



Ubika Sustainability 20

June 27, 2016

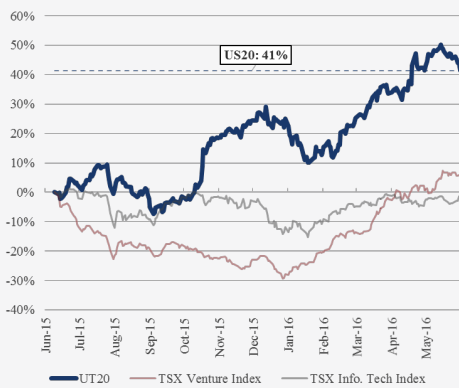


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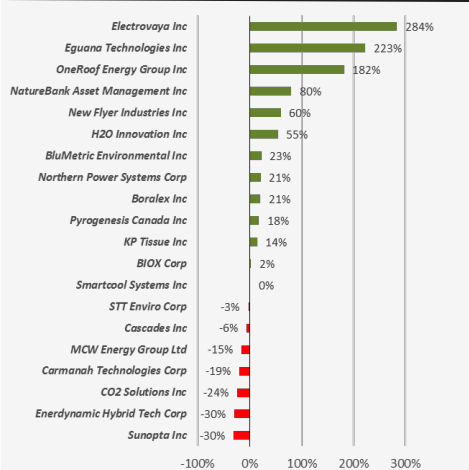
May 9, 2016 - June 27, 2016

US20: +5.1% (41.0% Y/Y)
 TSX Venture: +8.0% (6.0% Y/Y)
 DJSI - NA40: +2.1% (-1.0% Y/Y)

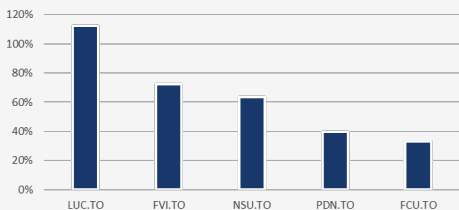
Dollar amounts in CAD unless otherwise stated.



US20: Performance Distribution



Top Volume Gainers (m/m)



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Another Strong Run for the Sustainability 20

The Ubika Sustainability 20 Index enjoyed another period of strong returns since the last issue on May 9, 2016. While the TSX Venture and DJSI – North America increased 8.0% and 2.1%, respectively, the US20 appreciated by 5.1%. The US20's key objective is to gain exposure to a shifting global dynamic: the world's demand for energy continues to transition from the historical standard quo – fossil fuels – into renewables and alternatives. So far, we believe the index has provided substantial returns, and we continue to monitor developments in the industry.

Investment Highlights

- Intersolar Europe had its 25th annual exhibition and conference from June 22nd to the 24th, 2016. Some of the award winners include: LG Electronics Deutschland, M10 Industries, and SolarEdge Technologies, Jakson Engineers, and more.
- Solar continues its advancement: the global market increased by over 25% to 50.6 GW in 2015, with the Top 3 geographic markets being China, Japan and the U.S.
- In 2015, China overtook Germany as the country with the largest total installed solar power capacity. 2016 is also shaping up to be another positive year as Europe passes the 100 GW mark of installed PV capacity. This trend is being catapulted by the increasingly cost competitiveness of solar PVs, when compared to fossil fuels, and in 2016, even onshore wind power.
- Elon Musk's Tesla has put in an offer to acquire SolarCity (also owned largely by Musk) at an exchange ratio of 0.122x to 0.131x shares of Tesla per share of SolarCity. In our view, the deal is not warranted and while M&A should address two key points, this deal simply does not: substantial cost cutting synergies, and paying relatively small premiums.
- Crude oil prices continue to stabilize – implying a decreasingly viable substitute energy source to renewables and alternatives. That being said, with prices still historically low, we do not see this trend positively affecting demand for solar and wind, as of yet.
- 2 of our constituents (outlined below) continue to significantly outperform the index issue-over-issue. While we are mindful of rising (and possibly inflated) valuations, we believe their recent news provides an early outlook for future success.

