



GLOBAL
ENVIRONMENT
FUND

2009–2010 REVIEW

20 YEARS OF SUSTAINABLE INVESTING



NEW INVESTMENTS*

DUOYUAN GLOBAL WATER
BEIJING/HEBEI, CHINA
CLEAN WATER

EMPRESAS VERDES ARGENTINA
CORRIENTES, ARGENTINA
SUSTAINABLE FORESTRY

GREENKO GROUP
HYDERABAD, INDIA
RENEWABLE ENERGY

HIJAUAN BENGKOKA PLANTATIONS
SABAH, MALAYSIA
SUSTAINABLE FORESTRY

KEYW CORPORATION
HANOVER, MARYLAND
INFORMATION TECHNOLOGY SERVICES

KNIGHT & CARVER WIND GROUP
NATIONAL CITY, CALIFORNIA
RENEWABLE ENERGY

MONTE ALTO FORESTAL
PUNTA ARENAS, CHILE
SUSTAINABLE FORESTRY

NEOGÁS DO BRASIL
CAXIAS DO SUL, BRAZIL
CLEAN ENERGY

PEMBA SUN
CABO DELGADO PROVINCE,
MOZAMBIQUE
SUSTAINABLE FORESTRY

RED AMBIENTAL
MONTERREY, MEXICO
WASTE MANAGEMENT

TERSZOL KFT
BUDAPEST, HUNGARY
WASTE MANAGEMENT

**All new investments made between
November 2007 and November 2009.*

LIQUIDITY EVENTS

Duoyuan Global Water listed on the New York Stock Exchange (DGW) in an initial public offering in June 2009.

Athena Technologies was sold to Rockwell Collins in an all-cash transaction completed in April 2008.

RECOGNITIONS

Sustainable Investor of the Year for 2009, awarded by the *Financial Times*.

Top 50 Great Places to Work by the *Washingtonian* magazine.



Since 1990, Global Environment Fund has invested in businesses that provide cost-efficient solutions to some of the world's most pressing environmental and energy challenges. From the Americas to Africa to Asia, we invest in companies that make water cleaner, forestry more sustainable, and businesses more energy efficient.

Our mission is to be the premier alternative asset management firm in the domain of energy and environment by delivering top-quartile investment returns to our limited partners over multiple vintage years and through varied macroeconomic climates.

The power of our investment strategy has been proven in diverse areas around the globe over the last 20 years. Along the way, we have built a firm that has become known for its global footprint, operational excellence, world-class people, expertise in key domains, and investment discipline. We believe this combination has enabled us to deliver liquidity and excellent returns, through good times and in more challenging economic conditions. In the last 10 years, the GEF investment team has completed over 40 private equity investments in businesses operating in a broad array of economic sectors and in all of the world's major geographical regions.

20 YEARS

Number of years since GEF began investing in cost-effective solutions to environmental and energy challenges.

\$5 MILLION

Amount of capital raised for GEF's first fund offering in 1990.

\$674 MILLION

Realized investments, 2001–2009.

\$1 BILLION

Assets under management (approximate value).

\$292 MILLION

Amount of new capital committed to GEF investments in 2008–2009.



H. Jeffrey Leonard

John Earhart

TO OUR INVESTORS

Twenty years ago, we launched Global Environment Fund with the objective, stated boldly in our first private placement memorandum, of “realizing long-term capital appreciation through investments that promote environmental improvement.” Over the course of two decades, our investments have consistently yielded financial returns for investors that we believe are attractive on a risk-adjusted basis, while bringing significant improvements to the environment and quality of life around the world.

GEF has achieved these results the same way any investment team that outperforms over decades achieves such success: through a highly disciplined investment approach coupled with significant sectoral and operating experience and deep domain knowledge.

Our seasoned investment professionals have completed scores of private equity investments in businesses operating in a broad array of sectors in all of the world’s major geographical regions. For these efforts, GEF was recognized by the *Financial Times* as the 2009 Sustainable Investor of the Year.

