wetility

JALTECH Fund Management

Section 12B

Residential Solar Investment

Up to **106%** returned in **year 1**.

Introduction

Current Tranche Closes on 1 August 2025

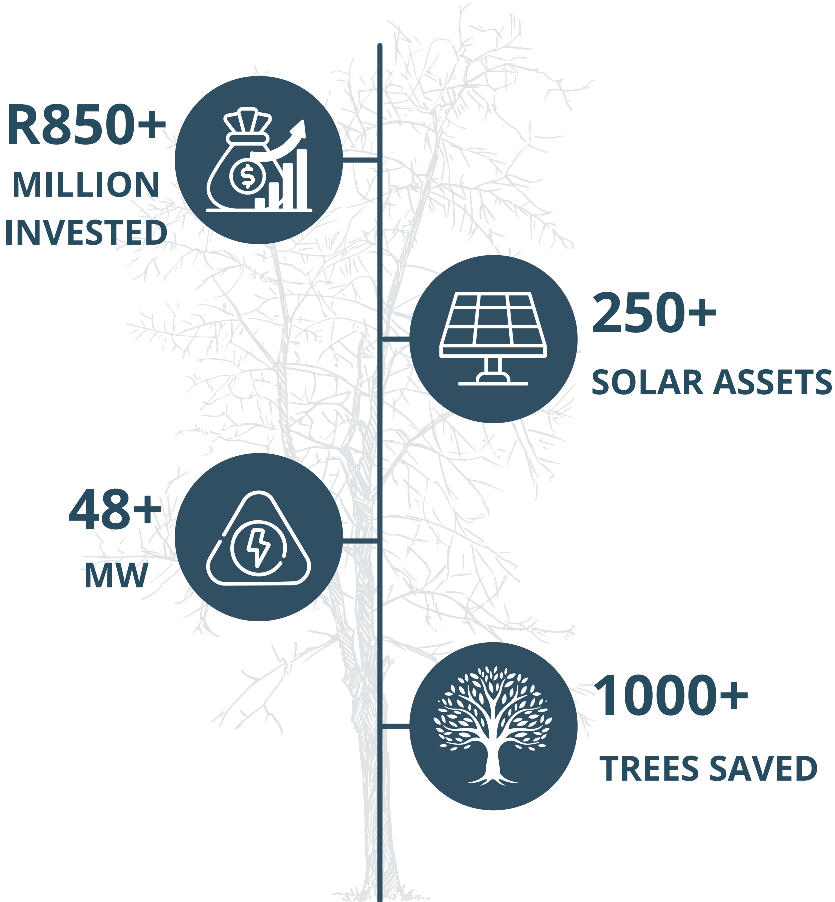
Through a strategic partnership with Wetility—one of South Africa's leading residential solar providers—we are offering investors the opportunity to gain exposure to a diversified portfolio of up to 3,000 solar-powered homes.

The **capital raised** will be deployed to fund the 2025 rollout and refinance of existing systems developed and managed by **Wetility**.

Backed by strong operational **expertise, scale, and robust** safeguards, this investment represents the most **de-risked Section 12B** investment in the market. Here's why:

- **The investment targets** a return of **106%** of investor capital within the current financial year.
- **Investors gain access** to a highly diversified portfolio of up to **3,000** residential solar systems.
- **The structure includes** a **17.6%** first-loss protection to further safeguard investor capital.

Our Track Record



Residential Solar Operator

Wetility, founded in 2019, is transforming energy independence in South Africa by delivering smart, affordable solar solutions. Their goal: to empower **1 million** customers with clean, reliable power and reduce dependence on the national grid.

Through their **We-X** app and AI-driven energy management, users can monitor usage and cut electricity costs by up to **90%**. Backed by expert teams and strong partnerships, **Wetility** provides scalable solar systems tailored for homes and businesses.

With packages like the **Beast Bundle** from just R899/month, **Wetility** is making solar accessible and impactful.

Capital Raise Timeline and Prioritisation

We are targeting a capital raise of **R75 million** by **1 August 2025**. Once this target is reached, any additional interest will be placed in a first-come, first-served queue.

This **phased** approach prioritises early investors, thereby minimising the risk of capital not being deployed in time to qualify for the **Section 12B** tax deduction.

Our broader objective is to raise **R250 million** in equity by the end of February 2026, which, when combined with debt funding, matches the capital requirements of **Wetility** to meet their current rollout and refinancing needs.

Investment Highlights

- **Target IRR:**
  29% (net of fees and taxes, inclusive of the tax benefit)
- **Sector Focus:**
  Residential solar
- **Limited Raise:**
  R75 million
- **Tax Deduction:**
  117.6% to 235%
- **Projected Average Income Yield - Pre-tax:**
  14% to 17% p.a.
- **Projected Average Income Yield - Post-tax:**
  3.5% to 5% p.a.
- **Diversification:**
  Up to 3,000 residential solar systems
- **Minimum Investment:**
  R500,000

Key Investment Benefits:

1) 235% Tax Deduction

This investment has been **structured to maximise tax efficiency** by targeting an equity-to-debt ratio of 1:1.35. In practical terms, for every R1 million invested, we aim to raise R1.35 million in debt/partner contribution, effectively increasing the total allowable **tax deduction to R2.35 million**.

