wetility

JALTECH
Fund Management

Section 12B

Residential Solar Investment II

Up to **104%** returned **within 6 months**

Introduction

Investment closes on 20 February 2026

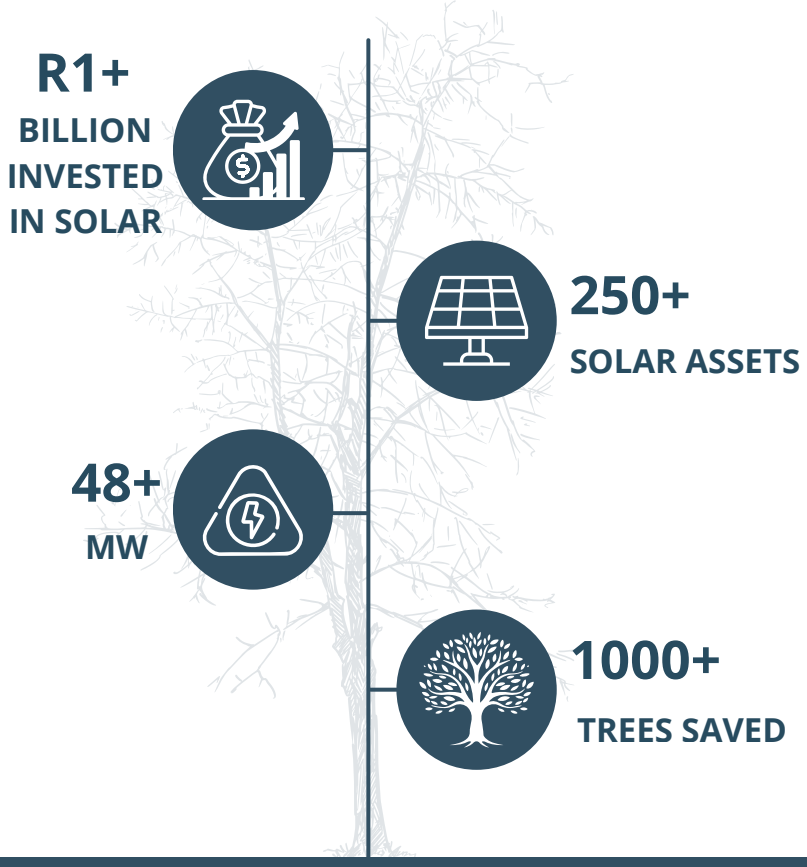
Through a strategic partnership with Wetility, one of South Africa's leading residential solar providers, we are offering investors the opportunity to gain exposure to a diversified portfolio of up to 3,700 solar-powered homes.

The **capital raised** will be deployed to fund the acquisition of an existing portfolio of residential solar systems.

Backed by strong operational **expertise, scale, and robust** safeguards, this investment represents the most **de-risked Section 12B** investment in the market. Here's why:

- **The investment targets** a return of up to **104%** of investor capital within 6 months.
- **Investors gain access** to a highly diversified portfolio of up to **3,700** residential solar systems.
- **The structure includes** a **17%** first-loss protection to further safeguard investor capital.
- **Investors gain exposure** to a portfolio of residential solar systems with a **proven track record** of performance and payment.

Our Track **Record**



Residential Solar Investment II

Capital Raise & Draw Down Timelines

We are targeting a capital raise of **R180 million**.

Investment allocations will be made on a **first-come, first-served basis**, with full draw down of committed capital by 20 February 2026.

Investment Highlights

- **Target Pre-tax - IRR:**
  66% (net of fees & inclusive of the tax benefit)
- **Sector Focus:**
  Residential solar
- **Limited Raise:**
  R180 million
- **Tax Deduction:**
  Up to 230%
- **Projected Average Income Yield - Pre-tax:**
  15% to 17% p.a.
- **Projected Average Income Yield - Post-tax:**
  3% to 4% p.a.
- **Diversification:**
  Up to 3,700 residential solar systems
- **Minimum Investment:**
  R500,000

Key Investment Benefits:

1) 230% Tax Deduction

This investment has been **structured to maximise tax efficiency** by targeting an equity-to-debt ratio of 1:1.30. In practical terms, for every R1 million invested, we aim to raise R1.30 million in debt/partner contribution, effectively increasing the total allowable **tax deduction to R2.30 million**.

As a result of this structure, investors can claim:

- **A 100% tax deduction** on capital invested; and
- **A 100% tax deduction** on the associated debt.

By way of illustration, an investor in the top tax bracket who invests R1 million will be entitled to a total tax deduction of up to R2.30 million (R1 million on the investment + R1.30 million on the debt). **This equates to a SARS refund of approximately R1,035,000**.

In essence, this investment aims to return the full amount of the initial investment plus R35,000 to the investor within 6 months of investing.