Upcoming Events

The following events are in the pipeline for most companies in the sustainability industry:

- July 11-13, 2016 – Intersolar North America, San Francisco
- July 26-29, 2016 – HydroVision International, Minneapolis
- August 23-25, 2016 – Intersolar South America, Sao Paulo
- September 23-25, 2016 – Solar Power International, Las Vegas

The Big Winners

Electrovaya (TSE:EFL) – There May Still be Momentum after Three Megadeals

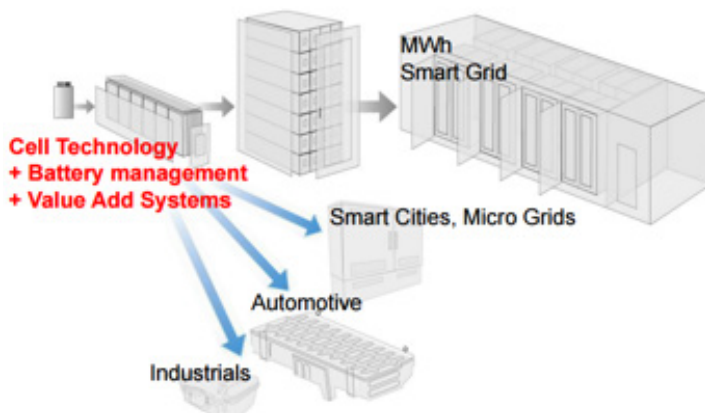


Electrovaya Inc. is a Canada-based company, which is engaged in developing, manufacturing and marketing of power technology products. The Company develops energy storage products, including electrodes, separators, cells, modules and advanced battery systems. The Company develops Lithium Ion SuperPolymer batteries and battery-related products for the clean electric transportation, utility scale energy storage and smart grid power, consumer and healthcare markets. The Company’s business lines include stationary storage products for telecommunications and new green-energy solutions, such as solar and wind, and motive power products for electric vehicles, including automobiles, forklifts used in materials handling, and other transportation applications, including the maritime sector. Since the last issue of the US20, Electrovaya has surged 284%.

On June 16, Electrovaya announced a letter of intent to supply up to EUR 199 million worth of batteries over 3 years to a Fortune 1000 OEM – a customer described as “one of the largest and fastest growing Residential Energy Storage companies in the world.” The Company also is providing cells to an OEM, which plans to assemble the cells into electric bus batteries, which will operate in both China and Europe. Although volume deliveries will not ramp up until the end of CY2016, the news is extremely exciting for the Li-ion producer. As a result of the \$288 million transaction, the stock jumped from a price of \$1.82 on June 14, 2016, to \$3.27 on June 17, 2016, representing an 80% surge.

CEO Sankar Das Gupta has mentioned two large competitive advantages of its batteries: lifespan and safety. Das Gupta believes he’s won the hearts of his OEM partners so far because of these features. In the future, he sees commercial growth outpacing residential, citing very poor margins from conventional automotive and residential projects. The big money, he mentioned, was in e-buses. Specifically, the market for e-buses is estimated to be at around \$32 billion across the globe, with major cities across Europe and Asia already having made the switch from diesel (Paris being the most notable).

Figure 1. Electrovaya’s Battery Systems Offerings across Multiple Verticals



Source: Company Filings, Ubika Research

OneRoof Energy (CVE:ON) – Monumental Gains on Secured Construction Loan



OneRoof Energy Group, Inc. is a Canadian well-known provider of residential solar services. The Company has a market cap of \$14.63 million. The Firm offers solar solutions for homeowners, including financing, installation, and ongoing system monitoring and maintenance to clients in North America. It currently has negative earnings. OneRoof operates in the sales, installation, monitoring, maintenance and financing of solar energy systems for residential homeowners segment. OneRoof has surged 182% since we last looked at them on May 9, 2016.

The past few months have been interesting for OneRoof:

- On May 10th, 2016 OneRoof Energy announced the resignation of their CFO, bringing in an interim CFO – John Bunnel.
- On May 24th, the Company announced realignment of business to focus on ‘Solar 2.0 Strategy’. The strategy is characterized by increasing quality partnerships with major consumer services providers that hold strong existing homeowner relationships. The Company is known to be working on this strategy for 2 years, however with the maturation and growth of the traditional solar market, they have finally decided to ramp up initiatives. Monumental Loan to Ramp up Operations
- What really caused the humongous surge in the Company’s stock price was the secured US\$50 million loan facility and working capital funding that it won on June 15, 2016.
- The financing will support the Company’s Solar 2.0 strategy to partner with energy retail providers, home service providers and other sales persons. In addition, the amounts borrowed under the facility will be used to finance the construction of solar projects as they begin to ramp up with new (potential) partnerships.
- The loan constituted an initial tranche of US\$36.55 million and subsequent tranches up to \$50 as per the conditions of the facility. Principal and interest are payable on May 31, 2018 with 6% annual interest.
- Finally, Black Coral has also provided a US\$9.05 million loan, consisting of secured non-convertible for working capital purposes. This will help bring up their current working capital ratio, which, as of their March 1Q filing, sits at 0.135x.
- The borrower is Black Coral Capital, LLC, which currently holds 40% of the outstanding shares in OneRoof. That makes Black Coral the second largest shareholder of the Company, after Hanwha Holdings, Inc. That being said, on a fully-diluted share basis, Black Coral actually would own ~70% of the business. As an aside, we would like to note that OneRoof’s free float is sitting at ~13%, a number we view as somewhat alarming for the retail investor.