We take special pride in watching our companies grow and emerge to the stage of either sale to a major strategic corporation or listing as a public company. This past year provided us, once again, with such a special event. In June 2009, one of our portfolio companies, Duoyuan Global Water (NYSE: DGW), completed its initial public offering on the New York Stock Exchange, one of the market’s limited number of IPOs of the year. Duoyuan represents a prime example of the type of company GEF loves to invest in: proven technology, great management, and organic growth to capture the rapidly expanding local environmental and clean energy markets.

As we look ahead, we are excited by the possibilities. GEF has grown significantly as a firm during its first 20 years, yet it is astonishing to think of the growth that lies ahead in our core industries. In many countries where we invest, our industries are likely to experience double-digit growth rates in coming years. The growth we expect to see in our global markets broadens our investment horizons, with larger deals, industry consolidation, and M&A activity all on the rise. Indeed, we expect the expansion of industries meeting environmental technology and clean energy demand over the next 10 to 20 years to be a leading engine of growth in the global economy.

Despite rapid percentage growth, renewable energy industries are still meeting only a fraction of global energy supply. Last year, for example, in the

United States, 400 new megawatts of solar photovoltaic panels were deployed. It's a good start, but it's also only the equivalent of a medium-sized coal-fired power plant. Over the next 20 years, we are confident that many gigawatts of renewable energy generation capacity will be constructed in the United States and around the world. And we believe many current and future GEF portfolio companies will be among the leaders growing and supplying technologies and services to this still nascent industry.

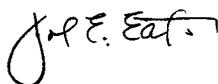
In 2010 and beyond, the emerging market for environmental goods and services will burgeon and foster rapid dissemination of technology to all corners of the world. We see the beginnings of efforts, in the private sector and among governments, to collaborate in addressing some truly global environmental challenges of the coming decades. We believe the largest economies with the heaviest environmental footprints—the United States, China, Europe, India, and Brazil—will provide the necessary leadership in humankind's efforts to make new capital investments to “manage the planet” in innovative and effective ways. These trends portend broadening vistas for GEF in the coming years.

We are poised to capitalize on our recent investment returns. We will expand assets under management from the current level of approximately \$1 billion in a measured fashion. In doing so, we will grow with our global industries.

All of us at GEF remain committed to delivering strong risk-adjusted returns to our global investors. We welcome your feedback and ideas, and appreciate your continued support.



H. Jeffrey Leonard
President and
Chief Executive Officer
Founding Partner



John Earhart
Chairman of the Board
Founding Partner



GEF NAMED 2009 SUSTAINABLE INVESTOR OF THE YEAR BY THE *FINANCIAL TIMES*

We are honored to be named the 2009 Sustainable Investor of the Year by the *Financial Times*. The award highlights groundbreaking achievement in the area of sustainable investment, recognizing specific investments or overall investment programs with outstanding innovation, triple bottom-line impact, and replicability. GEF was selected from among 41 nominees consisting of institutional investment firms from around the globe.

The *Financial Times* noted that “GEF is one of the most experienced private investment management firms to focus exclusively on investing globally in emerging companies whose business operations deliver measurable environmental improvements, cleaner energy and sustainable management of natural resources.” In presenting the award, *Financial Times* Editor Lionel Barber highlighted GEF’s strong investment performance. He noted that, “With over US\$1 billion under management, the fund’s gross IRR on realized investments is more than 36%. Global Environment Fund is tackling challenging sectors and making them work.”

PROVEN INVESTMENT METHODOLOGY...

Since launching our first fund in 1990, we have applied a consistent investment approach. We start by identifying emerging growth companies that can efficiently utilize our capital, market insights, and domain expertise. Then we work closely with these companies, developing and managing them until we see the right liquidity opportunity.







GUIDED BY A DISCIPLINED INVESTMENT APPROACH...

GEF portfolio companies provided balance of system technologies and integration services for approximately 25% of all new installations in the rapidly growing U.S. solar market in 2008.





