

**US Solar**  
Fund

# US Solar Fund AGM Update

June 2020



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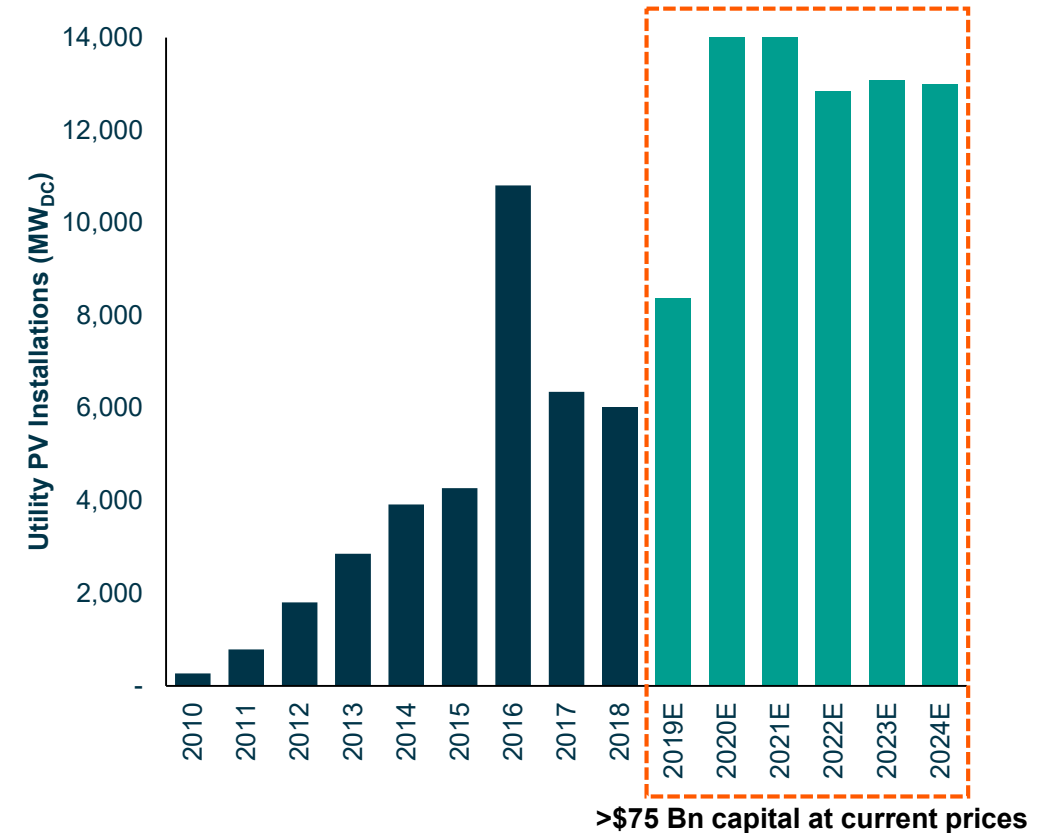
# The Investment Opportunity



## Invest in solar power and generate attractive risk-adjusted returns

- 1 Compelling asset class:** Solar power generation is a rapidly growing infrastructure investment opportunity in the US. At current prices, forecast build over the next six years requires over US\$75Bn of capital
- 2 Attractive risk adjusted returns:** Target dividend of 5.5% with growth potential, and net project-life equity IRR of >7.5% p.a. from a portfolio of utility-scale projects with long-term offtake contracts with strong counterparties
- 3 Uncorrelated, low volatility cashflows:** Stable US\$ project cashflows during the contracted term with a low correlation with the UK solar market and FTSE100
- 4 Large, high quality pipeline:** Access to \$2.8Bn (unlevered equity) pipeline of US opportunities originated by the Investment Manager at 1 June 2020
- 5 Market leading investment manager:** NESM manages two listed global solar power investment funds, US Solar Fund and New Energy Solar, which combined has committed approximately US\$1.3Bn to 57 acquired projects totaling 1.2 GW<sub>DC</sub>

