

Second Quarter 2019

Quote of the Quarter

“We can throw stones, complain about them, stumble on them, climb over them or build with them.”

— William Arthur Ward

Market Commentary—Building the Next Phase of 21st Century Infrastructure

Overview

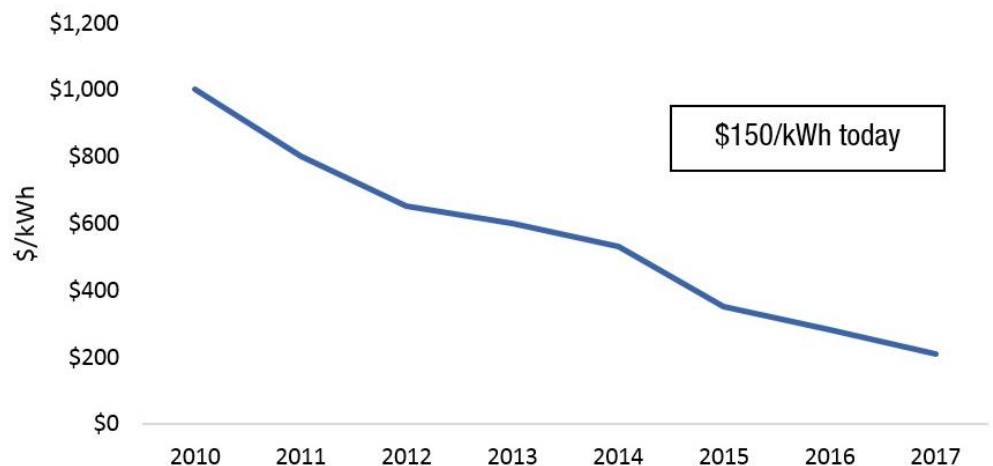
- Energy Storage and Related Infrastructure
- US SIF Conference was in Minneapolis

Spotlight on Energy Storage and Related Opportunities

Since 2010, our infrastructure team has been investing in solar, wind, hydro, energy storage, biofuels, water and waste-to-energy. As the U.S. adds more renewable energy onto the electrical grid, the demand for energy storage has been increasing. We believe the demand for storage is going to significantly increase as EVs become a meaningful share of the U.S. car market and municipal transit market (e.g., buses). Generally speaking, EVs are driven during the day and charged at night. The ability to match energy generated from intermittent sources like solar and wind, with the demand for recharging EVs is going to come from batteries/energy storage.

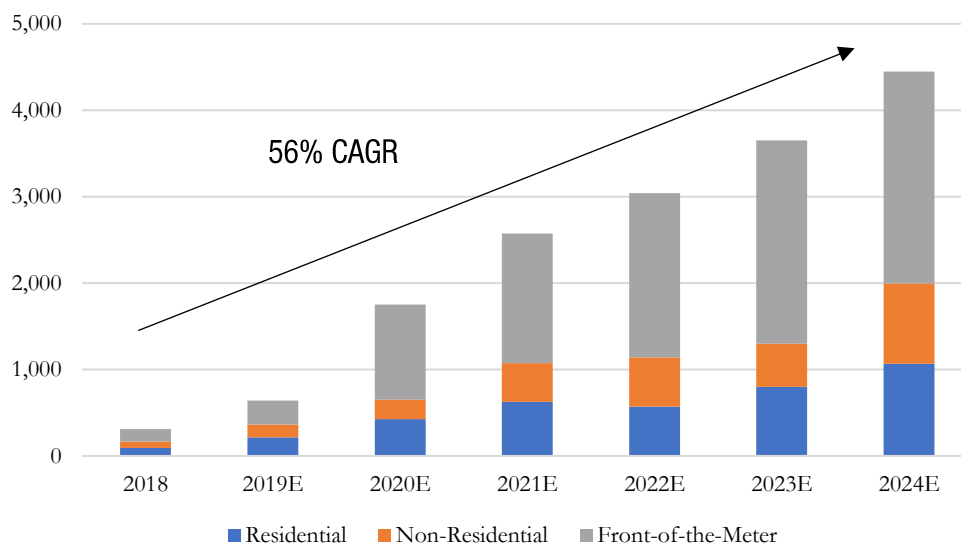
You may recall the following chart from our Q4 2018 Market Commentary, which showed the cost decreases of energy storage thanks to technological innovation and economies of scale. The cost for batteries for home, commercial and utility use have now reached cost-effective levels. This will enable near-term deployments, further cost declines and eventually widespread adoption.

Battery Pack Price



A recent study by the Department of Energy indicates that generating 80% of electricity from renewable sources by 2050 is achievable nationwide with current technology.¹ A key component for achieving this is the growth of the energy storage market. Sufficient storage capacity, particularly in the form of responsive batteries, is essential for achieving a balanced, flexible and reliable grid that has significant renewable supply. The dramatic increase in wind and solar deployments in recent years is currently driving increased demand for battery storage deployments in states that already have substantial installed capacity from renewable sources, most notably California and Texas. Both produce about 30% of their power from renewables.² In 2018, California led the nation in battery storage deployments, which were up 44% nationwide versus 2017.³ A recent study by energy consultancy Wood Mackenzie projects the energy storage market will double in 2018-2019, triple in 2019-2020 and reach 4.5 GW of annual installations by 2024 as illustrated in the below chart.

