US Solar Fund

Attractive and sustainable returns from US solar power

Quarterly Update | 30 June 2019

US Solar Fund

Second Quarter Update

USF Quarter Highlights

- **April 2019:** US Solar Fund (**USF**) listed on the premium segment of the London Stock Exchange, raising gross proceeds of \$200m with significant support from leading UK institutional investors.
- **June 2019:** USF agreed exclusivity to acquire a 128 megawatt (**MW_{DC}**) utility-scale solar power project. The project is located in Utah, in the western United States, and has a 25-year power purchase agreement (**PPA**) with an investment-grade (S&P rating: A) offtaker, beginning in the second half of 2020. USF executed an acquisition agreement for this project following quarter-end, in July 2019.
- **June 2019:** UFS agreed exclusivity with US-based solar developer Cypress Creek Renewables to acquire a portfolio of utility-scale solar power projects located in North Carolina and Oregon, with total capacity of approximately $90MW_{DC}$.

At the time of listing, New Energy Solar Manager (the Investment Manager) disclosed a pipeline totaling \$4.8 billion of investment opportunity. The Investment Manager has been working diligently to meet its expectation of investing or committing initial proceeds within the first six to nine months of listing. Within nine weeks, USF had made two announcements of exclusivity for solar projects in the US. After the end of the quarter, within just over three months of listing, USF announced that one of the two projects had progressed to binding acquisition agreement.

The first project, Milford (the **Project**), a 128 MW_{DC} utility-scale solar power project located in Utah is now the subject of a binding acquisition agreement. It has a 25-year power purchase agreement with an investment-grade utility (S&P rating A) beginning in the second half of 2020. The PPA sets a fixed price for 100% of the energy produced by the Project for the next 25 years.

USF's acquisition is expected to be completed later in 2019, simultaneous with financial close of debt and tax equity financing, with construction commencing immediately afterward. Debt and tax equity term sheets have already been executed with two commercial banks and a leading tax equity provider. The Project is expected to be funded with a cash equity contribution of approximately \$30m from USF, \$50m in non-recourse bank debt finance and the balance from tax equity. The expected returns from the Project are in line with those anticipated in the Company's investment objective, as set out in its prospectus dated 26 February 2019.

USF will acquire Milford from Longroad Energy Partners, LLC (**Longroad**). The Longroad team has a track record of developing and financing more than 5 gigawatts (**GW**) of utility-scale renewable energy projects since 2004, including more than 1 GW in the state of Utah. For additional information, please see RNS announcement dated 23 July 2019.

The second exclusivity announcement was to acquire a portfolio of utility-scale solar power projects located in North Carolina and Oregon. The projects have a total capacity of approximately $90MW_{DC}$. All have long-term power purchase agreements with investment-grade offtakers with energy delivery expected to commence in 2020. USF expects to acquire the portfolio progressively, as each project reaches a 'construction-ready' stage, with the first four projects expected to commence construction early in the second half of 2019. The Investment Manager is working to progress toward binding acquisition agreement.

USF has now entered exclusive negotiation and/or binding agreement to acquire projects with a combined capacity of over $200MW_{DC}$. These projects are expected to represent a commitment of more than 50% of the available equity from the IPO, which totalled approximately \$196 million.

We look forward to providing more detailed information on the transactions in the next quarterly update.

USF continues to conduct due diligence on opportunities from its pipeline and expects to announce further investments in due course.

KEY FINANCIAL FACTS AT 30 JUNE 2019

Ordinary Shares Issued	200,000,000	
Ticker	USF (\$)	USFP (£)
Share Price	1.025	0.8125
NAV (\$)[1]	196m	
NAV/share (\$)[1]	0.98	
Premium to NAV (\$)[1]	4.6%	
Market Cap (\$)	205m	
Ongoing Charges[1,2]	1.44%	
Target Dividend Yield[3,4]	5.5%	
Next Dividend	Nov-19[5]	
Target Net Total Return[4,6]	Min 7.5%	

[1] Based on the unaudited NAV as at 30 June 2019

[2] The ongoing charges ratio is calculated in accordance with the Association of Investment Companies ("AIC") methodology "The estimated total cost as laid out in the prospectus was 1.35% based on proceeds of \$250 million. As total proceeds of the IPO were \$200 million, this ratio is slightly higher than estimated at IPO.

[3] Once fully operational and on a fully invested and geared basis. An initial target annual dividend of 2-3% on the IPO issue price in respect of the period from listing until 31 March 2020 or, if later, when all the solar power assets are fully operational

[4] The initial target annual dividend yield, target annual dividend yield and target net total return are targets only and are not profit forecasts. There can be no guarantee that these targets will be met and they should not be taken as an indication of the Company's expected or actual future results

[5] First dividend expected to be paid November 2019

[6] Over the life of the solar power assets (expected to have a typical asset life of 30 to 35 years, and potentially up to 40 years) net of all fees and expenses but before tax, on the basis of the IPO issue price once the Company is fully invested

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US Solar Market Update

Q1 2019 was a milestone quarter for the US solar sector and the broader US renewables market. During April, the aggregate capacity of renewable energy sources – hydro, wind, solar, biomass, and geothermal – exceeded coal for the first time and renewable energy generated more energy than coal. During the quarter, 1.6 gigawatt (**GW_{DC}**) of utility-scale solar was installed, representing a 22% increase compared to Q1 2018 and an 86% increase compared to five years prior. The US utility-scale solar market (5 MW_{DC} and above) now has an installed capacity of 39GW_{DC}, approximately seven times the size of the UK utility-scale solar market[1].