CREATING VALUE IN A SUSTAINABLE WAY FOR 20 YEARS.



We invest in businesses around the world that provide solutions to critical environmental and energy challenges. For example, GEF portfolio companies deploy advanced water and wastewater treatment technologies in global markets.



New applications of information technologies pioneered by GEF portfolio companies bring significant energy savings in industries that need to reduce their cost structures and reduce their CO₂ emissions.

WE LIGHTEN THE FOOTPRINT OF TRADITIONAL INDUSTRIES...



seed

cantaloupe
SYSTEMS

Reinventory

Configuration

MDB

CBUS

TEMP

DOOR

DEX

seed
cantaloupe
SYSTEMS

seed
cantaloupe
SYSTEMS

seed
cantaloupe
SYSTEMS



WE GROW VALUE THROUGH ACTIVE MANAGEMENT. . .



Today, GEF holdings include forest product companies that control approximately 300,000 hectares of sustainably managed timberlands.

AND SEEK LIQUIDITY IN MAJOR GLOBAL CAPITAL MARKETS.



During difficult economic times, the sectors in which we invest have continued to expand in the key markets where GEF operates. The assurance of vibrant future markets for the products, services, and cutting-edge technologies offered by our portfolio companies is one factor that enabled GEF to continue to generate highly attractive exits for our investors even in 2008 and 2009.





GLOBAL CAPACITY LEVERAGING OUR EXPERTISE

Our global focus enables us to respond to the demand for environmental and energy solutions in emerging market countries experiencing rapid economic growth around the world.



Simply put, our industries continue to thrive because of the growing need for the services they provide, from clean water to clean energy. As we execute our investment strategy around the globe, we can apply experience we have gained in an industry sector in one country to other countries. For example, the waste management expertise we gain through our portfolio company in Mexico can be applied to markets in Eastern Europe.

Regardless of the country or market condition, our goal is the same: to generate consistent, favorable risk-adjusted rates of return for our limited partners over the long term. Toward that end, we control risks in accordance with investment guidelines, maintain the highest standards of ethics and personal conduct, and employ a disciplined, value-oriented approach to all investments.

NEW INVESTMENTS

DIVERSE OPPORTUNITIES FOR GROWTH

We apply a top-down approach to identify new investments in our target sectors. As these sectors continue to grow, so do the opportunities for additional investments. The companies in which we have recently invested represent a broad spectrum of sustainable businesses, from renewable energy to forestry.

RED AMBIENTAL MONTERREY, MEXICO

WASTE MANAGEMENT

Red Ambiental is a leading solid waste management company in Mexico with operations in major metropolitan areas. The company provides integrated, environmentally sound solutions to industrial, commercial, and municipal clients. In the coming years, Red Ambiental will continue to expand its operations throughout Mexico to help address the country's growing demand for compliant waste management services.

TERSZOL KFT BUDAPEST, HUNGARY

WASTE MANAGEMENT

Terszol Kft. is an integrated waste management and environmental remediation services business based in Hungary. Since its founding in 1988, the company has grown through greenfield development and acquisitions from a remediation business focused on industrial site cleanup work to an integrated provider of industrial and municipal waste handling, remediation, and disposal services.



NEOGÁS DO BRASIL CAXIAS DO SUL, BRAZIL

CLEAN ENERGY

NEOgás is one of the leading providers of off-pipeline compressed natural gas solutions in Brazil and Peru. The company manufactures equipment for cost-efficient transportation and delivery of natural gas to clients in industry and retail refueling stations. NEOgás also provides full-service compression, transportation, and delivery services to clients that do not have access to gas pipelines. NEOgás expects to expand its business model in the coming years to other promising markets in South America.

KNIGHT & CARVER WIND GROUP NATIONAL CITY, CALIFORNIA

RENEWABLE ENERGY

Knight & Carver is a leading independent wind turbine rotor blade repair and maintenance company. Since its inception, the company has become well-respected in the wind energy industry for its innovation and quality. In recent years, the company has serviced, rebuilt, and fabricated thousands of blades. Knight & Carver operates manufacturing and repair facilities in San Diego, California, and Howard, South Dakota, and provides on-site repair and maintenance work at wind farms and turbine original equipment manufacturer facilities across the United States.