We continue to view OneRoof Energy with caution and precision. Although we are alarmed by its low free float and enormous debt levels, we see the incentive alignments between the Company and main debt holders (i.e. Black Coral).

Eguana Technologies (CGE:EGT) – Increasing Backlog with Successful First Deliveries



Eguana Technologies Inc. is engaged in developing and manufacturing power inverters for the renewable energy industry. The Company sells solar photovoltaic systems, small wind turbines, fuel cells, and forms of energy storage. It has not reached profitability yet, however its stock has appreciated extensively since the prior issue of the US20 on May 9, 2016. In fact, while the index only gained X%, Eguana soared nearly 225%.

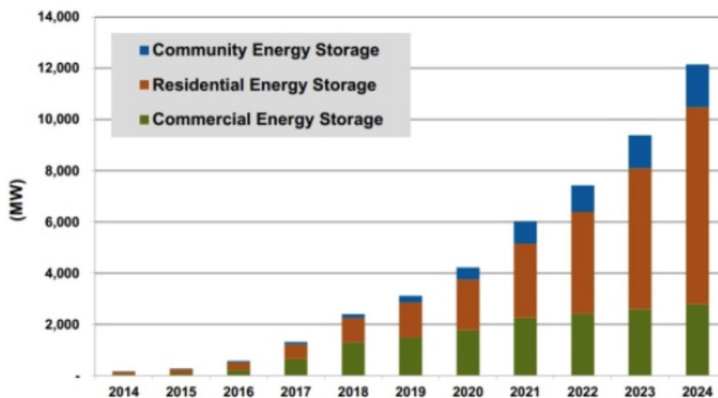
Eguana Tech reported 2Q16 results on May 30, 2016. The Company reported a positive gross profit, albeit small at ~\$16,000, for the first time since summer 2014. That being said, orders ramped up from \$228,376 in Q1 to \$821,592, which includes a back log of ~\$650,000 as partner E-Gear, LLC continues to ramp up orders and expand throughout California.

Throughout the time we last covered Eguana, the following positive outbreaks have all contributed to the Company’s accelerating stock price increase:

- May 9th: Shipments of its AC batteries to the Australian market were announced. In particular, Eguana mentioned the batteries will be adopted into public and home EV charging applications. They also noted that the Company’s expansion into the East is due to the sales and marketing initiatives through their strategic partner – Itochu Corp.
- June 9th: Eguana announced a \$6.0 million offering of common shares at \$0.22/share. The Company intends to use the proceeds for working capital purposes, expand product development, and grow customer service capabilities to stay close with the growing demand.
- June 13th: the Company reported the delivery of its first units of the power control solution (PCS) for its German automotive customer. Volume orders are expected to begin shipments in late 2016.
- June 15th: Eguana’s strategic partner and customer – E-gear, has sold the first units of Solar+Storage Home EV vehicle charging product in Hawaii. The system uses Eguana’s AC Battery to store solar power during the day so it can charge at night. The transfer option allows EVs to charge even during cloudy days.

From our perspective, Eguana is at the forefront of a growing energy storage industry. While its balance sheet definitely needs some cleaning up (primarily on the debt-side) we believe the fundamental demand drivers for its products are very apparent. More importantly, the demand is in full growth as the solar PV market becomes saturated and consumers look to store their energy for future consumption.

Figure 2. Historical and Projected Energy Storage Growth



Source: Company Filings

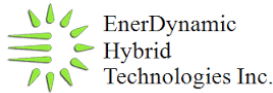
The (not-so-big) Laggards

CO₂ Solutions – Down 24% on Lacking Advancements



The Company is involved in the capturing and management of CO₂ through an enzyme-based technology. Its applications include carbon capture, enhanced oil recovery, pulp and paper, water treatment, and more. While the Company received funds from subsidy agreements through government agencies, they are treated as deductions from R&D instead of revenue. The Company has yet to report revenues since early 2014, and fell on lagging 3Q results – investors expected a more upbeat news stream. Since the last US20 issue, CO₂ Solutions' stock has dropped 24%.

Enerdynamic Hybrid – Down 30% on Disappointing Acquisition Withdrawal



Enerdynamic delivers renewable energy solutions. The Company offers solutions to integrate solar energy, wind energy and battery storage tech in a modular structure. It operates in three segments: Home, Business, and Government under the following branded products: EnerCube, EnerPole, EnerCom and EnerSmart. The Company has yet to reach profitability, and has announced its withdrawal from a previously announced EVIA Finance acquisition. Coupled with a dismal quarterly report, investors of Enerdynamic were disappointed by the news. Since May 9, 2016, Enerdynamic's stock has dropped 30%.

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