A combination of factors has driven this growth. Firstly the economic competitiveness of solar has consistently strengthened due to the continued cost declines of solar equipment. This is evidenced by the fact that voluntary procurement (non-mandated) of utility-scale solar PV has become the primary driver of solar development, accounting for 66% of solar capacity additions in the last 12 months.

Secondly, legislative changes towards favorable state renewable policies continue to expand across the US. Thirty-nine states have implemented either a renewable portfolio standard or a voluntary renewable target and many states continue to improve their existing targets in 2019, including Washington, New Mexico, Maryland, and Nevada.

Thirdly, increased corporate procurement has been driving utility-scale solar growth with a growing number of corporations pledging to use 100% renewable power. This is evidenced by a strong contracted utility-scale solar pipeline, that includes corporate PPAs, totaling 27.7GW_{DC} and a further 51GW_{DC} of announced utility-scale projects as of Q1 2019.

Finally, the growth of solar has been supported by US federal policy. The solar Investment Tax Credit (**ITC**), has been in place since 2006 and will roll off later this year with the first step-down to 26%[2]. While participants in the solar industry are making a case for further extensions to the ITC there has been no indication from the government that this will occur. Importantly, solar is competitive even without the ITC in many parts of the US.

Regardless of whether the ITC is extended or not, USF believes US solar remains a compelling investment opportunity. The industry has grown at an average rate of 52% per year since the ITC was implemented in 2006 and the combination of declining costs and expansion and maturation of the industry indicate that the US solar market is likely to remain an attractive industry in the years to come.

[1] UK utility scale solar includes all installed solar PV with DC capacity of 5MW_{DC}

[2] For projects placed in service before the end of 2023, the ITC is 30%, 26%, or 22% if the projects begin construction in 2019, 2020, or 2021 respectively. For projects placed in service after the end of 2023, the ITC is 10%.

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Fact Sheet

Fund Overview

US Solar Fund plc's investment objective is to provide investors with attractive and sustainable dividends, with an element of capital growth, by investing in a diversified portfolio of solar power assets in North America and other OECD countries in the Americas.

US Solar Fund listed on the LSE in April 2019, following its successful IPO which raised $200m.

The US is a leading global solar market and is expected to experience continued strong growth, largely driven by the improving cost competitiveness of solar PV and supportive state and federal policy schemes.

US Solar Fund is aiming to deliver:

- an annual dividend yield target of 5.5% once all solar power assets acquired with the proceeds from the Initial Placing (**Solar Power Assets**) are operational with an average growth rate of 1.5-2.0% per annum (on a fully invested and geared basis)
- initial target annual dividend yield of 2-3% until all Solar Power Assets are fully operational
- target net total return over the life of the Solar Power Assets of at least 7.5% per annum
- initial proceeds are expected to be invested or committed within six to nine months of listing, with most plants expected to be operational within the following 12 months

US Solar Fund is managed by New Energy Solar Manager (**NESM**). NESM was established in 2015 and also manages New Energy Solar (www.newenergysolar.com.au) which has committed over $800m to 16 solar power projects (14 of which are in the US).

NESM is owned by Walsh & Company, the funds management division of Evans Dixon, an ASX listed company (ASX: ED1) with over A$18 billion of funds under advice and management.

COMPANY INFORMATION

Listing:	London Stock Exchange Premium Segment
SEDOL	BJCWFX4 BHZ6410
ISIN	GB00BJCWFX49
Registered Number:	11761009
Ticker:	LSE: USF ($)/USFP (£)
Dividend Payments:	Quarterly[1]
Financial Year End:	31 December
Website:	www.ussolarfund.co.uk

[1] First dividend expected to be paid November 2019

CORPORATE CALENDAR

Q2 NAV and Trading Update	September 2019
Q3 Dividend, NAV and Trading Update	November 2019
Company Financial Year End	December 2019
Annual Dividend, NAV and Trading Update	March 2020
Annual General Meeting	May 2020
Q1 Dividend, NAV and Trading Update	May 2020
Company Financial Half-Year	June 2020

DISCLAIMER

This Quarterly Update (Update) has been prepared by the Investment Manager (New Energy Solar Manager Pty Limited) of US Solar Fund. An investment in US Solar Fund is subject to various risks, many of which are beyond the control of its Investment Manager. The past performance of US Solar Fund is not a guarantee of its future performance. This Update contains statements, opinions, projections, forecasts and other material (forward-looking statements), based on various assumptions. Those assumptions may or may not prove to be correct. Neither the Investment Manager nor US Solar Fund, their respective officers, employees, agents, analysts or advisers nor any other person named in this Update makes any representation as to the accuracy or likelihood of fulfillment of the forward-looking statements or any of the assumptions upon which they are based. Unless otherwise specified, all references to currency are to US dollars.