DUOYUAN GLOBAL WATER BEIJING/HEBEI, CHINA

CLEAN WATER

Duoyuan Global Water (NYSE: DGW), founded in 1992, has become one of the few large-scale suppliers of water treatment equipment in China. The company offers a comprehensive set of more than 80 complementary products that address the key steps in the water treatment process. Duoyuan Global Water also has a national distribution network and an end-user base that includes municipal water and wastewater treatment facilities, manufacturing plants, commercial businesses, residential buildings, and individual customers.



GREENKO GROUP HYDERABAD, INDIA

RENEWABLE ENERGY

Greenko (London Stock Exchange: GKO) is a leading clean energy producer supporting India's rapidly increasing energy demand and energy security needs. Since it was launched in 2007, the company has become one of the largest players in the renewable energy market in India, with a number of small biomass and hydro projects spread across the country. These projects include 41.5 megawatts (MW) of power generation plants using biomass and 59.5 MW of small hydro power. Greenko is supported by an experienced team that has financed, developed, and operated significant portfolios of clean energy assets around the world.

EMPRESAS VERDES ARGENTINA CORRIENTES, ARGENTINA

SUSTAINABLE FORESTRY 55,000 HECTARES

Empresas Verdes Argentina is a plantation forestry company located in the Province of Corrientes in the north central Mesopotamia region of Argentina. The company owns a total property base of approximately 55,000 hectares, of which an estimated 22,000 hectares are planted with pine species planned on a 20-year rotation. The remainder of the property consists of wetlands and protected areas.

HIJAUAN BENGKOKA PLANTATIONS SABAH, MALAYSIA

SUSTAINABLE FORESTRY 25,000 HECTARES

Hijauan Bengkoka ("Greening Bengkoka") is an integrated forest products operation on the Bengkoka Peninsula in northern Malaysia. In partnership with the Sabah Forestry Development Authority, Hijauan Bengkoka will harvest and replant 25,000 Forest Stewardship Council-certified hectares of *Acacia mangium* under a long-term concession. A newly built state-of-the-art chip mill has an annual output capacity of 180,000 metric tons, which will supply the growing fiber markets in Southeast Asia.

PEMBA SUN CABO DELGADO PROVINCE, MOZAMBIQUE

SUSTAINABLE FORESTRY 156,000 HECTARES

In 2008, GEF acquired the Pemba Sun concession of Eastern Miombo Woodlands and brought in an experienced manager and sawmiller, and formulated plans to invest in capital improvements to allow for low-volume, high-value local processing of hardwoods. The Mozwood concession was subsequently acquired, and further acquisitions are planned in Mozambique. Managed together, these concessions have economy of scale in manufacturing and marketing and serve as GEF's platform for sustainably managed tropical hardwoods in the region.

