

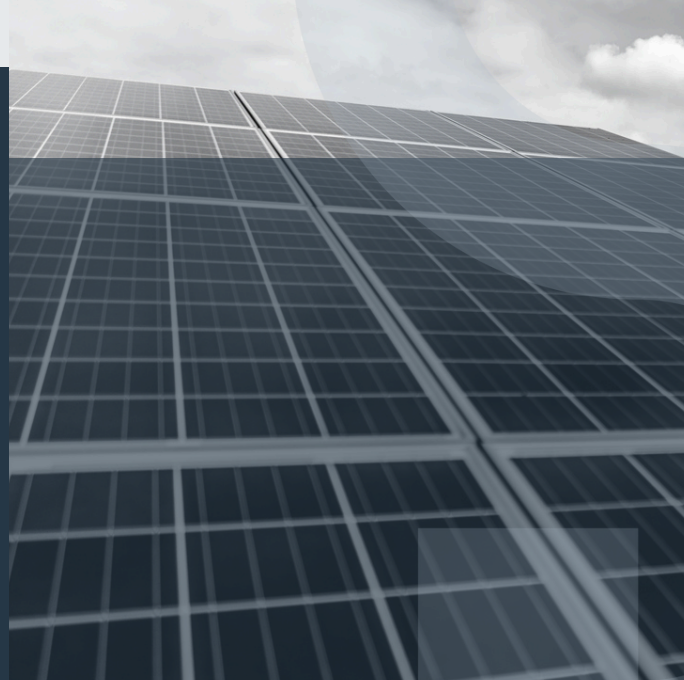
Information Pack

Content

Brochure	Page 1
Forecasted Cash Flows	Page 4
Frequently Asked Questions	Page 5

100% Tax deduction.

Fund III: Open for investment



Fund Investment Mandate

To own and operate a portfolio of renewable energy-generating assets, that sells the electricity generated to creditworthy counterparties (sectional title complexes, industrial and commercial companies) that are bound by long-term power purchase agreements.

Minimum investment: R100,000

No maximum investment

Fund term: 10 years

Experienced management team

Regulated by the FSCA

Investing in the Fund



Your tax benefit as an investor

Taxpayers who invest in the Fund are entitled to claim the 100% Section 12B tax deduction on the full amount invested. The tax deduction is applicable to each taxpayer and is to be claimed in his/her respective personal tax return.

Why invest now?

Each project takes approximately 3-4 months to implement. Therefore, all funds need to be invested, and to be deployed as soon as possible so that the installations become energy-producing in the relevant tax year.

The Fund has a pipeline of projects ready for deployment, that will become energy-generating at various stages prior to end February 2026, entitling you to claim the 100% tax deduction in the relevant tax year.

Your Section 12B tax deduction will shield your taxable income from all sources (salary, interest, rentals, capital gains tax, etc), including income distributions received from the Fund.

Bi-annual distributions of profits

The Fund will generate ongoing profits from the sale of electricity, which will be distributed to investors bi-annually.

- Average annual yield: 8.43% p.a. on your investment amount
- Average annual yield: 25.95% p.a on risk capital invested

The risk capital: 66.25% of the amount invested for individuals and trusts, and 73% for companies

Exiting at the end of the 10-year Fund term: 21.98% IRR*

At the end of the 10-year Fund term, the portfolio of energy-generating assets will be disposed of into the active institutional market for moderate risk, high-yielding, long-term investment instruments.

This realisation and return of capital is projected to equal the amount of your gross investment into the Fund.

The total internal rate of return (IRR) on investment is projected at 21,98%, net of fees and taxes on risk capital over the 10-year term.

Should you require to exit before the end of the Fund term, the Fund Manager will endeavour to repurchase your investment at an appropriate discount at the time, subject to working capital requirements.

Fees

Set-up fee

A set-up fee of 1% (once off) on capital raised payable to the Fund Manager.

Management fee

A management fee of 2% per annum payable to the Fund Manager on the capital invested.

Performance fee

The Fund Manager will earn a performance fee of 20% on all distributions after returning 110% of risk capital to investors.

GR_OVEST PIONEERED BY

The Fund is administered by Grovest, the pioneers of Section 12J, who operationalised the first fund in 2014.

The Section 12J market grew to over R12 billion when the tax provision expired in June 2021.

The Twelve B Green Energy Fund structure is a great alternative to Section 12J, with similar benefits.

