



MARKET COMMENTARY

Economy

The first quarter of 2019 saw continued economic growth across the Asia region, even as the pace of growth in developed markets such as the United States and Eurozone eased back. Fears of a US-driven trade war with China hit business and consumer confidence, with investment decisions in many countries put on hold amidst the general policy uncertainty. Sector-specific weakness in autos and capital goods seems set persist and those Asian economies which are more dependent on cross-border trade flows and which have benefited most from the increasing 'globalisation' of the past two decades have seen growth slip by more than those with a more domestic economic focus.

Against this uncertain backdrop, it was notable that in its Spring Economic Forecasts, the IMF downgraded its 2019 global and developed-market growth forecasts by 0.4% and 0.3% respectively but nudged down India and the ASEAN-5 (Indonesia, Malaysia, Philippines, Vietnam and Thailand) by only 0.1% from its autumn projections. Indeed, India's GDP growth is expected to pick up

IMF Spring 2019 Growth Forecast

		Proje	ctions	Differer October 2	ice from 2018 WEO
	2018	2019	2020	2019	2020
World output	3.6	3.3	3.6	-0.4	-0.1
Advanced Economies	2.2	1.8	1.7	-0.3	0.0
Emerging and Developing Asia	6.4	6.3	6.3	0	-0.1
China	6.6	6.3	6.1	0.1	-0.1
India	7.1	7.3	7.5	-0.1	-0.2
Asean - 5	5.2	5.1	5.2	-0.1	0

from 7.1% in 2018 to 7.3% this year and 7.5% in 2020. At current exchange rates, it will be the fifth largest economy in the world by end-2019.

As growth held up relatively well in Q1, so the pass-through from lower oil prices in Q4 2018 helped push inflation lower across the Asia region. India's CPI is down from a recent peak of 4.9% to just 2.9% whilst the Philippines' CPI has tumbled from 6.7% in September last year to just 3.3% in March 2019. Crude oil's Q4 decline has been substantially reversed with a 30% rise in the first three months of this year from \$53.80 to \$68.30 per barrel and this is likely to now pressure inflation higher and again raise balance of payments concerns for Asia's major oil importing nations.

Exchange Rates

In this period, the US Dollar ended mostly unchanged against a weighted basket of the currencies of its 10 major trading partners. Amongst the major currencies, it rose against the EUR, CHF and JPY but fell against the GBP and CAD.



USD and ADXY currency indices



Currency movements in Asia were characterised by more concentrated gains against the US Dollar but less differentiation from strongest to weakest than amongst their G-10 counterparts. 8 of the 12 regional currencies rose and only 4 fell, with the THB at the top of the table and KRW at the bottom. A trade-weighted basket of 10 Asian currencies known as the ADXY Index rose against the USD from 105.38 to 106.23.

The Indian Rupee strengthened against the USD in Q1, whilst the Philippine Peso was unchanged although both currencies outperformed their respective 3-month forward rates quoted as at end-December. Spot USD/PHP moved from 52.39 to 52.70 over the period, having at one point touched a 10-month low of 51.74, whereas its 3-m implied forward rate had been 52.76. USD/INR, meantime, fell from 69.77 to 69.15 whilst its 3-m forward rate as at end-December was 70.25.





India and Philippines' official interest rates



Against the euro, the outperformance of the PHP and INR was more pronounced. EUR/PHP fell from 60.07 to 59.11 and in early March reached its lowest level in almost 20 months. EUR/INR fell from 80.00 to a 15-month low of 77.58.

Interest Rates

A dramatic shift in the Fed's 'forward guidance' on interest rates took place between the December 19th FOMC meeting and early January, prompted in no small part by a near-20% drop in the value of the US equity market. Its December projection of three 25bp rate hikes in 2019 was torn up as stocks plunged and on January 31st it formally abandoned its previous policy stance and bias.

Neither the Reserve Bank of India nor Bangko Sentral ng Pilipinas (BSP) have fixed exchange rates or targets for their currencies but the US volte-face gave them more freedom to reduce interest rates should they decide economic conditions warrant it. Falling oil prices pushed CPI lower in both countries and as balance of payments concerns also eased, the Indian Central Bank took the opportunity to reduce official policy rates. The RBI cut the repo rate by 25bp to 6.25% at its February meeting; reversing one of the two hikes it had delivered in 2018.