US Solar Market Growth



# USF Today



## USF is on track to achieve its IPO operational and dividend targets and is well-positioned in current environment

- IPO proceeds are approximately 85% invested and fully committed to further acquisitions or refinancing of Acquisition Four
- USF's acquired portfolio consists of 41 projects with total capacity of 443 MW<sub>DC</sub>. All are on target to be operating by the end of 2020
- More than 60%<sup>1</sup> of the acquired portfolio is fully operational and construction of the remainder is progressing to the expected timeline
- All debt and tax equity financing required for construction and operations of the acquired 443 MW<sub>DC</sub> is in-place
- USF's long-term PPAs provide long-term price, volume, and cashflow stability and the Company does not expect COVID-19 to materially impact construction timelines or operating cashflows
- The Company is in a strong position to commence the full 5.5% (annualized) dividend from Q1 2021 in line with the target set out at IPO
- The Company and New Energy Solar Manager (the Investment Manager) are working together to protect the welfare of employees, contractors, and other stakeholders while ensuring operational and construction milestones are met



1. By MW<sub>DC</sub>. Includes Acquisition Five with four projects that have reached mechanical completion. All are expected to reach COD by end of July 2020





# USF Portfolio Summary



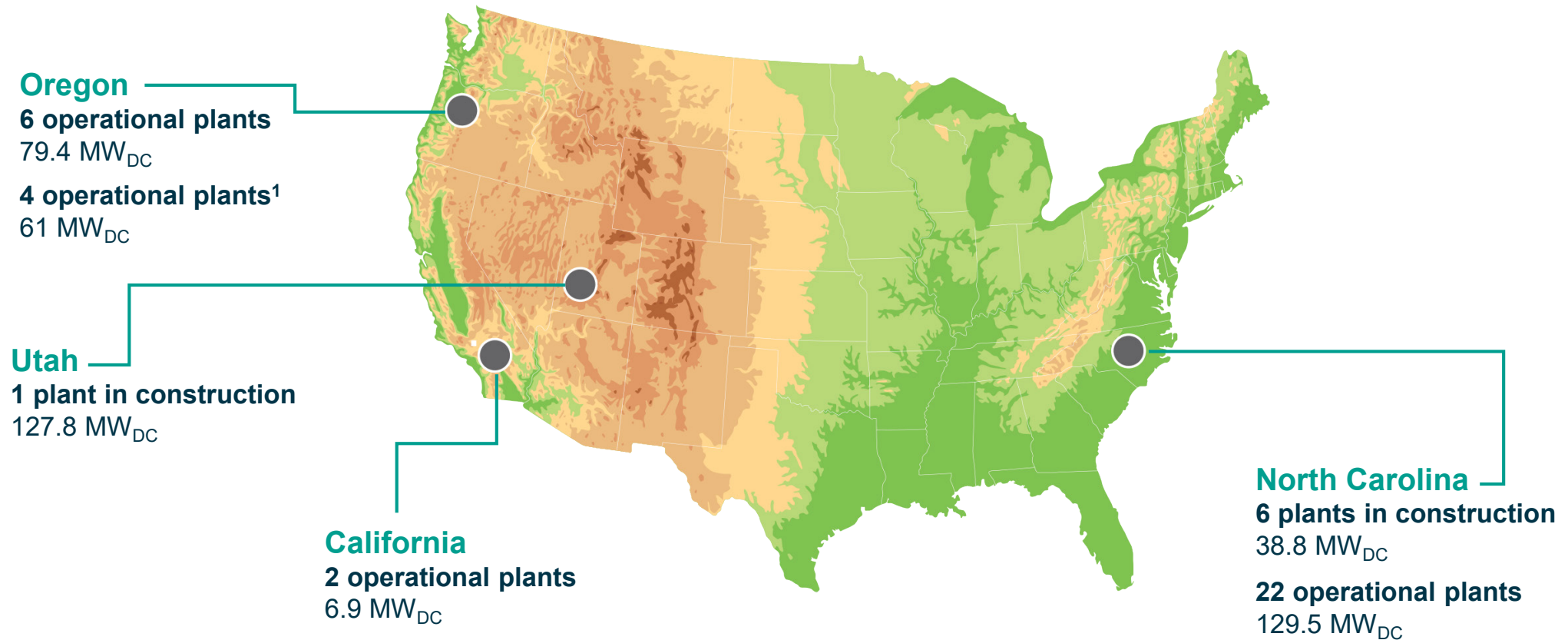
Acquisition Four : 7 MW<sub>DC</sub> North Carolina Project



# USF Portfolio: Diversified Across Four States



The Fund's acquired portfolio includes 41 solar plants totaling over 443 MW<sub>DC</sub>



1. All projects have reached mechanical completion. Expect all four projects to reach COD by end July 2020

# USF Fully Operational by Year-End 2020



**More than 60%<sup>1</sup> of USF's acquired portfolio is already operational and construction of the remainder is progressing to the expected timeline**