2) First loss protection:

To align interests and enhance downside protection, Wetility has committed 17% of the total capital/debt required. This contribution will be structured as a first-loss tranche, meaning it will **absorb the first 17% of any losses** incurred in the investment.

3) Diversification:

Investors will gain exposure to a highly diversified portfolio of **up to 3,700 residential solar systems**, spread across multiple geographic regions throughout South Africa. This broad diversification significantly reduces default risk and enhances the stability of returns.

In addition, Wetility is contractually obligated to remove and reinstall equipment from defaulting customers' homes. This proactive approach helps minimise cash flow disruptions and protects the overall performance of the portfolio.

4) Deployment:

The investment will result in the acquisition of an **existing portfolio** of residential solar systems with a value of over **R400 million**.

5) Contractual Exit:

As part of the investment structure, Wetility is **contractually obligated** to acquire the solar asset portfolio at the end of year 8 at a predetermined value.

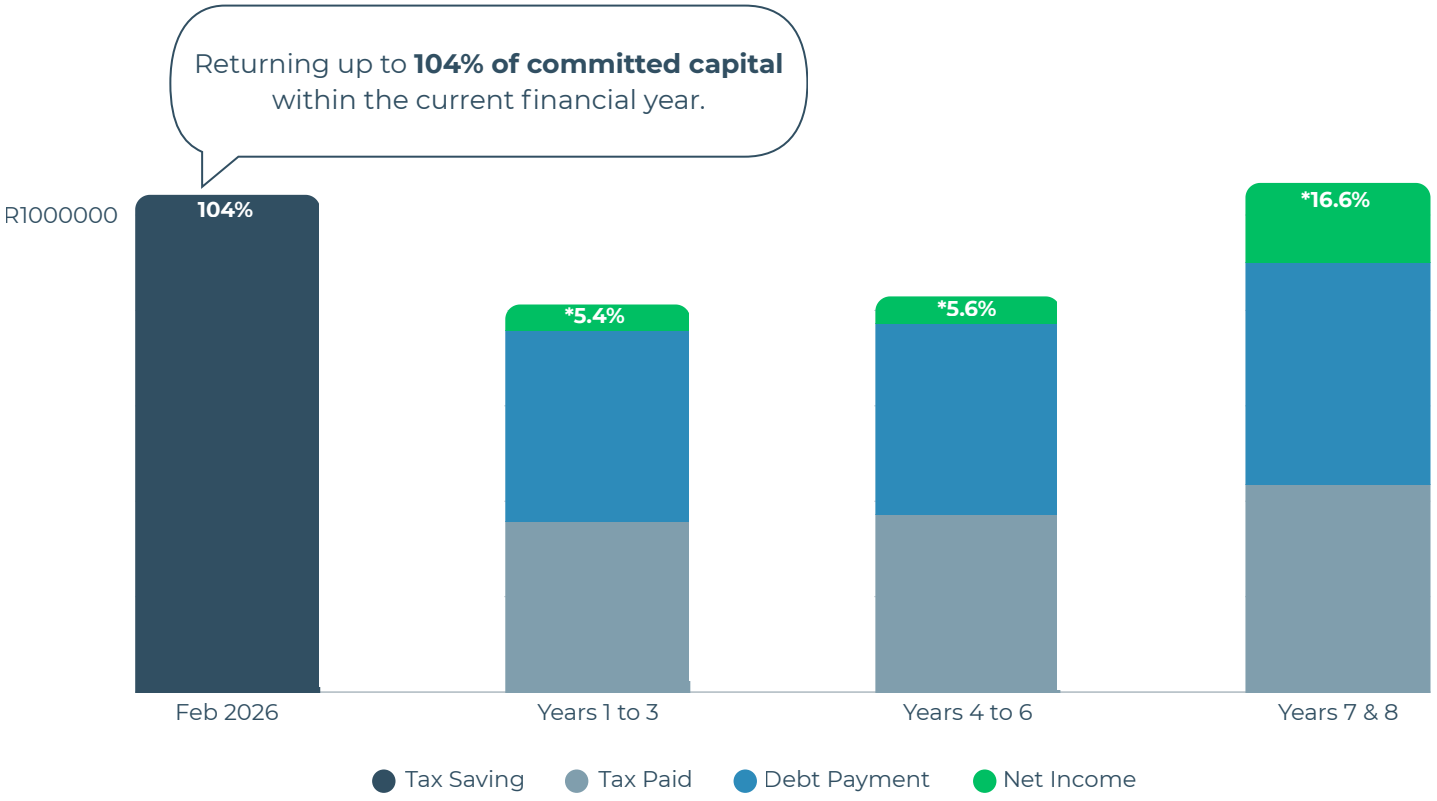
6) Cash Flows:

Investors are projected to receive an average annual cash yield (excl. the tax benefit) of between **15% to 17%** pre-tax and 3% to 4% post-tax for 8 years, in addition to receiving 104% of their capital back within six months.