At both its February and March meetings, the BSP's Monetary Board decided to keep the interest rate on its overnight reverse repurchase (RRP) facility unchanged at 4.75 percent. The sad and untimely death of Governor Espenilla has somewhat overshadowed monetary policymaking but his successor Benjamin Diokno is widely expected to cut interest rates in 2019 to support the government's economic growth ambitions.

Q1 19 As at 31.03.2019

Solar plant Maharashtra I: VACUUMING ROBOTS START WORK

Currently, 4 robots have been installed to clean the horizontal single axis tracker modules and trial run for the seasonal tracker modules is underway. The robots are solar powered and are mounted on the existing module structure without the need for any additional supporting structure. The frequency of cleaning can be dynamically increased or decreased with the use of robots depending on dust condition thus increasing the efficiency of the plant. Upon full deployment of dry cleaning with robots, the Company will significantly improve the water situation in this region by reducing its demand for water which is scarce thus further creating positive impact in the region it is operating. The plan will gradually deploy this robotic dry cleaning technology across all its other plants.



PROJECT INSIGHTS

Maharashtra I

Timely cleaning of the modules is very crucial for efficient operation of the plant and hence availability of water is very important. This region is dry and availability of sufficient quantity of water for cleaning the modules has been challenging. In line with the philosophy of sustainable investment, the company in this first quarter 2019, has initiated the process of implementing dry cleaning of the modules with robots.

Karnataka I

During this quarter, the plant achieved stabilisation (1 year of commercial operations), which allowed the management to further improve the equity returns of the project by refinancing the existing project debt for this plant with L&T Infra Debt Fund Limited and L&T Infrastructure Finance Company Limited. This refinancing has achieved an effective reduction in rate of interest of 1.02% and an increase of the debt to equity ratio in the project. With this refinancing the management of Company have successfully added a new lender to its portfolio. This has helped in diversifying the risk associated with banking with a single lender which is very crucial to continue the growth in adding further solar capacities in the portfolio.

Karnataka II

As reported in the last quarter this is the first site that will be constructed on lease hold land and the company has signed the necessary lease agreements. The total land area is about 117 acres. Management have been working towards project financial close during this quarter, and has signed a debt financing agreement with PTC India Financial Services Limited in March 2019.

The Company has also signed the EPC contract with Jakson Limited and module supply contract with JA Solar for a total of 82,431 panels during this quarter. The EPC has deployed 25 men and the machinery (excavators, mixer machine, steel cutting machine, vibrator etc.) on the site. Work on boundary wall, switchyard and main control room has started. The work on the module mounting structures and transmission line will commence in the next quarter and at its peak approximately 100 men will be working on the site. The modules are being transported from China and are expected to arrive at the port in Chennai in first week of May and will arrive at the site by third week of May. Construction and procurement is on schedule and the plant is expected to achieve commercial operations during Q3 2019.



Uttar Pradesh I

For this project, the Company will acquire land in the Budaun district, Uttar Pradesh and accordingly has been working with a local land aggregator to identify suitable land parcels. Of the three sites identified, the Company has selected one and the land due diligence process including title searches shall be conducted in second quarter 2019. The total land required for this project would be approximately 325 acres. The land is barren with no habitation. The land acquisition is targeted to be completed during Q3 or Q4 of 2019. The Company has received grid connectivity approval to Bilsi substation which will be approximately 5 km from the proposed project site.