- USF's acquired portfolio consists of 41 projects with total capacity of 443 MW<sub>DC</sub>
  - Seven projects totaling 167 MW<sub>DC</sub> are currently in-construction (Acquisition One in Utah and Acquisition Two in North Carolina); these seven projects are expected to be completed over the course of 2020, consistent with announced target completion dates
  - Four projects totalling 61 MW<sub>DC</sub> in Oregon are mechanically complete (Acquisition Five) and expected to reach COD by end July 2020
  - 30 projects totalling 216 MW<sub>DC</sub> are fully operational (Acquisition Three in North Carolina and Acquisition Four in North Carolina, Oregon, and California)

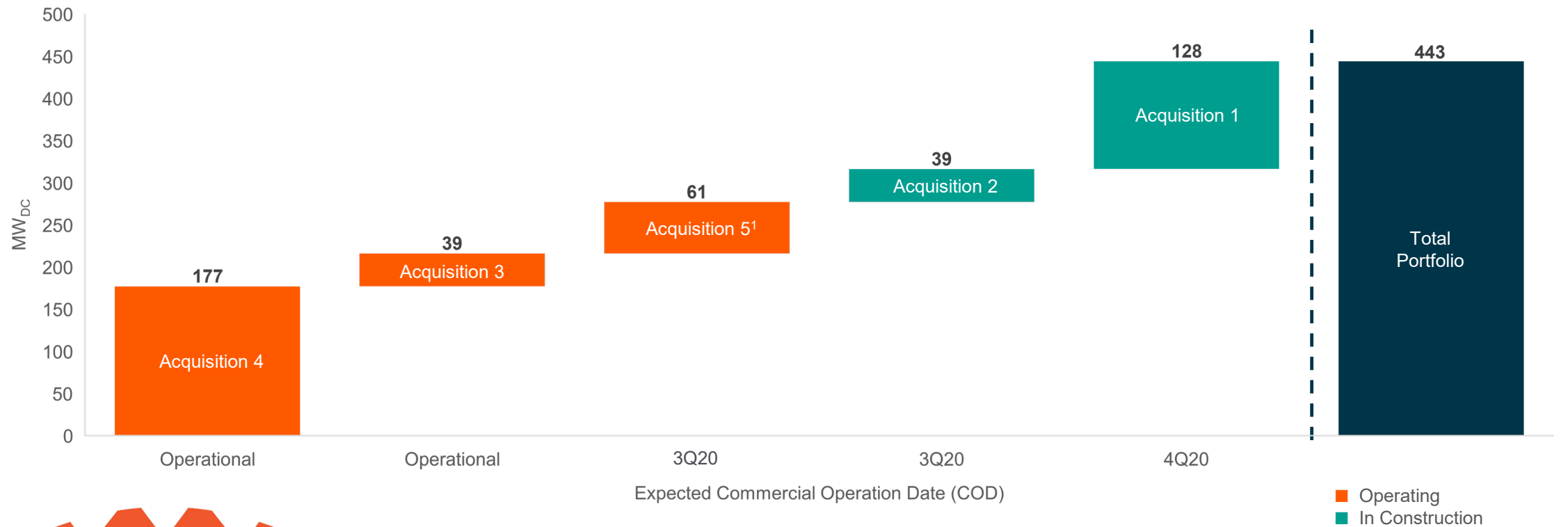


1. Includes Acquisition Five which has reached mechanical completion. All four projects expected to reach COD by end of July 2020. Based on MW<sub>DC</sub>

