

Second Quarter 2018

## Quote of the Quarter:

*“I’m gonna raise a fuss,  
I’m gonna raise a holler*

*About working all summer,  
just to try to earn a dollar*

*Everytime I call my baby,  
try to get a date*

*My boss says, “No, dice, son,  
You gotta work late”*

**Summertime Blues**  
by Eddie Cochran

## No Summer Slowdown

The first half of 2018 has been characterized by strong economic growth, historically-low unemployment and rising consumer confidence in the United States.

- GDP is currently growing at nearly 4%<sup>i</sup>
- Unemployment is at its lowest point in 18 years<sup>ii</sup>
- 1 million new jobs were created in the US during the last six months<sup>ii</sup>
- Wages are rising at the fastest pace since the Great Recession<sup>ii</sup>
- Consumer confidence has increased to a 17-year high<sup>iii</sup>

At North Sky, we specialize in investing in private equity and infrastructure, and both asset classes have enjoyed strong tailwinds during the first half of 2018. Notably, private equity-backed companies benefited from healthy M&A and IPO markets in Q1 2018:

- Aggregate M&A deal value jumped 90% compared to Q1 2017<sup>iv</sup>
- Twelve private equity-backed companies completed IPOs, generating \$4.7 billion in proceeds during the quarter and down only slightly versus Q1 2017<sup>v</sup>
- Eleven venture-backed companies also completed IPOs during Q1 2018, a 38% increase versus Q1 2017<sup>v</sup>
- M&A activity for venture-backed companies was down slightly from the prior quarter but still very good<sup>vi</sup>

Likewise, the infrastructure market continues to be robust, particularly in the renewable power and related sectors:

- The unsubsidized levelized cost of utility scale solar and wind has declined 86% and 67% respectively over the past 8 years, and both solar and wind now enjoy a levelized cost below all conventional sources<sup>vii</sup>
- Renewables accounted for nearly 50% of new generating capacity installed in the US in 2017 and 98% of all new capacity installed in Q1 2018<sup>viii</sup>
- Renewables now represent more than 20% of the installed capacity in the US, and the Federal Energy Regulatory Commission currently projects this to grow to more than 25% by 2021<sup>ix</sup>
- Growing reliance on renewable power has created grid instability issues and is driving increased investment in US energy storage capacity, which is expected to double in 2018<sup>x</sup>
- The growth of the US renewables market has spurred investor interest – 23 unlisted renewable energy-focused infrastructure funds raised \$9.3 billion in 2017<sup>xi</sup>

With this backdrop, we are actively harvesting investments from our more mature funds, while also finding attractive new places to invest (e.g., impact secondaries and clean energy infrastructure). It is going to be a busy summer here at North Sky.

## **2018 Impact Report**

We have just published our 2018 Impact Report. We have been compiling firmwide impact reports since our first such report in 2012. Each report is a labor intensive but rewarding exercise in quantifying the “good” that North Sky and our investors have created together. This year we grouped our showcase companies and clean energy projects under ten major headings:

- Solar
- Energy Storage
- Transportation
- Water
- Wind and Other Alternative Energies
- Efficiency
- Waste
- Agriculture
- Resources for the Developing World and Education
- Healthcare and Healthy Living

The report also provides an overview of property assessed clean energy (PACE) programs and the important role three of our investments (Renovate America, Ygrene Energy and Renew Financial) are playing in this rapidly growing marketplace.

As many of you know, our impact journey began 15 years ago. Since then, we have launched six innovative funds, including the first impact fund of funds in North America, the first impact secondaries fund worldwide and a unique clean energy infrastructure strategy that was designed to deliver terrific investment returns while also putting skilled craftsmen back to work in the aftermath of the great recession.

**2 Fund of Funds**  
Vintages 2006 & 2008  
20 fund commitments & 2 secondaries



Tesla supercharging station,  
USA & Europe



Nova Lumos solar lighting &  
storage system, Africa



Living Earth soil mix,  
Southern USA

**2 Infrastructure Funds**  
Vintages 2010 & 2015  
25 direct investments



Cypress Creek solar farm,  
Massachusetts



Medicine Bow wind farm,  
Wyoming



Ygrene commercial & residential  
PACE financing, California,  
Florida & Missouri

**2 Secondary Funds**  
Vintages 2013 & 2016  
21 secondaries & 5 direct investments



Bare Foods natural snacks,  
USA & Canada



Aqwise wastewater treatment  
pellets, Israel



DIRTT modular corporate  
workspace, USA & Canada

Across these funds, we have invested in over 400 companies and clean energy projects. We have helped to make electric cars and energy storage a reality and LED lighting and solar panels ubiquitous. Through 2017, our investments also have generated over 1.4 million hours of high-quality construction work to build renewable power plants that are generating more than 1.6 GWs of clean electricity, brought electricity and light to African and Indian villages, made sewage treatment plants more efficient, rewritten the rules for constructing and retrofitting homes and buildings and promoted sustainable farming, among many other accomplishments.

This year, we also began mapping our portfolio to the United Nations' Sustainable Development Goals as another means of categorizing and describing the impact we have created over the years.



It has been an outstanding run so far, but there is much more to do. We hope you will read our latest report and perhaps join us on our journey of “earning a good return while doing good too.” You can find our 2018 Impact Report and other reports [here](#).

### Firm Updates

To support our continued growth, we hired a highly-experienced fundraising professional, Andrew Harris, as a Principal and opened a NYC office at 49<sup>th</sup> and Madison. Prior to joining North Sky Capital, Andrew was a Senior Vice President at Threadmark, an advisory firm that specializes in raising capital for real asset funds in North America and Europe and, before that, he was a Vice President at Forum Capital Partners, where he raised capital for various private equity funds. During his career, he has worked on approximately 50 fundraising campaigns, nearly half of which were for infrastructure or secondary funds or transactions. Andrew has extensive experience raising capital for both infrastructure and secondaries funds, which makes him an outstanding fit for our firm. Furthermore, Andrew has a long-standing commitment to environmental and social matters, which includes professional work on clean energy and healthy living & aging funds, as well as his personal work with the Resolution Project, which develops socially responsible young leaders and empowers them to make a positive impact across the globe. Please join us in welcoming Andrew to the team. His contact information is 646-708-5679 and [aharris@northskycapital.com](mailto:aharris@northskycapital.com).

## Upcoming Events

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

- |              |  |
|--------------|--|
| July 18 - 20 | <b>Impact Capitalism Summit</b> , Nantucket, MA<br><a href="http://sustainatopia.com">sustainatopia.com</a>                |
| July 18      | <b>Sustainability Symposium 2018</b> , Minneapolis, MN<br><a href="http://impact-capitalism.com">impact-capitalism.com</a> |
| July 30      | <b>FOX Advisor Briefing</b> , Chicago, IL<br><a href="http://go.cohnreznick.com">go.cohnreznick.com</a>                    |

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<sup>i</sup> Source: *CNBC/Moody's Analytics Rapid GDP Update*

<sup>ii</sup> Source: *U.S. Bureau of Labor Statistics*

<sup>iii</sup> Source: *Bloomberg*

<sup>iv</sup> Source: *Preqin Private Equity Quarterly Update*

<sup>v</sup> Source: *Renaissance Capital U.S. IPO Market Quarterly Review*

<sup>vi</sup> Source: *PitchBook data*

<sup>vii</sup> Source: *Lazard's Levelized Cost of Energy Analysis*

<sup>viii</sup> Source: *Forbes*

<sup>ix</sup> Source: *Renewable Energy World*

<sup>x</sup> Source: *Greentech Media*

<sup>xi</sup> Source: *Preqin data*