As the land has been identified, the Company has initiated discussions with its' current financial lenders for a debt facility at the project level and expects to sign the financing agreements by the end of Q3 2019. The process of tendering for EPC and modules supply contracts shall be undertaken during Q2 2019, post which negotiations with most competitive bidder shall be initiated. ThomasLloyd Cleantech Infrastructure Fund SICAV



Portfolio Report



Solar power plant Telangana I





Project Special Purpose Vehicle (SPV)	Talettutayi Solar Projects Private Limited ("Telangana I")
Location	 Palwai Village, Mahbubnagar District, State of Telangana, India Coordinates: 16.153026° N, 77.763979° E
Technical Specifications	 Project site: 163,594 m² Solar irradiation at project site: 1,987.7 kWh/m²/year (SolarGIS) Grid connection: To an existing 33 kV Gadwal TSTRANSCO substation, 13.5 km away Fixed tilt mounting structure, using polycrystalline solar PV technology 19,278 modules of rating 310Wp and 19,152 modules of rating 315Wp
New permanent jobs	8 in the plant
Supplier/Manufacturer	Solar Modules: Trina Solar (China); Solar Inverters: ABB (Switzerland); Inverter Transformer: Voltamp (India); Mounting Systems: Profab (India), Metalkraft (India) and Aircon (India); Control Panels: Avana (India); HT Cables: Havells (India); LT Cables: Havells (India); String Cable: Lapp (Germany); Junction Boxes: Statcon (India)
General Contractor (EPC)	Sterling and Wilson Pvt. Ltd.
Operations & Maintenance	Sterling and Wilson Pvt. Ltd.
Lender's Engineer	Sgurr Energy India
Electricity Offtake Counterparty	Grid Connection Agreement and Power Purchase Agreement with Southern Power Distribution Company of Telangana Limited
Credit Rating Electricity Offtake Counterparty	CARE: B+
Specifications of the Power Purchase Agreement (PPA)	Statutorily guaranteed Tariff fixed rate INR 6.89 (USD 0.11) per kWh, allocated through a reverse auction bidding process. The rate has been set and approved for 25 years by the Telangana State Electricity Regulation Commission.
Minimum guaranteed revenue in the first full year of operations	USD 2.2 million
Third party guarantees additional to the market standard warranties provided by suppliers, manufacturers and EPCs	 EPC: Unconditional and irrevocable bank guarantee (performance ratio guarantee) with a maturity of 5 years by the Union Bank of India. Structured as a CFD (contract for difference) which guarantees the difference between contracted revenue and actual energy production of the plant. Solar Modules: 25-year power output warranty provided by Trina Solar and underwritten by PowerGuard.
Project Insurance Coverage (amount insured)	Industrial All Risks Policy (USD 10.63 million)
Insurer	New India Assurance Company (100%)
Status	In full commercial operation since June 2016

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Portfolio Report



Solar power plant Telangana II





Project Special Purpose Vehicle (SPV)	Talettutayi Solar Projects Private Limited ("Telangana II")
Location	 Palwai Village, Mahbubnagar District, State of Telangana, India Coordinates: 16.153026° N, 77.763979° E
Technical Specifications	 Project site: 163,594 m² Solar irradiation at project site: 1,987.7 kWh/m²/year (SolarGIS) Grid connection: To an existing 33 kV Gadwal TSTRANSCO substation, 13.5 km away Fixed tilt mounting structure, using polycrystalline solar PV technology 19,278 modules of rating 310Wp and 19,152 modules of rating 315Wp
New permanent jobs	8 in the plant
Supplier/Manufacturer	Solar Modules: Trina Solar (China); Solar Inverters: ABB (Switzerland); Inverter Transformer: Voltamp (India); Mounting Systems: Profab (India), Metalkraft (India) and Aircon (India); Control Panels: Avana (India); HT Cables: Havells (India); LT Cables: Havells (India); String Cable: Lapp (Germany); Junction Boxes: Statcon (India)
General Contractor (EPC)	Sterling and Wilson Pvt. Ltd.
Operations & Maintenance	Sterling and Wilson Pvt. Ltd.
Lender's Engineer	Sgurr Energy India
Electricity Offtake Counterparty	Grid Connection Agreement and Power Purchase Agreement with Southern Power Distribution Company of Telangana Limited
Credit Rating Electricity Offtake Counterparty	CARE: B+
Specifications of the Power Purchase Agreement (PPA)	Statutorily guaranteed Tariff fixed rate INR 6.89 (USD 0.11) per kWh, allocated through a reverse auction bidding process. The rate has been set and approved for 25 years by the Telangana State Electricity Regulation Commission.
Minimum guaranteed revenue in the first full year of operations	USD 2.2 million
Third party guarantees additional to the market standard warranties provided by suppliers, manufacturers and EPCs	 EPC: Unconditional and irrevocable bank guarantee (performance ratio guarantee) with a maturity of 5 years by the Union Bank of India. Structured as a CFD (contract for difference) which guarantees the difference between contracted revenue and actual energy production of the plant. Solar Modules: 25-year power output warranty provided by Trina Solar and underwritten by PowerGuard.
Project Insurance Coverage (amount insured)	Industrial All Risks Policy (USD 10.63 million)
Insurer	New India Assurance Company (100%)
Status	In full commercial operation since June 2016