MONTE ALTO FORESTAL PUNTA ARENAS, CHILE

SUSTAINABLE FORESTRY 55,539 HECTARES

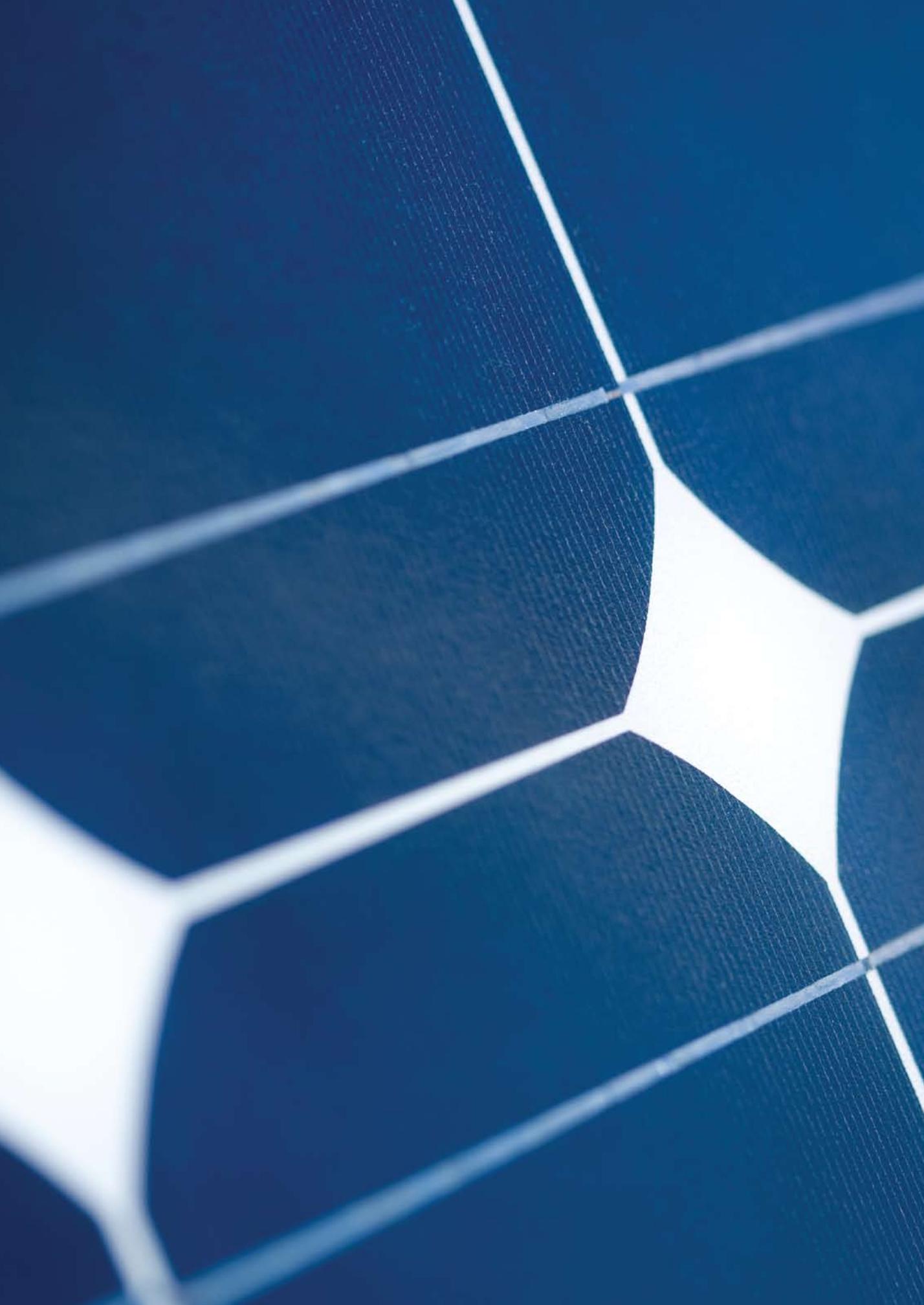
GEF acquired Monte Alto Forestal, located in Tierra del Fuego, Chile, in November 2008. Most of the property (41,300 hectares) consists of native Lenga forest (*Nothofagus pumilio*). Lenga is a high-quality, light-colored, hardwood species used in cabinetry, furniture, and construction, with an appearance similar to maple or cherry species. The company's lumber is sold in both domestic and international markets. Monte Alto Forestal's property is a naturally occurring homogeneous forest with 2.8 million cubic meters of standing sawlogs and more than 15 million cubic meters of total biomass. The business also includes a sawmill, which GEF plans to expand and modernize, increasing production from 25,000 cubic meters per year to 75,000 cubic meters per year while improving yield and product mix.

