



International Impact Investing Challenge

April 26, 2013

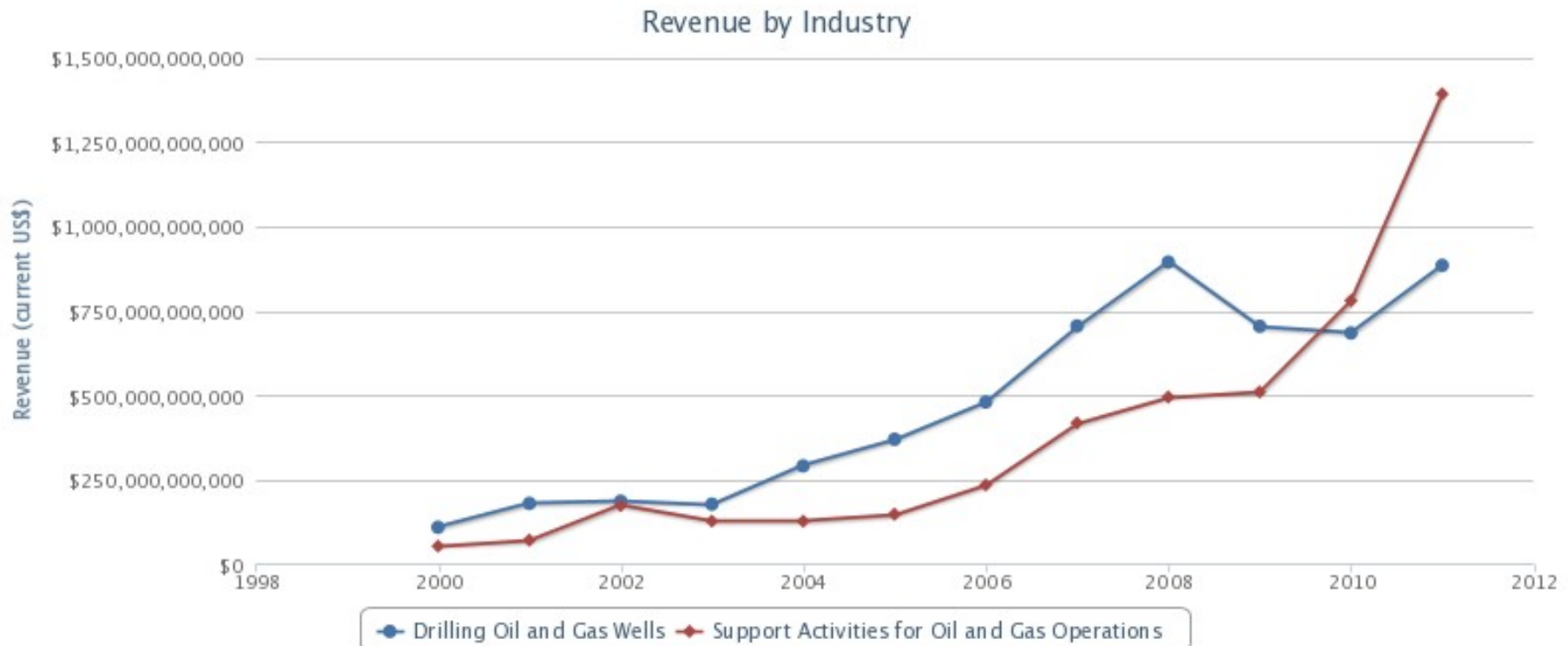
# Overview

- Market Opportunity
- Solution
  - Inspiration
  - Investment Process
  - Risk Management
  - Value Add to Companies
  - Financial, Environmental & Social Returns



# Market Opportunity

- Oil & Gas industry is experiencing high growth
- ESG risk profile increases as industry expands



