



# Ubika Sustainability 20

August 8, 2016

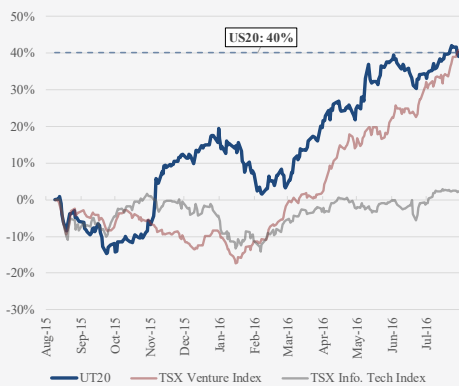


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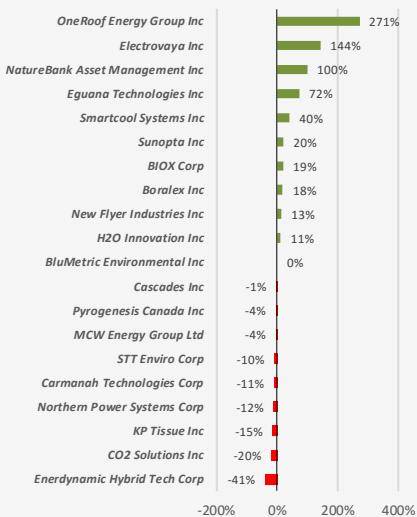
May 9, 2016 - Aug. 8, 2016

US20: +22.7% (36% Y/Y)  
 TSX Venture: +24.9% (-4% Y/Y)  
 DJSI - NA40: +6.5% (-6% Y/Y)

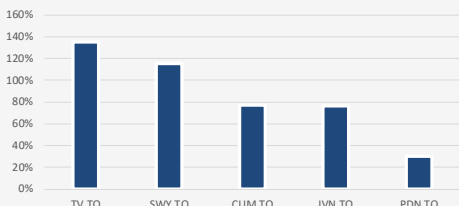
Dollar amounts in CAD unless otherwise stated.



## US20: Performance Distribution



## Top Volume Gainers (m/m)



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## Recent Gains in US20 Will Be Overshadowed By Strong Growth From Renewables

The Ubika Sustainability 20 Index appreciated 12% in value, compared to 23% and 5% for the TSX Venture and Dow Jones Sustainability Index, respectively. Although huge players in the solar and renewables space have not been performing to par (i.e. bankruptcy of SunEdison and poor margins of SolarCity), we believe demand fundamentals have risen. Specifically, renewables account for roughly 10% of all energy used in the U.S. Moving forward, this sector should continue to outperform the gains of the general market, and is the area we intend to follow closest.

### Industry Highlights

- A new UN report finds that the use of e-government through integrated policies and promoting accountable and transparent institutions has the potential to support the implementation of the 2030 Agenda for Sustainable Development, which includes 17 Sustainable Development Goals.
- SolarCity has accepted Tesla's buyout offer of \$2.6 billion. Proposed synergies include the advantage of scale in electrical energy management systems, battery production. Elon Musk, the largest shareholder in both companies, announced the merged entity would require a "small equity raise" in the upcoming year as a result of the transaction.
- Although huge players in the solar and renewables space have not been performing to par (bankruptcy of SunEdison and poor margins of SolarCity), demand for renewables has risen and currently accounts for roughly 10% of all energy used in the U.S.
- Aggressive mandates towards more renewable power sources in separate U.S. states are being approved. New York was the latest to approve a mandate stating that 50% of its electricity would come from renewable energy sources by 2030. California has similar goals of reaching 50% by 2030. Impressively, Hawaii's goal is 100% by 2045.
- The renewable sources of the future continue to be clear: solar, wind, hydro and biodiesel. While nuclear does have its benefits, states are increasingly trending away from the power source. Of note is California's last nuclear plant announcing its close in 2025. Illinois is also closing off two plants in the next 5 years.
- Developing powerhouses is where the growth is exploding. More predominantly, India leads the pack with Prime Minister Narendra Modi's very ambitious renewable deployment plan to 175 GW by 2022, 100 of which will be solar. While many view the goal as unrealistic, it will nonetheless provide ample opportunity for players in the space to grow.
- Ontario Liberals' fight against climate change has taken flight: expected plan will add \$5 per month to home heating bills and about 4.3 cents per litre to price of gasoline.

### Outlook for Upcoming Months:

Several upcoming events include: The Global Sustainability Summit in New Orleans (Aug. 10 - 12, 2016), and The World Water Week in Stockholm (Aug. 28 - Sept. 2, 2016).

## Top US20 Performers

### SunOpta (TSE:SOY)

SunOpta Inc. operates a business focused primarily on healthy food products. Specifically, it has two segments: Global Ingredients and Consumer Products. The Global Ingredients segment aggregates its North American and international raw materials. It procures and processes specialty and organic grains, seeds, fruits, grain- and cocoa-based ingredients. Its Consumer Products segment consists of three platforms: Healthy Beverages, Healthy Fruit and Healthy Snacks.