As a result of this structure, investors can claim:

- **A 100% tax deduction** on their capital invested, and
- **A 100% tax deduction** on the associated debt.

By way of illustration, an investor in the top tax bracket who invests R1 million will be entitled to a total tax deduction of up to R2.35 million (R1 million on the investment + R1.35 million on the debt). **This equates to a SARS refund of approximately R1,058,000**.

In essence, this investment returns the full amount of the initial investment plus R58,000 to the investor in this financial year.

2) First loss protection:

To align interests and enhance downside protection, Wetility has committed 17.6% of the total capital/debt required. This contribution will be structured as a first-loss tranche, meaning it will **absorb the first 17.6% of any losses** incurred in the investment.

4) Diversification:

Investors will gain exposure to a highly diversified portfolio of **up to 3,000 residential solar systems**, spread across multiple geographic regions throughout South Africa. This broad diversification significantly reduces default risk and enhances the stability of returns.

In addition, Wetility is contractually obligated to remove and reinstall equipment from defaulting customers' homes. This proactive approach helps minimise cash flow disruptions and protects the overall performance of the portfolio.

3) Deployment:

Wetility has a **funding requirement of over R500 million** to support the refinancing of a portion of its existing portfolio and to expand solar installations for its rapidly growing customer base. Given this substantial capital need, we are confident that all funds raised will be fully deployed within this financial year.

5) Contractual Exit:

As part of the investment structure, Wetility is **contractually obligated** to acquire the solar asset portfolio at the end of year 10 at a predetermined value.

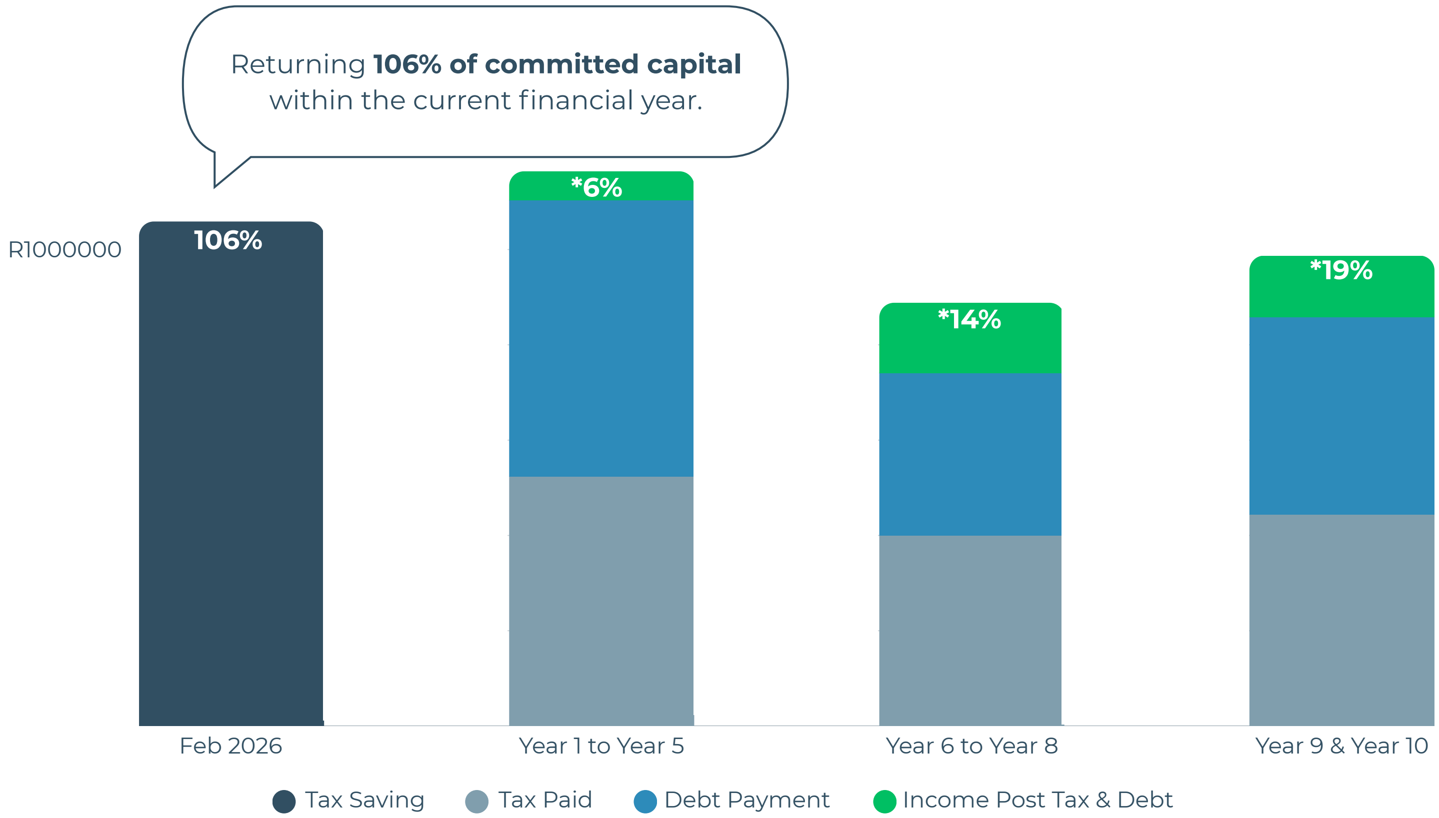
6) Cash Flows:

Investors are projected to receive an average annual cash yield (excl. the tax benefit) of between **14% to 17%** pre-tax and 3.5% to 5% post-tax for 10 years, in addition to receiving 106% of their capital back in year one.