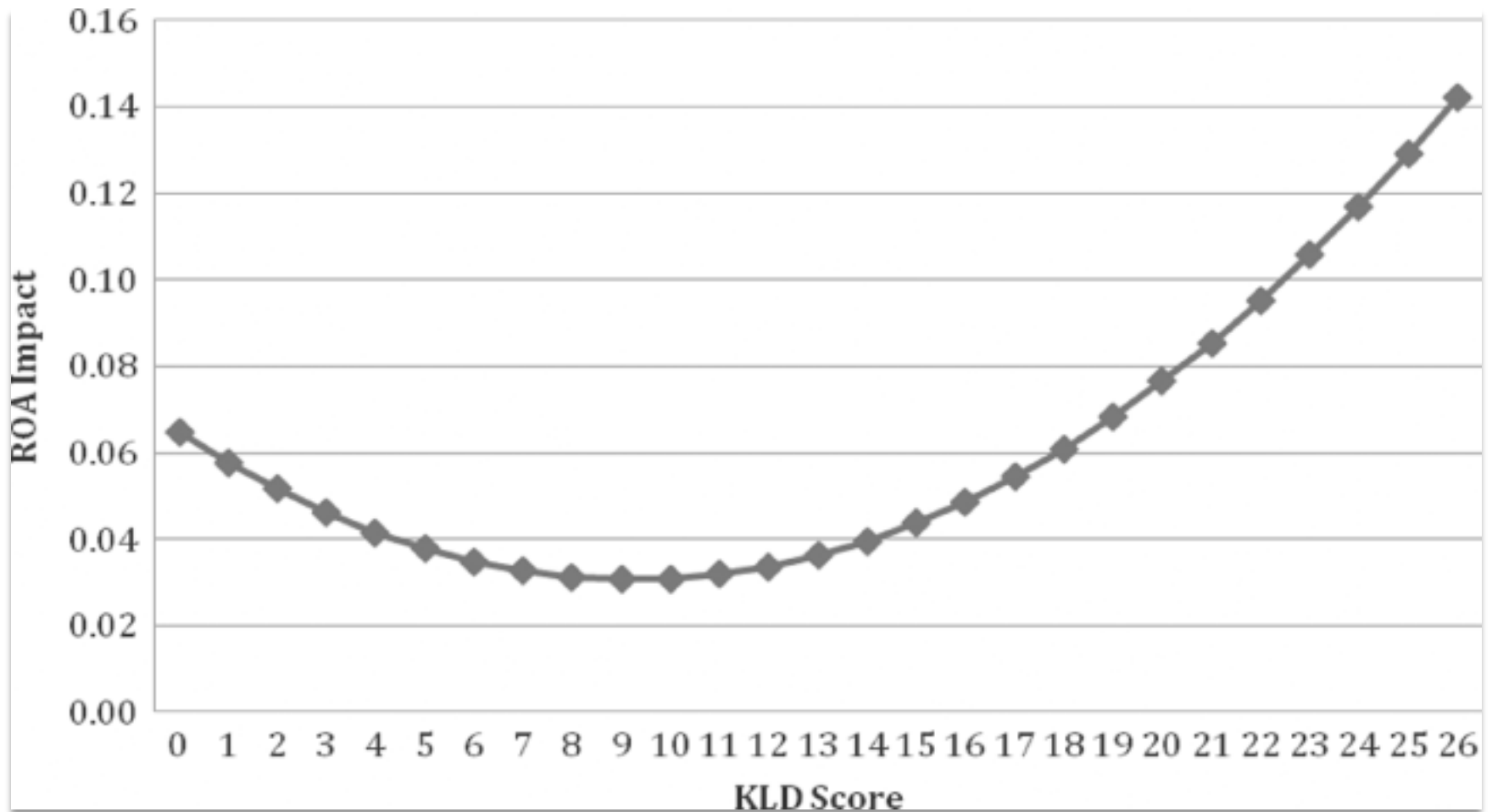
Sources: Gale Business Insights: Essentials, 2013 \* Gale Company Intelligence Database, 2013