# Portfolio Timing



USF has acquired 443 MW<sub>DC</sub> across five acquisitions



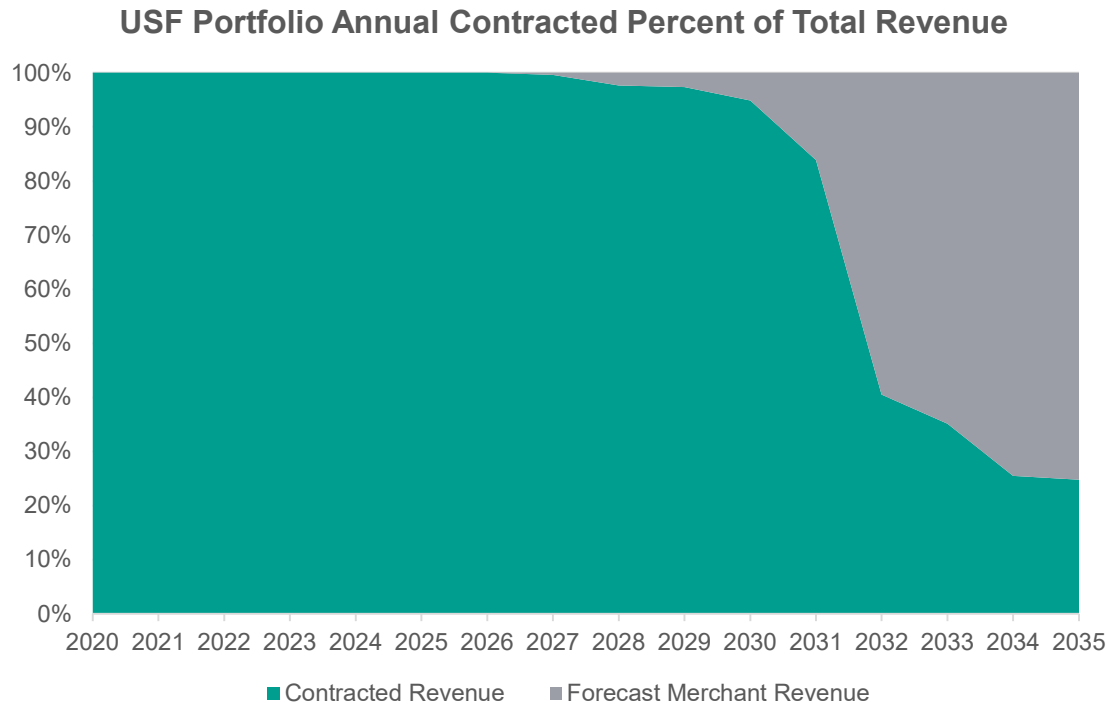
1. All projects have reached mechanical completion. Expect all four projects to reach COD by end July 2020



# Highly Contracted Cash Flows



USF's revenues are 100% contracted for a weighted average period of 15 years<sup>1</sup>



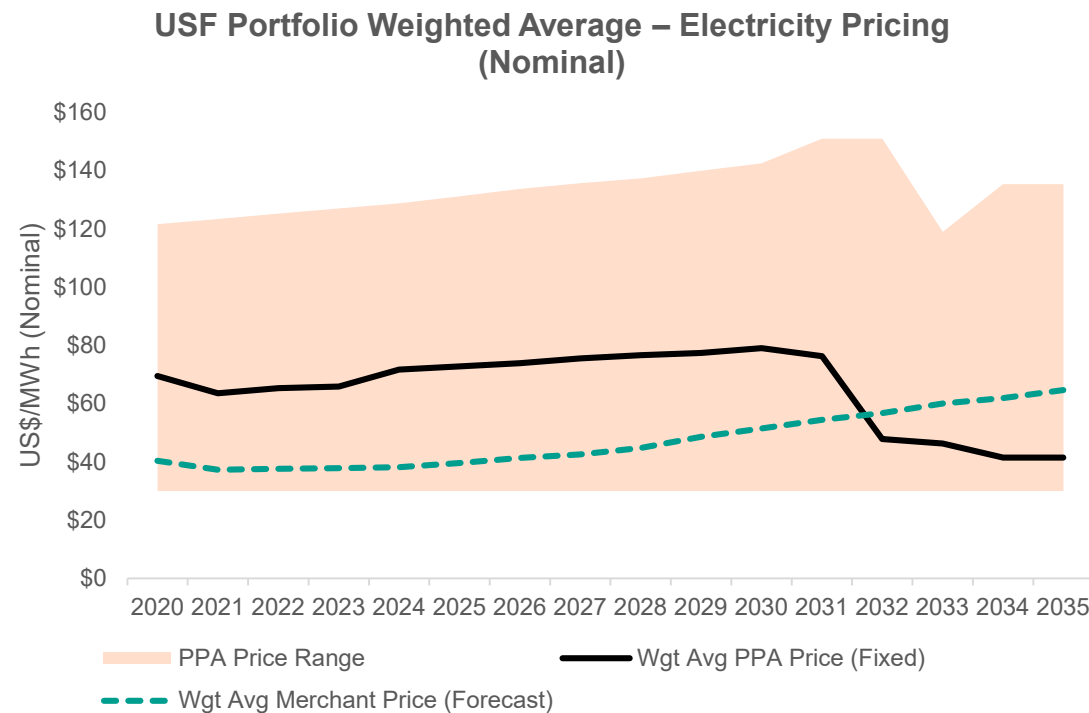
- Shutdowns and disruptions to business operations from COVID-19 have resulted in a reduction in electricity demand, which could put downward pressure on near-term merchant electricity prices
- However, all USF portfolio projects have fixed price PPAs for 100% of electricity generated for the duration of the contract
  - Weighted average PPA term remaining of 15 years before exposure to merchant electricity
  - PPA counterparties for USF assets are investment grade (S&P rated A to BBB+)
  - Steady reliable cashflows put USF in a strong position to pay the IPO target yield of 5.5% once assets are fully operational at the end of 2020