Solar power plant Maharashtra I



Project Special Purpose Vehicle (SPV)	Talettutayi Solar Projects Four Private Limited ("Maharashtra I")
Location	 Chatgaon Village, Beed District, State of Maharashtra, India Coordinates: 18.961683° N, 76.212849° E
Technical Specifications	 Project site: 1,239,654 m² Solar irradiation at project site: 1,954 kWh/m²/year (SolarGIS) Grid connection: To an existing 132 kV Talegaon MSETCL substation, 5.5 km away Part of the plant uses a seasonal tracking system with the remaining using a horizontal single axis tracking system, using polycrystalline solar PV technology 102,241 modules of rating 325Wp and 104,774 modules of rating 320Wp
New permanent jobs	94 in the plant
Supplier/Manufacturer	Solar Modules: JA Solar (China); Solar Inverters: Sungrow (China); Inverter Transformer: Sudhir (India); Power Transformer: Voltamp (India); Horizontal Single Axis Tracker: Arctech Solar (China); Mounting Systems: Arctech Solar (China), Tata (India); Control Panels: Ashida (India), Symatic (India); HT Cables: Polycab (India); LT Cables: Polycab (India); String Cable: Uniflex Cable Unicab (India); Junction Boxes: Trinity Touch (United Kingdom)
General Contractor (EPC)	Tata Power Solar Systems Pvt. Ltd.
Operations & Maintenance	Tata Power Solar Systems Pvt. Ltd.
Lender's Engineer	TUV Rheinland (India) Pvt. Ltd.
Electricity Offtake Counterparty	 Grid Connection Agreement with Maharashtra State Electricity Distribution Company Limited Power Purchase Agreement with Solar Energy Corporation of India (SECI)
Credit Rating Electricity Offtake Counterparty	ICRA: AA+
Specifications of the Power Purchase Agreement (PPA)	Statutorily guaranteed Tariff fixed rate INR 4.43 (USD 0.07) per kWh, allocated through a reverse auction bidding process. The rate has been set and approved for 25 years by Solar Energy Corporation of India.
Minimum guaranteed revenue in the first full year of operations	USD 9.9 million
Third party guarantees additional to the market standard warranties provided by suppliers, manufacturers and EPCs	 EPC: Unconditional and irrevocable bank guarantee (performance ratio guarantee) with a maturity of 5 years by the State Bank of India. Structured as a CFD (contract for difference) which guarantees the difference between contracted revenue and actual energy production of the plant. Solar Modules: 25-year power output warranty provided by JA Solar and underwritten by PowerGuard.
Project Insurance Coverage (amount insured)	Industrial All Risks Policy (USD 61.74 million)
Insurer	ICICI Lombard General Insurance Company (100%)
Status	In full commercial operation since August 2017