# Solution

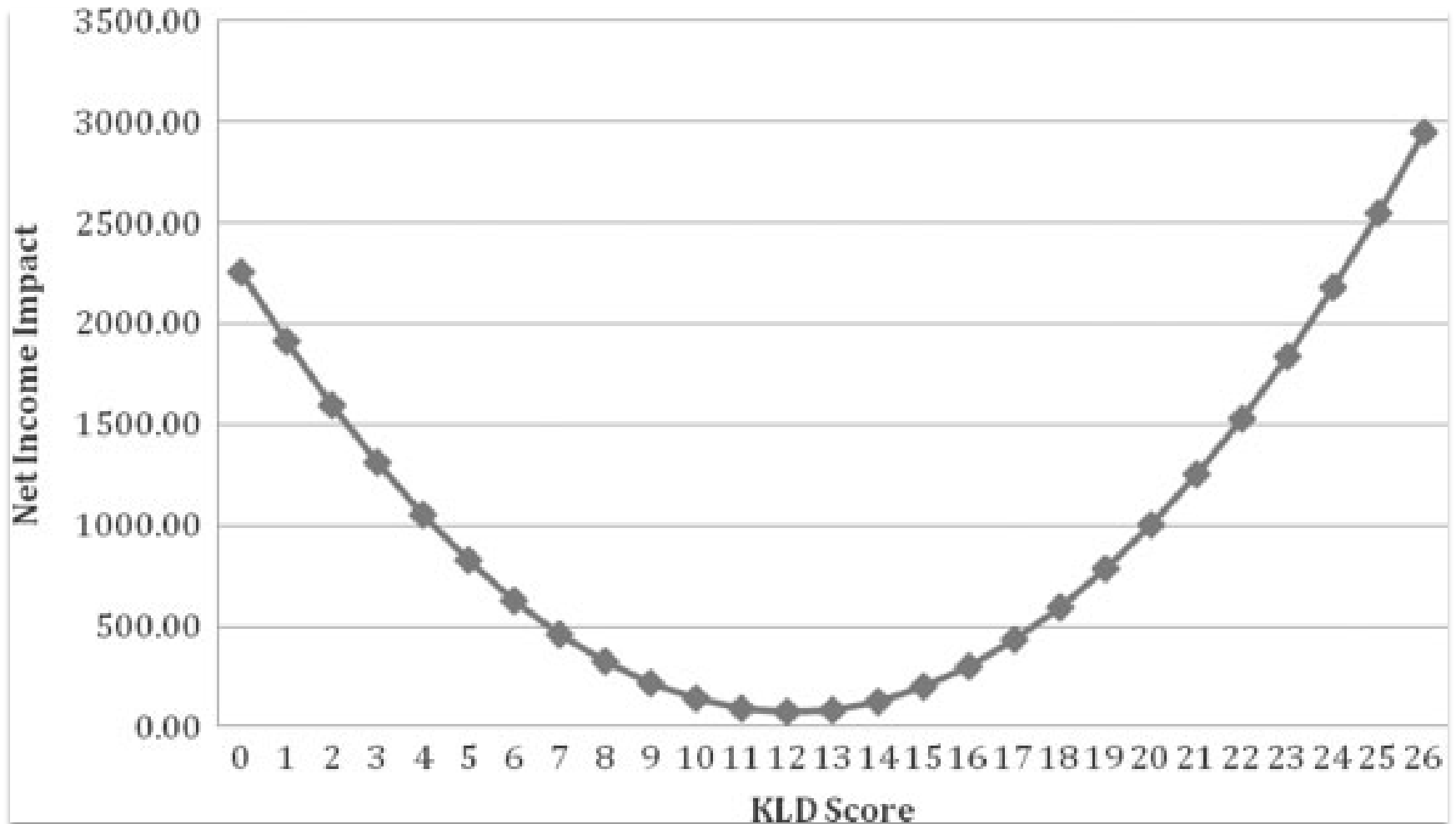
ES Asset Management is an active investment fund focused on the Oil & Gas Industry

We drive financial, environmental and social returns by improving our portfolio companies' ESG transparency and performance