Project installations & technology

Installations are contracted to approved third party engineering, procurement and construction (EPC) companies. Operations and maintenance are contracted to approved O&M parties.

Installations incorporate the latest technology in solar panels, inverters, and battery storage supported by proprietary software to manage and minimise energy utilisation.



Renewable energy

ESG investing, also referred to as impact or sustainability investing, is socially responsible investing that prioritises impact on the environment and the planet alongside financial returns.

Renewable energy has become an absolute necessity in South Africa due to electricity vulnerabilities. Investment in the Fund supports achieving electricity security through renewables.

Play your part in contributing to a more sustainable future and enhance your investment returns.

We invite savvy investors seeking superior returns at moderate risk, minimise their tax obligation and contribute to a greener future to join us as we pioneer this asset class.

Forecasted Cash Flows in the hands of a Limited Partner

	Years										
	0	1	2	3	4	5	6	7	8	9	10
Equity Investment	(1 000 000)										
Geared Co-Investment	500 000										
12B Tax Allowance (100%)	(675 000)										
Risk Capital	(325 000)										
Net Income Before Tax	(325 000)	73 125	84 722	97 012	110 036	123 838	138 463	153 960	170 382	187 783	206 222
Sale of Future Cash Flows											2 282 890
Management fees		(30 000)	(30 000)	(30 000)	(30 000)	(30 000)	(30 000)	(30 000)	(30 000)	(30 000)	(30 000)
Setup Fees		(10 000)	0	0	0	0	0	0	0	0	0
Performance fees		0	0	0	0	0	(15 939)	(24 792)	(28 076)	(31 557)	(491 822)
PBT	(325 000)	33 125	54 722	67 012	80 036	93 838	92 524	99 168	112 306	126 227	1 967 290
Tax	0	(14 906)	(24 625)	(30 155)	(36 016)	(42 227)	(41 636)	(44 626)	(50 538)	(56 802)	(673 900)
PAT	(325 000)	18 219	30 097	36 857	44 020	51 611	50 888	54 543	61 768	69 425	1 293 390
Cash Yield	0	1	2	3	4	5	6	7	8	9	10
Before Tax											
Average Annual Yield (Risk Capital)		10.19%	16.84%	20.62%	24.63%	28.87%	28.47%	30.51%	34.56%	38.84%	605.32%
After Tax											
Average Annual Yield (Risk Capital)		5.61%	9.26%	11.34%	13.54%	15.88%	15.66%	16.78%	19.01%	21.36%	397.97%
IRR on Risk Capital											
Before Tax	(325 000)	33 125	54 722	67 012	80 036	93 838	92 524	99 168	112 306	126 227	1 967 290
After Tax	(325 000)	18 219	30 097	36 857	44 020	51 611	50 888	54 543	61 768	69 425	1 293 390

Twelve B Green Energy Fund

Frequently Asked Questions

1. What is Section 12B?

Section 12B of the South African Income Tax Act entitles taxpayers to claim an accelerated wear and tear allowance on assets owned and brought into use by the taxpayer for trade in generating renewable electricity.

2. What's an example of how the Section 12B tax deduction works?

A: Investor invests R100,000.

The full amount is invested into the solar asset that starts generating energy in the relevant tax year. The investor can deduct 100% i.e. R100,000 from their taxable income for that tax year.

B: Investor invests R100,000.

Only R70,000 is invested into the solar asset that starts generating energy in the relevant tax year.

The investor can deduct R70,000 ($70,000 \times 100\%$) from their taxable income for that tax year. The balance of R30,000 ($30,000 \times 100\%$) can be deducted from taxable income in the following tax year when the balance of the solar asset comes into operation.