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Portfolio Report



Solar power plant Karnataka I





Project Special Purpose Vehicle (SPV)	Talettutayi Solar Projects One Private Limited ("Karnataka I")
Location	 Chikkoppa Village, Koppal District, State of Karnataka, India Coordinates 15.652016° N, 75.992484° E
Technical Specifications	 Project site: 721,049 m² Solar irradiation at project site: 1,973.7 kWh/m²/year (SolarGIS) Grid connection: To an existing 110 kV Yelburga KPTCL substation, 5.5 km away Fixed tilt mounting structure, using polycrystalline solar PV technology 62,360 modules of rating 325Wp and 62,720 modules of rating 320Wp
New permanent jobs	32 in the plant
Supplier/Manufacturer	Solar Modules: JA Solar (China); Solar Inverters: Sungrow (China); Inverter Transformer: Shilchar (India); Power Transformer: Raychem (India); Mounting Systems: NewSol AG (Switzerland); Control Panels: ERL (India), Techno Craft (India); HT Cables: Polycab (India); LT Cables: Polycab (India); String Cable: Lapp (Germany); Junction Boxes: Trinity Touch (United Kingdom)
General Contractor (EPC)	Juwi India Renewable Energies Pvt. Ltd.
Operations & Maintenance	Juwi India Renewable Energies Pvt. Ltd.
Lender's Engineer	TUV Rheinland (India) Pvt. Ltd.
Electricity Offtake Counterparty	 Grid Connection Agreement with Karnataka Power Transmission Corporation Power Purchase Agreement with Solar Energy Corporation of India (SECI)
Credit Rating Electricity Offtake Counterparty	ICRA: AA+
Specifications of the Power Purchase Agreement (PPA)	Statutorily guaranteed Tariff fixed rate INR 4.43 (USD 0.07) per kWh, allocated through a reverse auction bidding process. The rate has been set and approved for 25 years by Solar Energy Corporation of India.
Minimum guaranteed revenue in the first full year of operations	USD 5.63 million
Third party guarantees additional to the market standard warranties provided by suppliers, manufacturers and EPCs	 EPC: Unconditional and irrevocable bank guarantee (performance ratio guarantee) with a maturity of 5 years by ANZ Banking Group. Structured as a CFD (contract for difference) which guarantees the difference between contracted revenue and actual energy production of the plant. Solar Modules: 25-year power output warranty provided by JA Solar and underwritten by PowerGuard.
Project Insurance Coverage (amount insured)	Industrial All Risks Policy (USD 33.35 million)
Insurer	ICICI Lombard General Insurance Company (100%)
Status	In full commercial operation since January 2018





Solar power plant Karnataka II





Project Special Purpose Vehicle (SPV)	Talettutayi Solar Projects One Private Limited ("Karnataka II")
Location	 Kerehalli Village, Koppal District, State of Karnataka, India Coordinates 15.371604° N, 76.307229° E
Technical Specifications	 Project site: 484,328 m² Solar irradiation at project site: 2,026 kWh/m²/year (SolarGIS) Grid connection: To an existing 110 kV Kerehalli KPTCL substation, 2 km away Fixed tilt mounting structure, using polycrystalline solar PV technology 29,295 modules of rating 325Wp and 53,136 modules of rating 330Wp
New permanent jobs	12 in the plant
Supplier/Manufacturer	Solar Modules: JA Solar (China), Solar Inverters: TBEA (China), Inverter Transformer: Shilchar (India), Power Transformer: Voltamp (India), Mounting Systems: Ganges Internationale, Control Panels: TBD, HT Cables: Apar Industries Ltd. (India), LT Cables: Apar Industries Ltd. (India), String Cable: Apar Industries Ltd. (India), Junction Boxes: Trinity Touch (United Kingdom)
General Contractor (EPC)	Jakson Limited
Operations & Maintenance	Jakson Limited (5 years)
Lender's Engineer	TUV Rheinland (India) Pvt. Ltd.
Electricity Offtake Counterparty	 Grid Connection Agreement with Karnataka Power Transmission Corporation Power Purchase Agreement with Bangalore Electricity Supply Company (BESCOM)
Credit Rating Electricity Offtake Counterparty	ICRA: A
Specifications of the Power Purchase Agreement (PPA)	Statutorily guaranteed Tariff fixed rate INR 3.04 (USD 0.04) per kWh, allocated through a reverse auction bidding process. The rate has been set and approved for 25 years by Karnataka Electricity Regulatory Commission.
Minimum guaranteed revenue in the first full year of operations	USD 2.04 million
Third party guarantees additional to the market standard warranties provided by suppliers, manufacturers and EPCs	In negotiation with suppliers, manufacturers and EPCs.
Project Insurance Coverage (amount insured)	Erection All Risks Policy (USD 4.86 million)
Insurer	ICICI Lombard General Insurance Company Limited
Status	Under construction. The plant is expected to achieve commercial operations in Q3 2019.

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