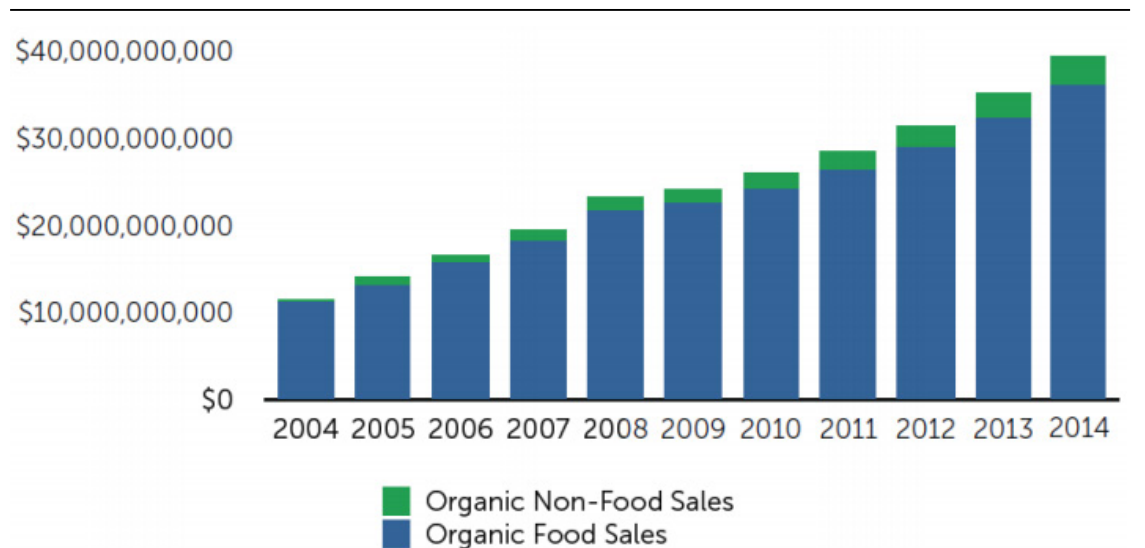
SunOpta has experienced a significant increase in its stock price: it is up over 20% from the focus period June 27th to August 8th, 2016 – making it the Ubika Sustainability 20’s top performer.

The boost can be largely attributable to its great 1Q16 report. SunOpta’s Consumer Products segment significantly beat the Street’s expectations. Healthy Snack, Healthy Beverage, and Healthy Fruit were up 7%, 5% and 37%, respectively, in terms of sales compared to the last quarter.

Its Global Ingredients segment was up a strong 13% internationally, however declined 14% domestically – primarily attributable to negative foreign exchange implications. The normalized growth rate on total revenue from last year’s quarter was reported at 3.5%.

Snacks as a percentage of all foods has been increasing throughout the past decade. Moreover, we believe SunOpta is a play on a healthier world with more organic products. As reported by the Organic trade association, total U.S. organic food sales have been climbing consistently. To

Figure 1. Total U.S. Organic Sales



Source: Organic Trade Association

## SmartCool Systems (CVE:SSC)

SunOpta Inc. operates a business focused primarily on healthy food products. Specifically, it SmartCool Systems is a clean tech play that develops and distributes energy solutions for air conditioning, refrigeration and heat pump systems. The Company distributes, markets and sells the ECO3 and Energy Saving Module (ESM) products. The two products can be installed on units to reduce electricity consumption and demand of refrigeration and air conditioning by maintaining temperature control. SmartCool distributes its products throughout Canada and the U.S.

The Company has appreciated 40% in value from June 27th, 2016.

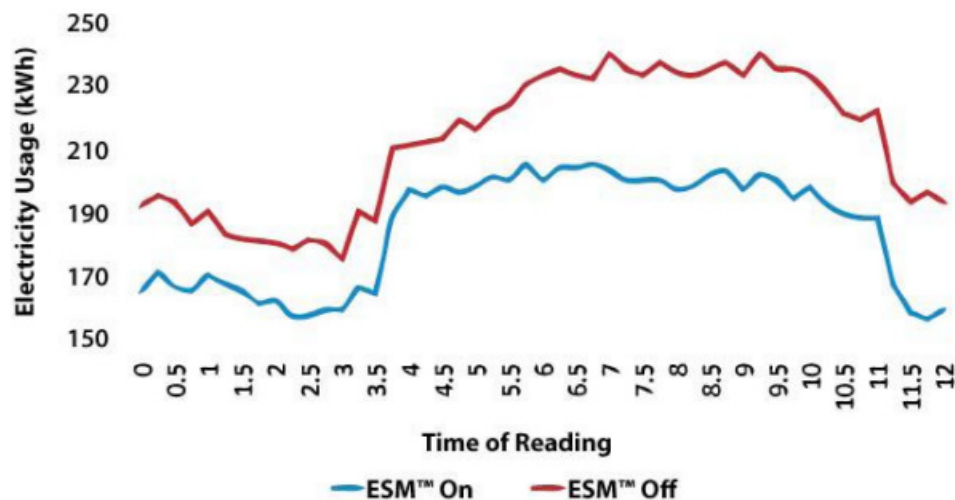
We think the SmartCool Systems play is an alternative one to renewable energy. In fact, there are two ways to achieve a current global objective of reducing greenhouse gases: using renewable energy sources (i.e. solar/wind power) and minimizing the amount of electricity consumed.