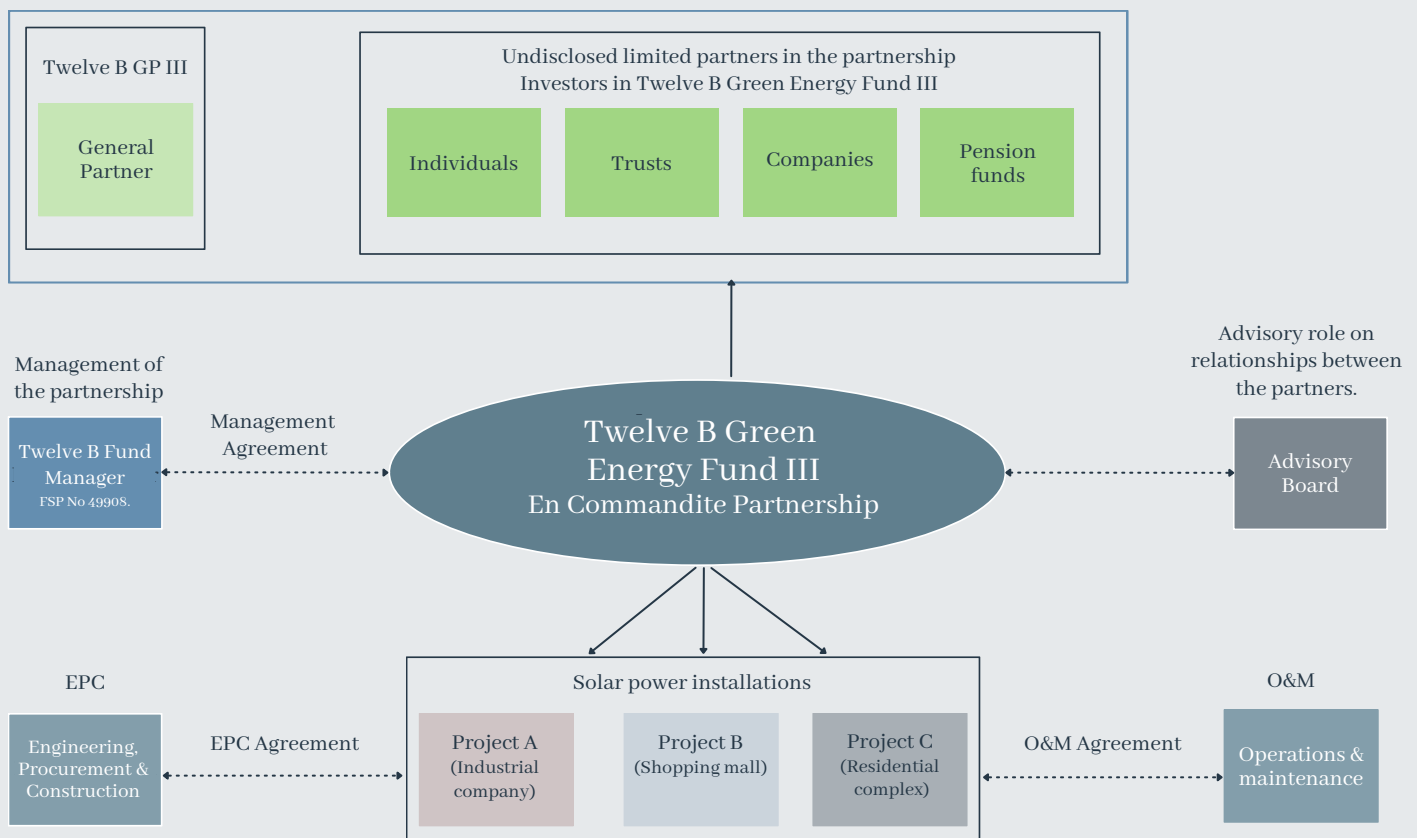
3. What is the Twelve B Fund Investment Mandate?

To own and operate renewable energy-generating assets and sell the electricity generated to creditworthy counterparties (sectional title complexes, industrial and commercial installations) bound by long-term power purchase agreements.

4. Who can invest in the Fund and qualify for the Section 12B tax allowance?

Individuals, trusts, and companies can invest into the Fund. Pension Funds are also permitted to invest in the Fund as governed by Regulation 28 of the Pension Fund Act.

5. What does the investment structure of the Fund look like visually?



6. What is the investment structure of the Fund?

The Twelve B Green Energy Fund is structured as an en commandite partnership. The en commandite partnership structure is commonly used by private equity Fund Managers in South Africa.

It comprises two categories of partners:

- Undisclosed limited liability partners – the investors into Twelve B Green Energy Fund III
- The general partner - Twelve B GP III (Pty) Ltd

The two categories of partners enter into a partnership agreement that co-own the assets in which the Fund invests.

Investors contribute a fixed sum in exchange for a percentage share in the partnership. The liability of the investors is limited to their capital contribution into the Fund.

The net income earned by the partnership is distributed to the investors in accordance with the ratio of ownership as set out in the partnership agreement.

7. What is a limited partner (LP)?

A limited partner (investor) comprises an individual, trust, company or pension fund who contributes capital into the partnership. The investor's liability is limited to the amount of his/her investment into the Fund.