Return Profile & Cash Inflows

This investment is designed to deliver consistent annual income over an 8-year period, alongside an initial SARS tax refund in year one.

Below is the projected return and cash flow on the investment in the scenario where both investor capital and debt have been deployed. The figures in *green demonstrate the combined yield (net of fees and taxes) an investor will earn, over the specific period, after having paid income tax and debt repayments.



Investment Performance Summary

Assumptions:

- R1 million investment
- The investor is in the highest tax bracket
- The Prime Rate as of 1 January remains unchanged
- The assets are sold at year 8 at 20% of the original purchase price
- Minimum 8-year holding period
- Annual customer cancellation rate: 3%

Pre-tax return (incl. tax benefit & net of fees)	**R2 365 577**
Post-tax return (incl. tax benefit & net of fees)	**R1 318 999**
Pre-tax IRR (incl. tax benefit & net of fees)	**66%**
Post-tax IRR (incl. tax benefit & net of fees)	**25%**
Average annual pre-tax yield (excl. tax benefit & net of fees)	**15% - 17%**
Average annual post-tax yield (excl. tax benefit & net of fees)	**3% - 4%**

Key Risks & Mitigating Factors

As with all investments, there are potential risks to consider. Below are the six primary risks associated with this opportunity, along with the steps taken to mitigate them:

Risk	Description	Mitigation
Deployment Risk	A binding term sheet has been signed with the seller of the solar systems, and the final agreements are expected to be signed during the first week of February 2026. However, as with any transaction, there is a risk that the deal may not proceed as planned, while the legal agreements are being finalised.	Although the final agreements have not yet been signed, the key terms of the transaction have already been agreed upon, including the purchase price and other principal commercial terms. Investors will only be required to deposit their committed capital should the transaction go ahead.
Cancellation Risk	The residential solar customers have committed to three-year contracts, with a portion of these contracts reaching expiry each year over the next few years. As a result, there is a risk that some customers may choose not to renew their contracts after the initial three-year term.	Wetility is contractually required to relocate solar systems installed at customers' homes where contracts are not renewed, thereby reducing the time period in which the assets are non-productive. Ongoing Eskom electricity tariff increases continue to improve the relative economics of solar. As a result, homeowners are able to generate increasing annual savings from solar installations, which reduces the incentive to cancel or not renew their contracts.
Credit Risk	Returns are dependent on the ability of energy consumers to make consistent payments for electricity consumed.	The residential solar portfolio has an excellent payment history, with defaults remaining in the low single digits. Wetility is contractually obligated to remove and reinstall solar equipment from defaulting customers' homes. This proactive approach helps minimise cash flow disruptions and protects the overall performance of the portfolio.
Debt Funding Availability	Jaltech's debt provider has indicated a willingness to fund the debt component; however, the final agreements have not yet been concluded.	Jaltech's debt provider has conducted an in-depth analysis of the portfolio and has indicated a strong willingness to provide the debt facility before the end of February 2026.

Debt Risk	If the investment has a material number of defaults or cancellations, the debt provider may enforce its rights and repossess the solar equipment. In this scenario, investors could lose their capital and have to repay a portion of their tax benefit.	We maintain a prudent equity-to-debt ratio to manage this risk and help preserve investor capital. In addition, this risk is mitigated due to the excellent credit quality of the portfolio.
Legislation Risk	Changes to renewable energy regulations or government-controlled electricity tariffs could affect the long-term viability of residential solar projects.	Given the significant role that residential solar plays in alleviating pressure on the national grid and reducing load shedding, we believe the likelihood of adverse legislative or regulatory changes impacting the viability of residential solar is low.

Fees

Management Fee:	2.25% p.a.
Performance Fee:	Zero performance fee within the first 3 years. Thereafter, 20% above a hurdle of 12.5% of the investment amount, calculated and charged annually with a high-water mark (with catch-up) – see explanation. A performance fee of 20% based on the profits from the sale of the solar assets (accounting for depreciation of the assets over the term of the contract with the customer).
Debt Raising Fee:	A once-off fee of 3% of the total debt amount, payable upon the successful securing of the debt facility.

All quoted returns are net of fees.

Performance Fee Structure Explained

If an investor invests R100 and the investment generates a return of R14 in year four, a performance fee of 20% would apply to the R1.50 excess (R14 minus R12.50). If the return in year five is R10, no performance fee would be charged.

For a performance fee to be earned in the following year, the return would need to exceed R15, as the prior year's underperformance would first need to be "caught up."

Investment closes on 20 February 2026

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