

Encourage Capital to Bring Clean Energy Financing Solutions to Indian Entrepreneurs with USD \$40 Million First Close of New Fund

Fund will invest in specialized financial institutions in India that can develop and scale commercial rooftop solar finance solutions serving an estimated USD \$9 billion market opportunity

New York City, June 27, 2019 – Encourage Capital, LLC, an impact investment asset manager and advisory firm, today announced the first closing of a new private equity fund, Encourage Solar Finance, L.P. at USD \$40 million. The fund will invest in specialized financial institutions in India that can develop and scale commercial rooftop solar finance solutions for micro, small and medium-sized enterprises (“MSMEs”).

Prominent mission-aligned investors have participated in the first closing including KfW, Capricorn Investment Group, the John D. and Catherine T. MacArthur Foundation, the Jeremy and Hannelore Grantham Environment Trust and the Sant Foundation.

Recognizing the vast potential of its solar resources and the increasing energy needs of a rapidly growing economy, the Indian government has set a target to deploy 100 GW of solar by 2022 (including 40 GW of rooftop solar). However, as of March 2019, only 3.5 GW of rooftop solar has been installed with the MSME market largely unaddressed. According to an independent study commissioned by Encourage Capital, the rooftop solar market for MSMEs in India has a 15 GW potential, resulting in a \$9 billion lending opportunity for financial institutions. This study included in-depth, in-person surveys of MSME customers across India with support from the Growald Family Fund and the ClimateWorks Foundation.

“With increasing energy demand, high electricity prices and decreasing costs of solar, MSMEs can find rooftop solar to be an attractive low-carbon solution for their electricity needs, but financing is still a key barrier,” said Adam Wolfensohn, Managing Partner and Chairman at Encourage Capital. “Our fund aims to address these barriers by partnering with specialized financial institutions and providing them with growth capital and the operational assistance they need to develop and deploy innovative and commercial financing solutions to scale rooftop solar for this market.”

MSMEs are important drivers of economic growth, accounting for 45% of India’s industrial output and nearly 30% of GDP. However, MSMEs face a credit gap of \$230 billion in India which limits their growth. By providing much needed financial solutions to address important investments in clean energy, Encourage Capital believes that there is a unique opportunity to achieve compelling economic returns given the rapid growth and superior asset quality of MSME lenders as compared with larger lenders, and to simultaneously reduce the carbon footprint of India’s industrialization.

“For investors seeking a market-rate return while creating deep and systemic impact, rooftop solar finance for Indian MSMEs represents a large, underserved and attractive market opportunity,” said Ameya Bijoor, Partner at Encourage Capital. “This fund is an important example of Encourage Capital’s mission to identify, structure and finance commercial solutions to some of the world’s most critical social and environmental problems.”

“KfW has a long history of promoting sustainable development in India, particularly in financial inclusion and renewable energy,” said Dr. Adam Drosdzol of KfW. “Encourage Capital’s unique approach combines these two themes to make clean energy solutions accessible for MSMEs in India, thereby furthering sustainable development in the country.”

“MacArthur’s investment in Encourage Solar Finance represents a core element of our support for India’s climate leadership, and in particular the government of India’s bold nationally determined contribution to the Paris Accord in 2015,” said Jorgen Thomsen, Director of Climate Solutions at the

MacArthur Foundation. "Encourage Solar Finance is targeting a critical financing gap around rooftop solar in India's MSME sector because they believe, as do we, that these transactions are both economically viable and present enormous promise. We're excited to partner with them in this important endeavor."

Encourage Capital brings a successful track record of making commercial private equity investments in India. Through its prior fund, Wolfensohn Capital Partners, L.P., the Encourage Capital team has successfully invested in and exited several high quality financial institutions in India, including DCB Bank, Ujjivan Financial Services and Repco Home Finance.

Encourage Capital seeks to complete its final closing in Q4-2019 with a target of \$75 million and a hard cap of \$100 million. Goodwin Procter LLP served as lead fund counsel for Encourage Solar Finance, LP.

About Encourage Capital

Encourage Capital, LLC is an impact investment and advisory firm specializing in profitable and strategic investments to solve critical environmental and social problems. The firm is building a community of investors, foundations, market leading companies and non-profits to deploy private capital into systemic solutions to the world's most pressing challenges. Encourage Capital is currently pursuing investment strategies to meaningfully improve climate, financial inclusion, ocean health and freshwater conservation. Backed by a group of impact oriented family offices, Encourage Capital was formed in December 2014 through the combination of Wolfensohn Fund Management, LP ("WFM") and EKO Asset Management Partners, LLC. Please visit us at encouragecapital.com.

About KfW

KfW is one of the world's leading and most experienced promotional banks. Established as a public law institution in 1948, the German Federal Government has an 80% stake and the German federal states have a 20% stake in the bank.

KfW Development Bank carries out Financial Cooperation (FC) projects with developing countries on behalf of the German Federal Government. The 706 employees in the Head Office and 390 experts in 69 regional offices cooperate with partners all over the world. The objective is to combat poverty, secure peace, protect the environment and the climate as well as ensure fair globalisation. KfW is a competent and strategic adviser for current development policy issues.

About MacArthur Foundation

The John D. and Catherine T. MacArthur Foundation supports creative people, effective institutions, and influential networks building a more just, verdant, and peaceful world. MacArthur is placing a few big bets that truly significant progress is possible on some of the world's most pressing social challenges, including over-incarceration, global climate change, nuclear risk, and significantly increasing financial capital for the social sector. In addition to the MacArthur Fellows Program, the Foundation continues its historic commitments to the role of journalism in a responsible and responsive democracy, as well as the strength and vitality of our headquarters city, Chicago.

MacArthur is one of the nation's largest independent foundations. Organizations supported by the Foundation work in about 40 countries. In addition to Chicago, MacArthur has offices in India, Mexico, and Nigeria.

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