8. What is a general partner (GP) in Twelve B Green Energy Fund?

The GP is in ultimate control of the Fund. It appoints the Fund Manager to manage the Fund on a day-to-day basis on its behalf.

The GP's liability is unlimited in relation to the partnership.

9. What is a Deed of Adherence?

A Deed of Adherence is a supplementary legal document that is used to bind an investor to the partnership agreement.

10. What is a PPA?

A power purchase agreement (PPA) is a long-term electricity supply agreement between the Fund, being the energy producer, and an offtaker.

The PPA sets out the amount of electricity to be supplied, the initial pricing, the annual escalations and penalties for non-compliance.

11. What is an offtaker?

An offtaker is a consumer of the electricity generated by the solar assets deployed at the premises of the offtaker.

Offtakers may be sectional title complexes, industrial or commercial installations.

12. How long is the Fund term?

Ten years from close.

13. As an investor, what are my expected returns?

The Internal Rate of Return (projected IRR): $\approx 21.98\%$ (net of fees and taxes on risk capital).

Distribution policy:

Investors will receive bi-annual distributions from the profits of the sale of the electricity:

- Average annual yield: 8.43% p.a. on your investment amount
- Average annual yield: 25.95% p.a on risk capital invested

14. What is the internal rate of return (IRR)?

The IRR is a metric used to estimate the return on the investment having taken into account the time value of money.

15. What is the difference between a distribution and a dividend?

- A dividend is paid by a company as a share of profits to the shareholder as a consequence of him/her owning shares in a company.
- A distribution is a share of the profits paid to a partner as a consequence of him/her being a partner in a partnership agreement.
- Dividends are subject to dividends withholding tax after having paid company tax of 27%.
- Distributions are paid directly to the partner and are taxed directly in the partner's hands.

Given that the Twelve B Green Energy Fund III is a partnership, investors receive distributions.

16. What are income distributions?

The profits of the partnership which have been generated from the sale of electricity, net of costs, are distributed to investors bi-annually in March and September each year.

17. What is a running yield?

It is the cumulative annual distributions of the Fund to investors as a percentage of investors' capital contribution.

18. Will my investment be deployed into a specific renewable energy asset?

No, funds will be deployed into a diversified portfolio of energy-producing assets.

19. How do I treat the Section 12B deduction and income distributions received from the Fund in my income tax return?

Once the financial statements of the Fund have been audited by the Fund's auditors, a detailed tax summary will be sent to each investor.

This summary will confirm the amount of the Section 12B deduction as well as his/her share of profits that should be included in your tax return for the tax year ended February each year.

20. Can an investor carry forward his Section 12B allowance to successive tax years?

Yes, it may be carried forward to the successive year and set-off future taxable income.

21. What is the risk profile of an investment into the Fund?

The investment risk profile is moderate.

The funds will be deployed into a portfolio of solar projects in different locations, with different offtakers. Each project will be bound by a long-term PPA which sets out the amount of electricity to be supplied, the initial pricing and the annual escalations.

All solar equipment is covered by an all-risks insurance policy for lightning, floods, theft, etc.

Counterparty risk is mitigated as the solar equipment is movable and can be moved to another site if required.

22. What is the risk profile of the Fund?

- The Partnership invests in a diversified portfolio of solar projects, reducing concentration risk.
- Counterparties to PPA's undergo in-depth credit checks and analysis to mitigate credit risk.
- The Partnership owns the assets used to generate electricity, making it a collateralised investment.
- Suitable for a long-term investment horizon, due to contractual monthly cash flows.

23. Is the Fund regulated?

Yes, it is regulated by the Financial Sector Conduct Authority (FSCA).

24. Who is the Fund administrator?

The Fund is administered by Grovest, the pioneers of Section 12J, who operationalised the first Section 12J fund in 2014. The Section 12J market grew to over R12 billion when the tax provision expired in June 2021. Today, Grovest has over R3.5 billion in assets under administration.

25. What is the difference between Section 12B allowance and Section 12J allowance?

SECTION 12J	SECTION 12B
Fixed capital structure.	<i>En commandite</i> partnership structure
Investments can be deducted from taxable income in the tax year in which the investment was made.	Investments can be deducted from taxable income in the tax year when energy is generated.
5-year holding period.	No holding period.
Capital gains tax.	No capital gains tax.
Can be high risk.	Moderate risk.
No tax efficient.	Tax efficient due to flow-through principle.
LPs can only hold up to 20% of the Fund	Unlimited investment holding in Twelve B Green Energy Fund II

26. Is the initial capital investment paid back to me after the 10-year period?

Yes it is. This amount is determined at the time of exit based on the selling price of the portfolio.

