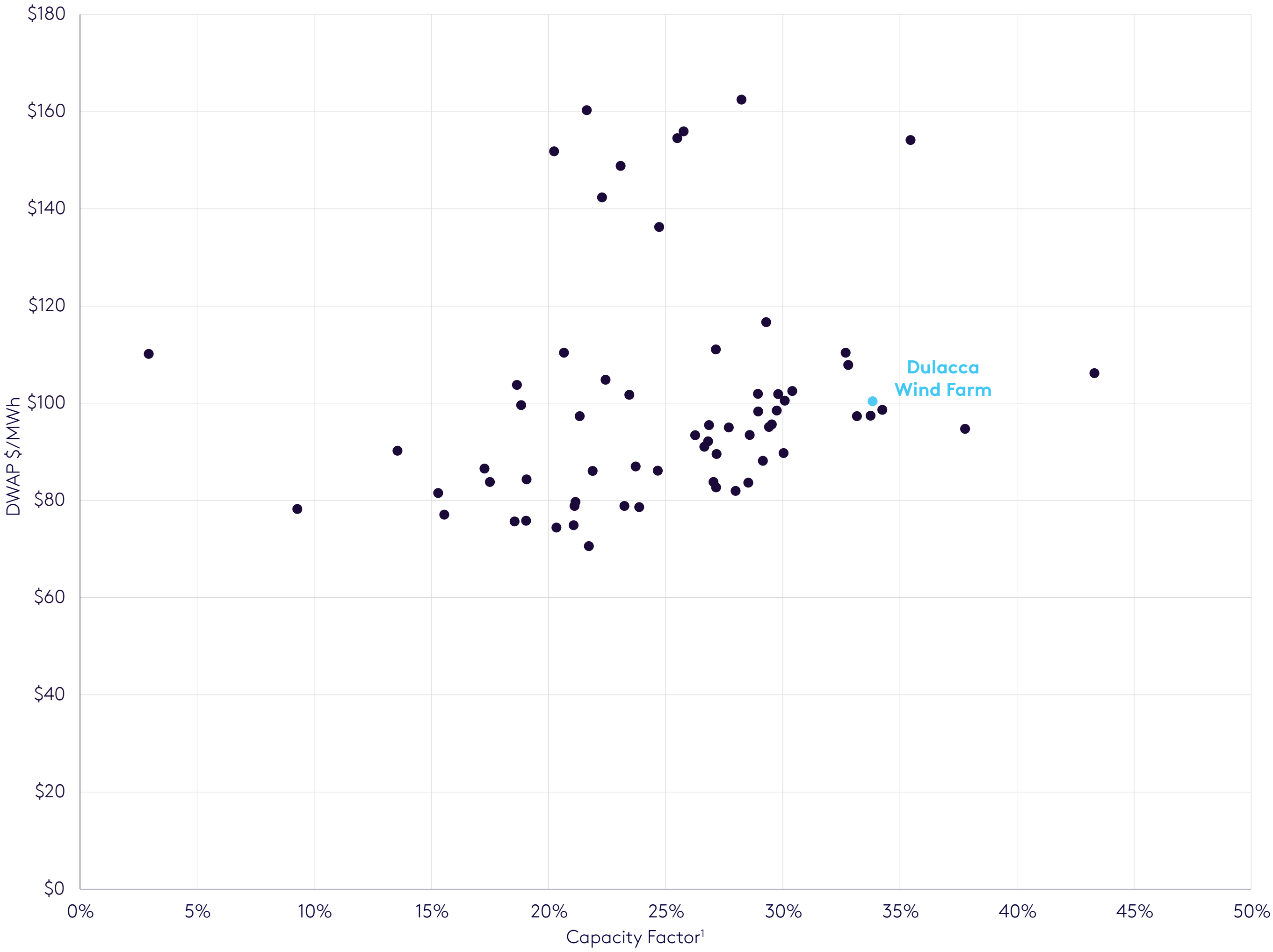
Valuation

NAV	$246.5m

Dulacca's valuation remained relatively flat throughout the quarter. The asset paid a distribution at quarter-end resulting in a post distribution valuation of $246.5m, compared to its March 2024 valuation of $253.6m. The underlying performance of the asset was consistent with expectations, while an increased long term inflation assumption had a small negative impact on the valuation, as did the delayed expectation of achieving commercial operations date.

[1] At acquisition.

Dulacca DWAP relative performance for quarter versus wind farms in NEM



Dulacca continued its strong performance, with a capacity factor in the top 5 of the NEM wind fleet. It also saw an average merchant capture price of above $100/MWh.

[1] 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 55 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
AC	Alternating Current
BESS	Battery Energy Storage Systems
COD	Commercial Operation Date
CPI	Consumer Price Index
DC	Direct Current
DPSF	Darlington Point Solar Farm
DWF	Dulacca Wind Farm
IC	Investment Committee
LGC	Large-scale Generation Certificate
MW	Megawatt (all figures are AC unless otherwise specified)
MWh	Megawatt hour
NEM	National Electricity Market
OA	Octopus Australia
OAMT	Octopus Australia Master Trust
OASIS	Octopus Australia Sustainable Investments Fund
OCA	Octopus Capital Aust Pty Ltd
OREO	Octopus Renewable Energy Opportunities Fund
OSCAR	OSCAR Management Aust Pty Ltd
PPA	Power Purchase Agreement
PV	Photo Voltaic

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.

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