KEYW CORPORATION HANOVER, MARYLAND

INFORMATION TECHNOLOGY SERVICES

KEYW Corporation is a total solutions company focused on solving tough problems related to hardware and software development, system integration, test and evaluation, field support, computer and network operations, information security, and specialized training. It has made a range of creative contributions to science, defense, space, and the intelligence community, succeeding on the philosophy that it can be more responsive and agile than larger companies in responding to customers' unique problems.





RAPID GROWTH IN NEW SECTORS

Our investment teams focus on opportunities in specific sectors in regions that are poised to experience rapid growth. The teams leverage their operating experience and domain expertise in the clean energy, energy efficiency, and pollution prevention sectors. For example, in 2004 we inventoried the U.S. renewable energy field to identify emerging leadership companies that would need growth capital to capture market share. New investments completed since 2005 have benefited from the U.S. solar industry's annual growth rate of 30% or more since that time. Two of our portfolio companies are leaders in this field.

SPG Solar is a leading integrator specializing in the development, design, and construction of high-performance solar photovoltaic (PV) systems. SPG has designed and installed more than 1,200 grid-tied PV systems for homes, small businesses, and large-scale commercial and government facilities, addressing the rapidly growing demand for solar energy.

We introduced a new leadership team at SPG that includes CEO Tom Rooney, a seasoned executive, noted speaker and consultant in the clean-tech sector who has served on a number of boards throughout Asia, Europe, and North America. We have also helped the company recruit a finance and accounting team, implement key financial and operational initiatives, and develop strategic prioritization. Moving forward, we plan to work with SPG to evaluate new technologies and support the company's efforts to penetrate new markets.

Unirac designs, manufactures, and sells mounting racks for PV modules. The company's core competency is its ability to design and manufacture a full range of racking products and systems. These designs are flexible enough to properly mount most available PV modules using a relatively small number of components. By collaborating with installers and system integrators, Unirac is able to provide solutions that offer flexibility, speed, and ease of installation at low cost.

We assisted Unirac in recruiting its senior management team and are providing analytical and operational support, working with the company on a strategic plan to transform it into a complete solar solutions provider, and teaming up with management to enhance the employee option plan and improve benefits. Over the coming years, we intend to work with Unirac's management team to evaluate potential strategic acquisitions or partnerships, support the company's efforts to penetrate new markets, and evaluate potential product line enhancements to provide a complete solution set for all market segments.

A RECORD OF DELIVERING LIQUIDITY

In 1990, we were pioneers in investing in our target environmental sectors. Twenty years later, our experience and expertise in these sectors have enabled us to exit a number of major investments and return significant profits to our limited partners.

In 2008 and 2009, during difficult economic times, the sectors in which we invest grew faster than the overall market. That's one reason why—even during the recent investment downturn when private corporate acquisition activity and initial public offerings both fell by more than 80%—GEF continued to achieve attractive exits. Our disciplined investment strategy is validated by an established long-term track record.

Two recent transactions highlight our continued ability to generate liquidity for our investors.