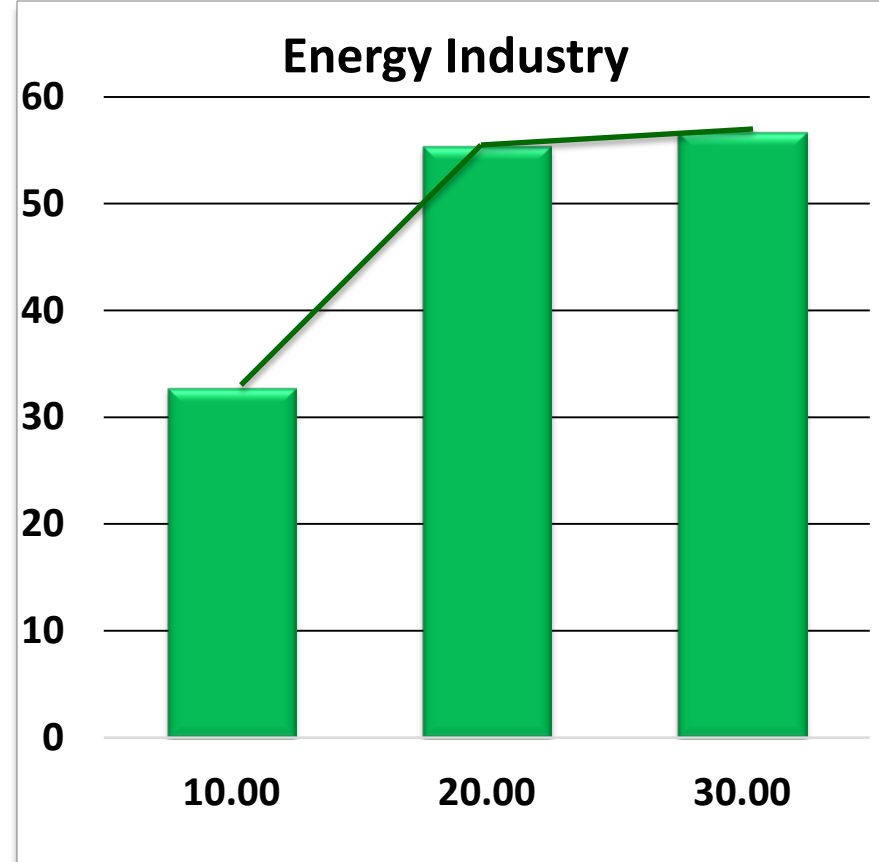
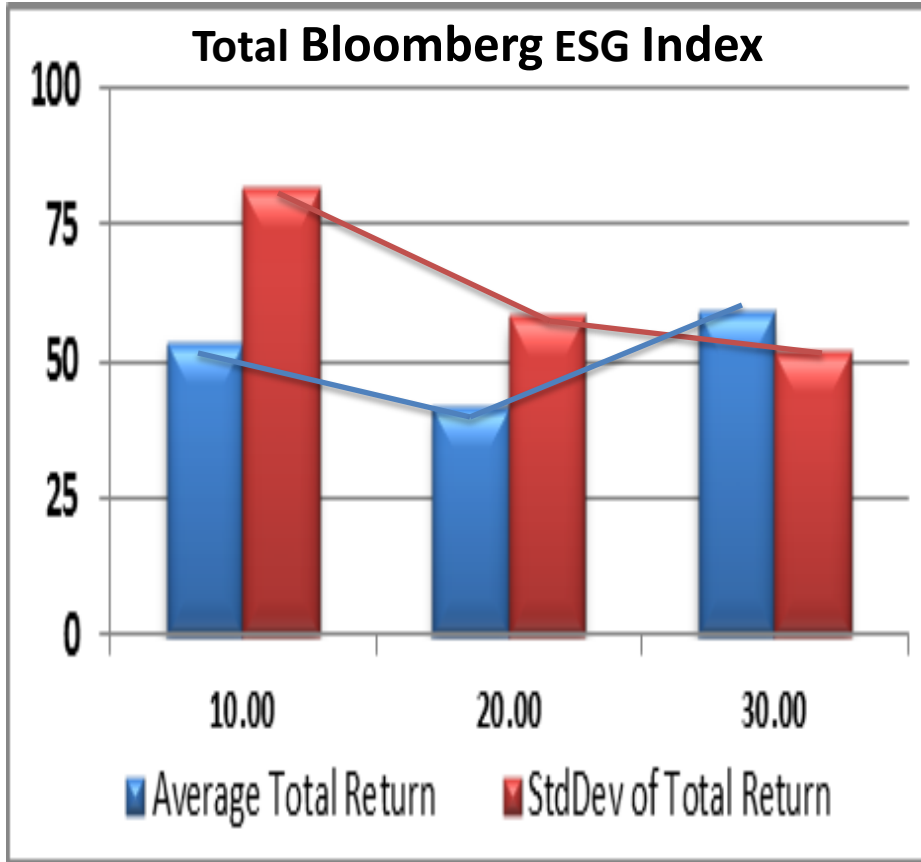
# Impact of ESG Performance on ROA