With lighting and cooling (aggregate refrigeration and air conditioning) being the two largest uses of electricity in the U.S., we believe the market for the reduction of such consumption is certainly prominent.

The Company’s flagship product – ESM – provides a superior monitoring technology with an LCD display that shows the achieved savings by the ESM. The key benefits to the system are outlined as follows:

- “Set and forget” technology that caters to consumers with convenience needs.
- In terms of kW/h usage, the technology averages a 15% decline in usage
- The savings have been verifiable, and return of investment ranges from 18-36 months

Figure 2. Refrigeration Plant Electricity Usage: ESM On vs. Off



Source: Company Filings, Ubika Research

### BIOX Corp. (TSE:BX)

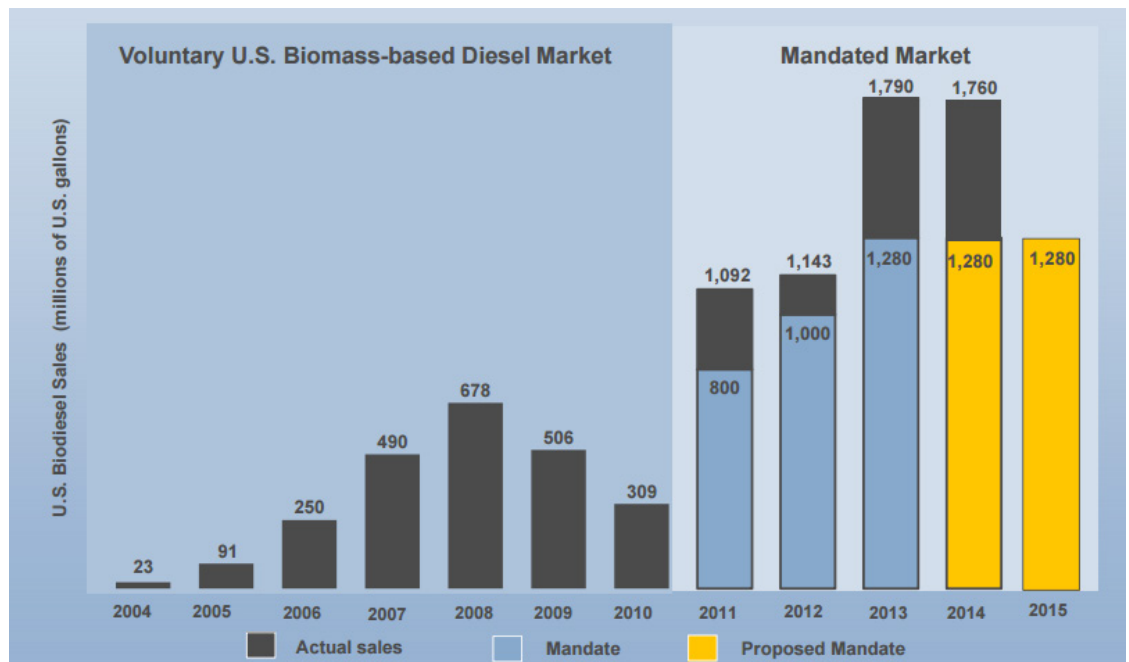
BIOX Corp. is a renewable energy company. It is engaged in developing the manufacturing process for the production of biodiesel fuel in Canada and the U.S. The Company uses different raw materials to produce its biodiesel fuels, and currently owns and operates a ~70 million L/year continuous flow biodiesel production facility in Hamilton, Ontario. The Company also sells by-products of the biodiesel process.

BIOX outperformed the general US20 index by 7%, climbing 12% from June 27th to August 8th, 2016.

On June 17, 2016, the Company bought out a biodiesel facility in Sombra, Ontario from Methes Energies. The deal amounted to US\$4.5 million. While the facility is currently not in production, the Company aims to expend an additional \$5 million over the next year on upgrades.

BIOX recently announced a joint venture with World Energy to acquire and operate a 90 million U.S. gallon (341 million L) biodiesel production facility in Houston, Texas. The 50-50 joint venture means each company attributed US\$10 million. Important to note is that the channel is the third largest biodiesel production facility in North American.

Figure 3. U.S. Biomass-based Diesel Market



Source: Company Filings, Ubika Research

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