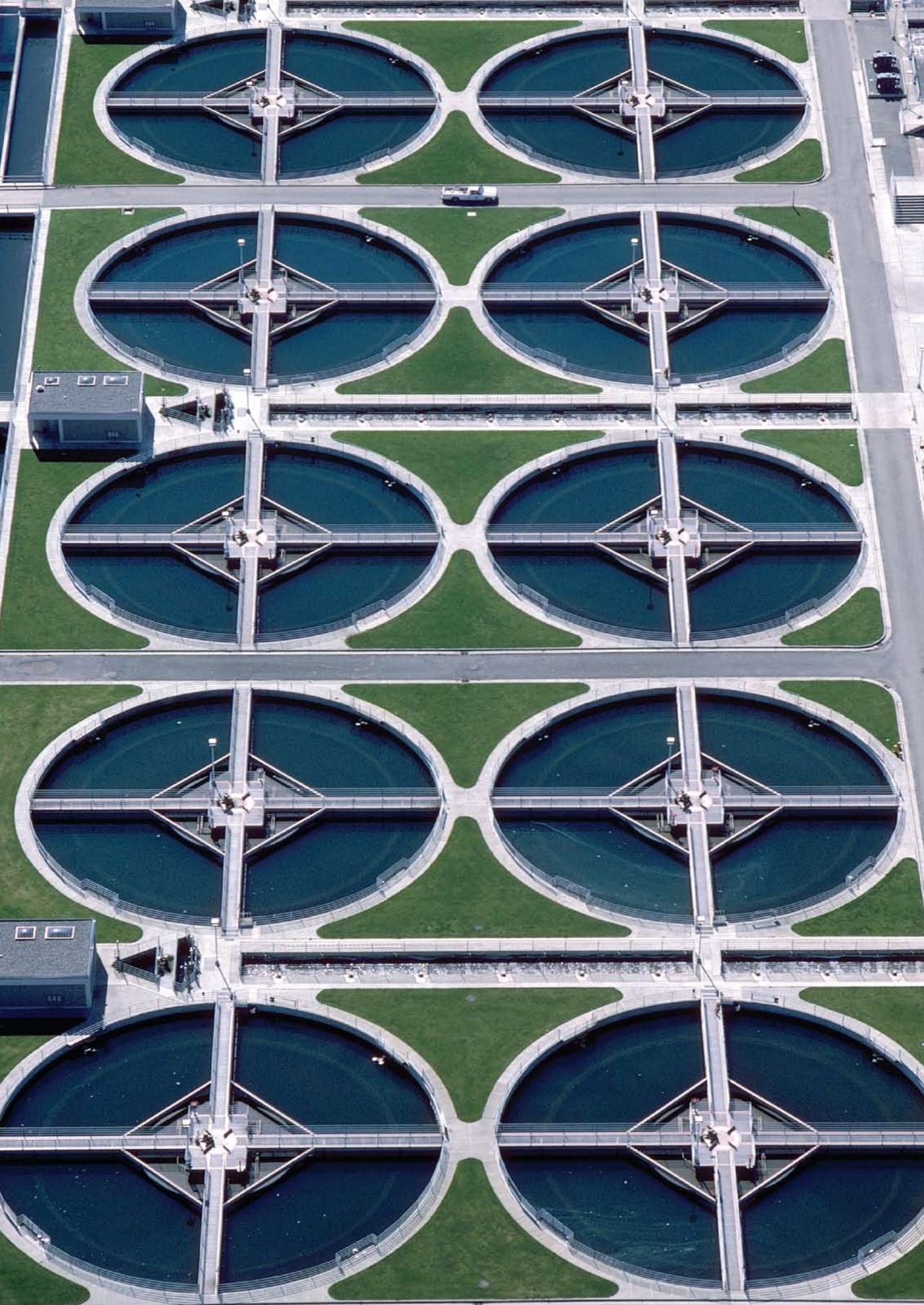
Athena Technologies was part of an aerospace company in 1999 when GEF combined with management to spin out a new company. The company's revolutionary guidance control system has applications ranging from flying unmanned aircraft at stratospheric altitudes autonomously, to making lawnmower and other internal combustion engines run more efficiently, to helping windmills generate more electricity. In the five years leading up to GEF's exit from Athena in 2008, the company's revenues grew more than fivefold and EBITDA grew tenfold. We sold Athena to Rockwell Collins in an all-cash transaction that closed in mid-2008.

Duoyuan Global Water (NYSE: DGW), founded in 1992, has emerged as one of the few large-scale suppliers of domestic water treatment equipment in China. In June 2009, Duoyuan completed its initial public offering on the New York Stock Exchange of



6.3 million American Depository Shares, raising \$101 million. Prior to the IPO, GEF was the only outside investor in the company.

Producing and selling solely for the rapidly growing Chinese market, Duoyuan added 35 new products in 2008 and saw increases in both revenues and EBITDA. Moving forward, we plan to continue to grow the company by expanding production capacity, increasing efficiency, and adding new products. At the same time, we believe that maintaining a focus on research and development will allow Duoyuan to introduce new, high-margin products in high-growth product lines. The company is evaluating potential long-term expansion opportunities outside China.



