



RENEWABLE ENERGY

OVERVIEW

INVESTMENT STRATEGY

The Feed-in Tariffs (FITs) and Renewables Obligation Certificates (ROCs) were subsidies established to help the UK Government meet its goal of 15% renewable energy by 2020 by providing renewable energy companies with a pre-defined and index-linked price for electricity generation.

FEED-IN TARIFFS

Under the FITs programme, any person or company installing FITs qualifying renewable energies will receive:

- ✱ a fixed tariff for each kilowatt hour (kWh) of energy generated (the "Generation Tariff"); and
- ✱ a further minimum tariff for each kWh of generated energy that is not consumed and which is sold into the national grid (the "Export Tariff").

The Generation Tariff and the Export Tariff are index linked to the Retail Prices Index ("RPI") and are typically contracted for 20 to 25 years.

RENEWABLES OBLIGATION CERTIFICATES

The Renewables Obligation is currently the main support mechanism for renewable electricity projects in the UK.

Eligible renewable generators receive ROCs for each MWh of electricity generated from renewable sources. The certificates are tradable and can be sold to other suppliers to help them fulfil their obligation. Where suppliers do not have sufficient ROCs to cover their obligation, a payment must be made into the buy-out fund. The proceeds of the buy-out fund are paid back to suppliers in proportion to how many ROCs they have presented. ROCs can thus increase the profitability of renewable energy production, as ROCs have additional value over and above the price of electricity generated.

The buyout price for the 2014-15 obligation is £43.30 per ROC and will increase in line with the Retail Prices Index.

Given the anticipated low operating costs of the partnership which will operate the generating assets, Stellar believes that this indexation means that the investments should be attractive in the event that there is significant inflation in the UK during the investment timeframe.

RETURNS FROM RENEWABLE ENERGY

The level of the subsidies was set by the Government to give projects an annualised return of 5% to 8% and the tariff has reduced over the years as has the cost of the equipment. The partnerships will receive a predictable and secure income stream from major utility companies such as npower and E.On.

SECURITY

The assets are owned by Succession partnerships and there are no borrowings. In the case of residential rooftops, the space used by the panels are under a long lease with full rights to access. This arrangement is agreed with all owners' mortgage companies, where relevant, and all panels are fully insured and under maintenance contracts.

The wind turbines are owned by Succession partnerships and lease the land from local landowners. The turbines will be fully maintained and insured.

BENEFITS TO INVESTORS

This opportunity provides investors with a stable and predictable income underpinned by the subsidies available from the Government for up to 25 years. The income is index linked and protection is afforded by the ownership of the equipment such as solar panels or wind turbines.



Manager

Stellar Asset Management Limited

Investment Objectives

- Capital growth over medium term
- Target return 5% per annum

Tax Objective

100% IHT exemption after 2 years

Structure

Private Limited Company

Minimum Investment

£40,000

Initial Charge

2%

Annual Management Charge

1.5%

Reporting Period

Half yearly

Insurance

Two optional policies available

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Authorised and Regulated
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