US Energy Storage Annual Deployments (MW)



Sufficient storage capacity is crucial for transitioning the U.S. power sector to a renewable future, but electrical generation accounted for only 38% of U.S. energy consumption in 2017.⁴ The next largest consumer was the transportation sector at 29%. Energy transition in the transportation sector is closely linked to the adoption of EVs and the creation of the necessary support infrastructure, most notably charging stations. The EV market in the U.S. grew by 81% in 2018 to represent 2.1% of annual vehicle sales.⁵ According to a recent study by The Edison Foundation, EV sales are expected to reach 20% of annual vehicle sales by 2030.⁶ There are approximately one million EVs on the road in the U.S. today, but the Edison Foundation projects that number will grow to 18.7 million by 2030. The below chart illustrates the Edison Foundation's projections for the growth of the EV market over the next decade.

¹ <https://www.nrel.gov/docs/fy13osti/52409-ES.pdf>

² https://www.energy.ca.gov/almanac/electricity_data/total_system_power.html, <https://www.greentechmedia.com/articles/read/a-snapshot-of-texas-growing-appetite-for-wind-and-solar-power#gs.emm59m>

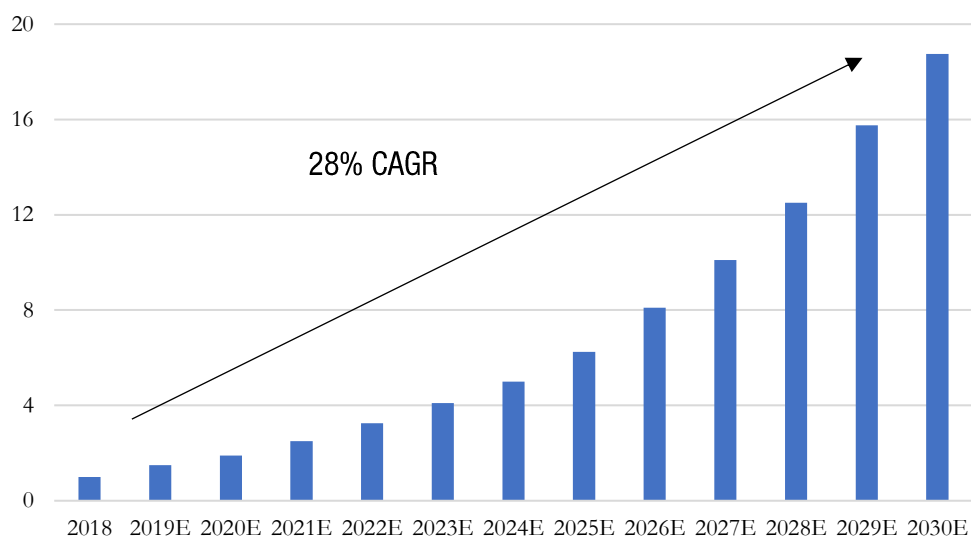
³ <https://www.woodmac.com/reports/power-markets-u-s-energy-storage-monitor-2018-year-in-review-209684/>

⁴ https://www.eia.gov/energyexplained/?page=us_energy_home

⁵ <https://cleantechnica.com/2019/01/12/us-ev-sales-surpass-2-for-2018-8-more-sales-charts/>

⁶ http://www.edisonfoundation.net/ici/publications/Documents/IEI_EET%20EV%20Forecast%20Report_Nov2018.pdf

EVs on the Road (Millions)



In order to support this EV market growth, the Edison Foundation estimates the U.S. will need nearly ten million charging ports by 2030. Most of these charging ports are expected to be private installations, but approximately 10% are expected to be public facilities. There are only 63,750 public EV charging ports available today.⁷ Nearly 32% of currently installed charging ports and 24% of the total charging station locations are in California, which currently leads the U.S. in EV adoption: in 2018, EVs represented 9% of new vehicle sales in California (versus 2.1% nationally) and are expected to grow to 67.5% by 2025.⁸

Since North Sky Capital embarked on this journey through innovative private equity investments (2005-present) and infrastructure investments (2010-present), we have helped bring renewable energy and EVs into the mainstream of society. But for them to become ubiquitous, we must push forward and invest intelligently in energy storage, EV charging and other related infrastructure. We are up for the challenge and know that you are too.

US SIF 9th Annual Conference

From June 10-12, we participated in the [Annual US SIF Conference](#), which was held in Minneapolis for the first time. Minnesota has a thriving ESG community comprised of foundations, wealth managers, family offices and fund managers such as us. As a local US SIF member, we were proud to show off our home town and play a small role as a “local host.” The conference covered a broad range of environmental, social and governance issues and brought investors and fund managers together for meaningful discussions about trends and investment opportunities. Topics included livable cities, renewable energy, energy storage, sustainable ag, water, housing, opportunity zones and of course the continuing growth of investor interest in all of these areas. It was great to re-connect with old friends, as well as make new ones.

Have a great summer and a safe and happy 4th of July everyone!

⁷ <https://afdc.energy.gov/stations/states>

⁸ <https://evadoption.com/ev-sales/ev-sales-forecasts/>

Upcoming Events

We are regular speakers and attendees at key industry conferences. We hope to see you at these upcoming events:

- August 13 - 14 **Intellisight**, Minneapolis, MN
gointellisight.com
- September 10 **Total Impact Family Office**, New York, NY
totalimpactconference.com/total-impact-new-york-2019
- September 10 **PRI in Person**, Paris
unpri.org/events/pri-in-person-2019

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