LIVING OUR VALUES

We have always strived to live the values we expect to see in the world, holding ourselves and our portfolio companies to the highest standards of corporate governance, ethics, and sustainability.



CORPORATE HEADQUARTERS

The interior space of our company headquarters in Chevy Chase, Maryland, was awarded a Gold rating in 2009 by the leading standard setter for sustainable design and construction of commercial interiors (LEED-CI). We made a conscious effort in the design of our headquarters building to improve the health, comfort, and productivity of our staff. The space includes a wide range of healthful and environmentally friendly features, such as extensive natural light, energy-efficient lighting and temperature controls, a recycling center, and environmentally certified building materials and furniture.

GOVERNANCE

GEF is an employee-owned, SEC-registered investment adviser. We work closely with each of our portfolio companies to instill a strong culture of corporate governance, helping companies to define shareholder rights, establish accountability and internal controls, and empower boards of directors—steps that lay the groundwork for sustained growth, access to cheaper credit, and ultimately strong liquidity options.

RECOGNITION

In 2009, we received the EcoLeadership Award from The Alliance of Workforce Excellence (AWE), and were named one of the Top 50 Great Places to Work by the *Washingtonian* magazine.



RENEWABLE ENERGY AT HOME

We purchase Renewable Energy Certificates (RECs) on behalf of all GEF employees to cover their annual household electricity use.

RESPONSIBLE COMMUTING

Our headquarters is located adjacent to a Metro station to encourage our employees to use mass transit. We also own two electric cars that are available to all staff for business or personal use, and have charging bays in our garage to accommodate electric vehicles.



CORPORATE INFORMATION

Global Environment Fund

5471 Wisconsin Avenue, Suite 300
Chevy Chase, Maryland 20815
240-482-8900
www.globalenvironmentfund.com

PROFILE

We make private equity investments in companies that address growing global demands for cost-effective solutions to environmental and energy-related challenges. Our investments focus on business operations that deliver measurable environmental benefits through the deployment of improved environmental infrastructure and “clean” technologies. We meet investment goals by identifying well-managed companies with proprietary technologies, ownership of environmental infrastructure projects, healthcare service models, or specialized expertise in sustainable resource management.

MISSION

Our mission is to be the premier alternative asset management firm in the domain of energy and environment by delivering top-quartile investment returns to our limited partners over multiple vintage years and through varied macroeconomic climates.

DISCIPLINED INVESTOR

We seek out companies whose management teams have a clear vision of how to capitalize on emergent opportunities for growth and value creation. We follow a top-down investment strategy, starting with a careful analysis of global and regional economic and industry trends that make certain sectors and geographical regions attractive. The investment team thoroughly analyzes multiple companies and competitors within those sectors to find the best potential investment candidates.

INVESTMENT TEAM

Please see a complete listing and biographical information for the members of our worldwide investment team at www.globalenvironmentfund.com.

Global Environment Fund saved the following resources by using New Leaf Reincarnation Matte, made with 100% recycled fiber and 50% post-consumer waste, processed chlorine free, and manufactured with electricity that is offset with Green-e® certified renewable energy certificates:

trees	water	energy	solid waste	greenhouse gases
17 fully grown	7,617 gallons	6 million Btu	462 pounds	1,582 pounds

Calculations based on research by Environmental Defense Fund and other members of the Paper Task Force.



ANCIENT FOREST
FRIENDLY™



NEW LEAF PAPER
manufactured with wind power





GEF NAMED 2009 SUSTAINABLE INVESTOR OF THE YEAR BY THE *FINANCIAL TIMES*

This award highlights groundbreaking achievement in the area of sustainable investment, recognizing specific investments or overall investment programs with outstanding innovation, triple bottom-line impact, and replicability. GEF was selected as the FT Sustainable Investor of the Year from among 41 nominees consisting of institutional investment firms from around the globe.