# Impact of ESG Performance on Profits



# Increased Transparency & Returns



**Improvement in Bloomberg ESG Disclosure Score Over 3 Years  
vs. Average 3 Year Total Return**

# Investment Criteria

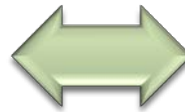
<b>Market Cap</b>	<b>\$50 Million - \$10 Billion</b>
<b>Investment Position</b>	<b>2 – 15% of Company, Minimum of \$1 Million</b>
<b>Time Horizon</b>	<b>3 – 5 Years</b>
<b>Industry Focus</b>	<b>Oil &amp; Gas Exploration &amp; Production Oil &amp; Gas Equipment &amp; Services Oil &amp; Gas Drilling</b>
<b>Geography</b>	<b>Headquartered in the United States &amp; Canada</b>
<b>Universe Size</b>	<b>≈ 200 Companies</b>
<b>Free Cash Flow to Equity</b>	<b>Greater than \$1 Million</b>
<b>Return on Assets</b>	<b>Greater than 4%</b>
<b>Asset Quality</b>	<b>Strong Proven Reserves (if applicable)</b>
<b>Cash Flow and P/E Multiples</b>	<b>Lower 50% of Industry</b>
<b>ESG Factors</b>	<b>Low Transparency History of Environmental, Safety Violations</b>
<b>Management</b>	<b>Signs of increasing interest in ESG issues</b>



# Due Diligence

## Financial

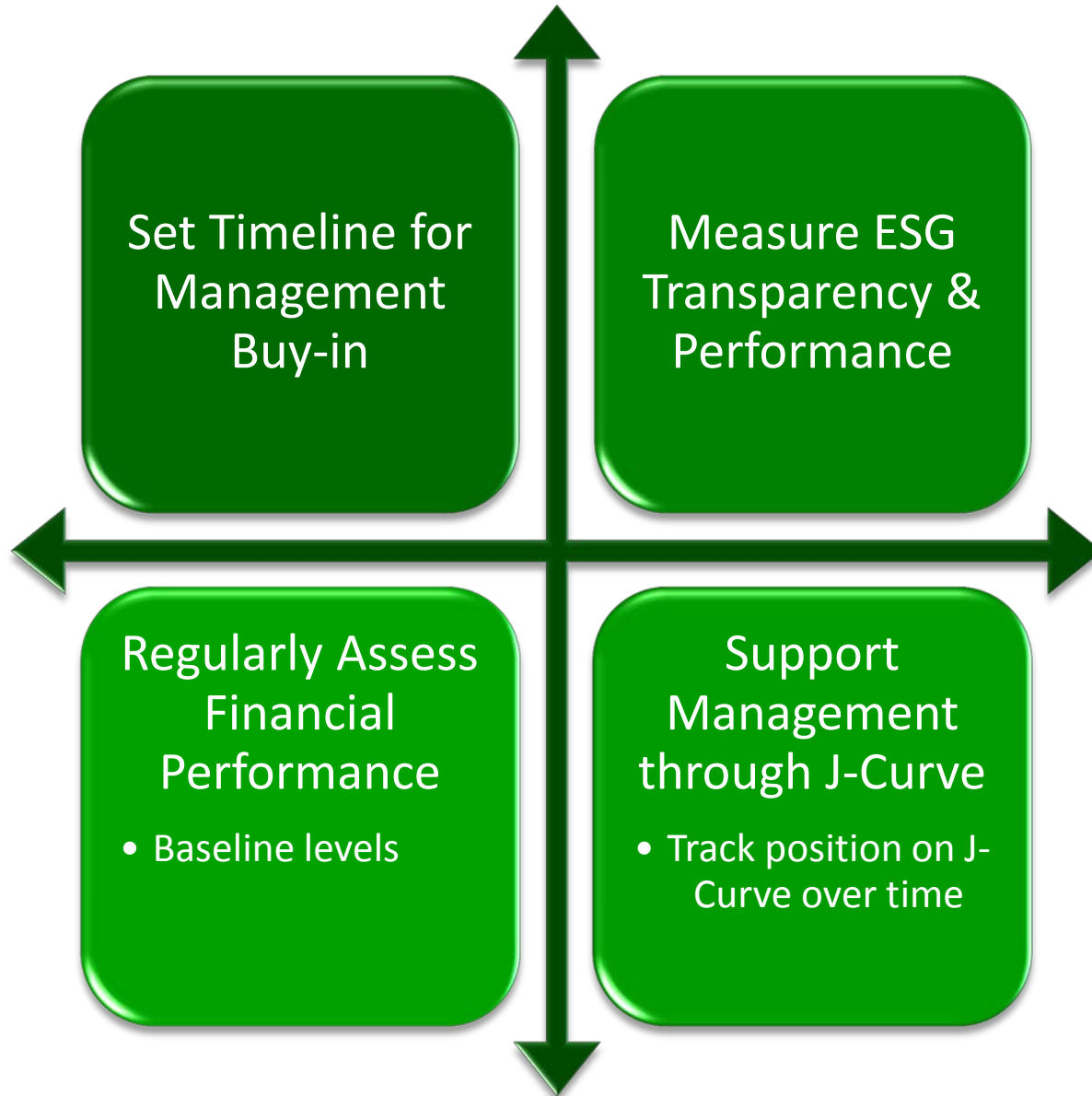
- Thesis for Undervaluation
- Potential Catalysts