Return Profile & Cash Inflows

This investment is designed to deliver consistent annual income over a 10-year period, alongside an initial SARS tax refund in year one.

Below is the projected return and cash flow on the investment in the scenario where both investor capital and debt have been deployed. The figures in *green demonstrate the combined yield an investor will earn, over the specific period, after having paid income tax and debt repayments.



Investment Performance Summary

Assumptions:

- R1 million investment
- The investor is in the highest tax bracket
- The Prime Rate as of 1 June remains unchanged
- The assets are sold at year 10 at 20% of the original purchase price
- Minimum 10-year holding period

Post-tax return (incl. tax benefit & net of fees)	**R1 395 301**
Pre-tax IRR (incl. tax benefit & net of fees)	**68%**
Post-tax IRR (incl. tax benefit & net of fees)	**29%**
Average annual pre-tax yield (excl. tax benefit & net of fees)	**14% - 17%**
Average annual post-tax yield (excl. tax benefit & net of fees)	**3.5% - 5%**

Key Risks & Mitigating Factors

As with all investments, there are potential risks to consider. Below are the six primary risks associated with this opportunity, along with the steps taken to mitigate them:

Risk	Description	Mitigation
Deployment Risk	Investors may only claim a tax deduction in the financial year when the solar systems begin generating electricity. For example, if 50% of the investment amount is deployed into operational systems this year, a deduction can be claimed on that portion, with the balance claimable in the following year once the remaining systems are active.	We are raising capital in tranches, each aligned with Wetility's confirmed project pipeline. This approach ensures that capital is only raised when there is clear visibility on the installation and commissioning timelines of specific projects.
Credit Risk	Returns are dependent on the ability of energy consumers to make consistent payments for electricity consumed.	Each residential customer will go through a credit vetting process to ensure they can service their payment obligations. Investors will be exposed to a highly diversified portfolio of residential homes, significantly reducing the impact of individual defaults. Wetility is contractually obligated to remove and reinstall solar equipment from defaulting customers' homes. This proactive approach helps minimise cash flow disruptions and protects the overall performance of the portfolio.
Debt Funding Availability	Most debt providers require investors' capital to be deployed first before providing a debt facility. If debt is not secured in a timely manner, only a 117.6% tax deduction would be available to investors.	We are in advanced discussions with our existing debt provider, and the outlook is positive that debt will be raised, though not guaranteed.

Debt Risk	If the investment has a material default, the debt provider may enforce its rights and repossess the underlying solar equipment. In this scenario, investors could lose their capital and have to repay a portion of their tax benefit.	We maintain a prudent equity-to-debt ratio to manage this risk and help preserve investor capital. In addition, as mentioned above, we believe that the credit risk is low.
Legislation Risk	Changes to renewable energy regulations or government-controlled electricity tariffs could affect the long-term viability of residential solar projects.	Given the significant role that residential solar plays in alleviating pressure on the national grid and reducing load shedding, we believe the likelihood of adverse legislative or regulatory changes impacting the viability of residential solar is low.
Profit Risk	The investment returns are derived from a combination of a minimum annual payment and a profit share arrangement with Wetility. As such, if the actual profits are lower than forecasted, this may impact investor returns.	The profit share represents only a small portion of the overall return to investors. For example, if Wetility's returns were to decline by 25%, investor returns would decrease by only 0.5%.

Fees

Management Fee:	2.25% p.a.
Performance Fee:	Zero performance fee within the first 4 years. Thereafter, 15% above a hurdle of the investment amount, calculated and charged annually with a high-water mark (with catch-up) – see explanation. In addition, a performance fee of 20% based on the profits from the sale of the solar assets (accounting for depreciation of the assets over the term of contract with the customer).
Debt Raising Fee:	A one-off fee of 2% of the total debt amount, payable upon the successful securing of the debt facility.

All quoted returns are net of fees.

Performance Fee Structure Explained

We earn a performance fee annually on returns generated above the investment amount, divided by the total average term of the power purchase agreements (PPA) signed with the end customers. For example, if the average PPA term is 10 years and an investor contributes R100, the annual hurdle is R10.

If we deliver R12 in year five, a performance fee of 15% would apply to the R2 excess (R12 minus R10). If the return in year six is R5, no performance fee would be charged. For us to earn a performance fee in year seven, we would need to return more than R15.

Tranche Closes on 1 August 2025

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