27. What happens to my share in the partnership when the interest is sold to a third party after 10 years?

You are deemed to have exited your investment once the portfolio is sold to a third party.

28. What happens when the Fund term is reached?

At the end of the 10-year Fund term, the portfolio of energy-generating assets will be sold into the active institutional market for moderate risk, high-yielding, long-term investment instruments.

To enhance investor returns, the Fund term may be extended for a further two years, at the discretion of the Fund Manager.

29. Can I redeem my investment before the Fund term?

In the unplanned circumstance of exiting early, the investor will need to request this from the Fund Manager.

Subject to the working capital requirements of the Fund, the Fund Manager may repurchase your investment at an appropriate discount at the time.

The earlier the exit, the higher the discount will be.

At any point in the 10-year term, an investor may sell their partnership interest to a third party.

30. What are the tax consequences of redeeming my investment?

If an investor disposes of their investment before the end of the Fund term, the investment will be subject to a portion of the recoupment of the value of the solar assets at the time of disposal and is to be included in the investor's tax return in the year in which the investment is sold.

31. What are the fees to invest in the Fund?**Set-up fee:**

A set-up fee of 1% (once-off) of capital raised is paid to the Manager.

Management fee:

A management fee of 2% per annum is paid to the Manager on the capital invested. This fee is paid quarterly in arrears.

Performance fee:

The Manager will earn a performance fee of 20% on all distributions after first returning 110% of risk capital to investors.

32. How does Twelve B select investments for the Fund?

All projects are approved by an experienced Investment Committee before they are implemented. The Investment Committee will assist the Fund Manager in selecting a diversified portfolio of projects to mitigate concentration risk.

The Investment Committee will consider investments based on the following:

- The offtaker must be credit-worthy with historic electricity invoices to validate usage.
- The offtaker must enter into a long-term power purchase agreement.

33. How are prospective projects sourced?

The projects emanate from various sources including engineering, procurement and construction contractors (EPCs), operations and maintenance contractors (O&M) with whom the Fund has an association, or perhaps the offtakers themselves.

Projects also emanate from word of mouth, landlords, managing agents, and property developers.

In the current environment and severe crisis in the availability of electricity in South Africa, it is evident that there will be numerous projects which require funding.

34. What is the current investment pipeline?

The Fund will be investing in a portfolio of renewable energy projects around the country and spread across various sectors including; sectional title complexes and select commercial and industrial installations. These installations incorporate the latest technology in solar panels, inverters, and battery storage.

35. What are the minimum and maximum investments in the Fund?

The minimum investment is R100,000. There is no maximum investment amount.

36. What is ESG and ESG investing?

Environmental, social, and governance (ESG) investing seeks attractive financial returns and that positively impact environmental, social and/or governance issues. In addition to investing in a diversified portfolio of moderate-risk assets yielding attractive returns, by investing in the Fund you are also investing in the green energy transition, combating climate change and securing South Africa's energy demands.

Green energy has become an absolute necessity due to the ongoing lack of reliable electricity and energy supply in South Africa.

37. How does incorporating debt enhance returns?

By including debt, the Fund is able to invest more capital into renewable energy plants. This will bolster the tax allowance each investor can claim.

e.g:

Equity raised and deployed	: 100 000 000
Debt raised and deployed	: 50 000 000
12B allowance	: 150 000 000 x 100%
12B allowance for equity investor	: $\frac{150\,000\,000}{100\,000\,000} \times 100 = 150\%$

If you have any other questions, please contact us: apply@twelveb.co.za | 011 262 6433

Get in touch

apply@twelveb.co.za | info@twelveb.co.za

+27 (0) 11 262 6433

Building 2, Pinmill Office Park, 164 Katherine Street, Sandton

twelveb.co.za

Target returns are based on current projections and are not a guarantee. The actual returns may be higher or lower than the target returns, depending on various factors such as market conditions, inflation, and other risks.

Twelve B Fund Managers Proprietary Limited (Registration No. 2022/832884/07) is an approved juristic representative of Volantis Capital Proprietary Limited (Registration No. 2015/166527/07) an authorised Financial Services Provider under the FAIS Act (FSP No 49836).