## Environment & Social

- Government Reports
- 3<sup>rd</sup> Party ESG Research
- Management Buy-In

# Portfolio Monitoring



# Risks & Risk Management

Risks We Will Not Actively Manage	Risks We Will Actively Manage	
<b>Fluctuations in Oil &amp; Natural Gas Prices</b>	<b>Down Side Risk</b>	
Decreasing Asset Values	Loss within the Portfolio	Margin of Safety
<b>Accidents in a Portfolio Company</b>	<b>Investment Liquidity Risk</b>	
Accidents will Happen	Large Position in Smaller Companies	Liquid Stocks and Staged Investing
<b>Market Risk</b>	<b>Managements Level of Buy In</b>	
Concentrated Portfolio Exposed to Market Wide Downturn	Engaging on the Front End	Value Added Activities

# Value Add to Portfolio Companies

<b>Role Within Portfolio Company</b>	<b>Operational Value</b>
Manage Relationships with ESG Reporting Vendors	Minimizes Company Overhead
Custom ESG Reporting Plan	Expands ESG Reporting Efficiently
ESG Consulting	Action Plan to Improve ESG Performance
Internal Record Review	Balance Litigation Risk and Transparency Benefits



# Returns

## Environment & Social

- Reduced Emissions
- Fewer Accidents
- Reduced Spills
- Lowered Risk



## Financial

- 10% Return
- Not Indexed
- Improved FCF
- Improved P/E

# Appendix: Investment Pipeline

	<b>Reserve Petroleum (OTC: RSRV)</b>	<b>Vaalco Energy (NYSE: EGY)</b>	<b>Dawson Geophysical (NASDAQ: DWSN)</b>	<b>Basic Energy Services (NYSE: BAS)</b>	<b>RPC Inc (NYSE: RES)</b>
Industry	E & P	E & P	Equip & Serv	Equip & Serv	Equip & Serv
Market Cap	\$51 Million	\$411 Million	\$218 Million	\$503 Million	\$3.2 Billion
Float	63%	89%	95%	92%	32%
Revenue (TTM)	\$15 Million	\$195 Million	\$303 Million	\$1.3 Billion	\$1.9 Billion
Rev 3yr CAGR	18.9%	19.2%	14.9%	37.7%	49%
Cash Flow (TTM)	\$2.1 Million	\$39.6 Million	\$21.5 Million	\$118 Million	\$223 Million
Return on Assets	10.2%	19.9%	4.2%	4.5%	20.7%
Market Cap/ FCF to Equity	23.8x	10.6x	10.2x	4.1x	14.3x
Bloomberg ESG Disclosure Score	11.1	10.3	11.2	11.1	11.1