1. Weighted by MW<sub>DC</sub>

# PPA Structures Support Stable Dividends



**USF's PPA prices are fixed at or before acquisition so revenues are predictable during the contract term**



- As of April 16, 2020, 32 companies in the FTSE 100 have announced either a cut, suspension, or deferment of their dividend payment. These cuts are likely driven by decreases in underlying revenue<sup>1</sup>
- With all PPAs in the portfolio containing prices that are fixed at or before acquisition (on a fixed or escalating basis), USF is in a strong position to consistently deliver dividends despite market volatility
- With more than 50% of the portfolio already operational, USF is well-placed to cash cover the remaining 2-3% ramp-up dividend, and with 100% of the portfolio expected to be operational by the end of 2020, **USF is in a strong position to commence and fully cash cover the 5.5% annualized dividend from Q1 2021**

1. <https://www.moneyobserver.com/news/just-handful-companies-are-responsible-ftse-100s-dividend-yield-putting-income-investors>

# Coronavirus Market Impacts on USF Portfolio



## USF's assets are well-positioned relative to COVID-19 impacts

Potential Impact	Comment / Mitigation
<ul style="list-style-type: none"><li>Short term spot price of electricity falling from reduced electricity demand</li></ul>	<ul style="list-style-type: none"><li>100% of USF's cashflows are contracted under long term power purchase agreements with an average remaining term of 15 years<sup>1</sup></li></ul>
<ul style="list-style-type: none"><li>Offtaker curtailment of electricity delivery across certain power markets</li></ul>	<ul style="list-style-type: none"><li>USF's projects have contractual protections and are geographically diverse resulting in minimal risk of curtailment</li></ul>
<ul style="list-style-type: none"><li>Solar construction disruptions</li></ul>	<ul style="list-style-type: none"><li>USF's in-construction projects are well progressed with the remainder of work not requiring personnel to work at close distance</li></ul>
<ul style="list-style-type: none"><li>Supply chain disruptions</li></ul>	<ul style="list-style-type: none"><li>Majority of materials required for in-construction projects have been delivered onsite or are scheduled to be delivered on time</li></ul>
<ul style="list-style-type: none"><li>Slowdown in demand for solar installation</li></ul>	<ul style="list-style-type: none"><li>Robust pipeline of opportunities including 2,888 MW<sub>DC</sub> of assets with a cash equity value of \$2.8 billion as at 1 June 2020</li></ul>
<ul style="list-style-type: none"><li>Increased cost of financing and/or reduced liquidity in debt and tax equity financing markets</li></ul>	<ul style="list-style-type: none"><li>Construction finance is in place for Acquisition One and will convert to committed long-term financing upon operations</li><li>Acquisitions Two and Three are fully equity funded (i.e. unlevered)</li><li>Long-term financing is in place for Acquisition Four and refinancing will only proceed when satisfactory terms are available (existing debt does not mature until after 2030)</li><li>Tax equity financing is already fully committed or funded for Acquisitions One to Four</li><li>Acquisition Five debt and tax equity were agreed and signed in May 2020 at the time of close</li></ul>

1. Weighted by MW<sub>DC</sub>

# USF's Operating Assets



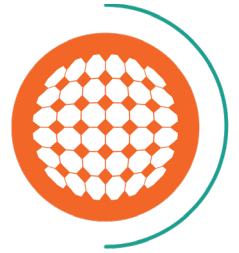
**USF's 276 MW<sub>DC</sub> of operating assets are operating well and have had minimal COVID-19 impact**

	Acquisition Three	Acquisition Four	Acquisition Five
Size and Location	<ul style="list-style-type: none"> <li>39 MW<sub>DC</sub> across eight projects in North Carolina</li> </ul>	<ul style="list-style-type: none"> <li>177 MW<sub>DC</sub> across 22 projects in Oregon, North Carolina and California</li> </ul>	<ul style="list-style-type: none"> <li>61 MW<sub>DC</sub> across four projects in Oregon</li> </ul>
Acquired	<ul style="list-style-type: none"> <li>December 31, 2019 (five projects)</li> <li>January 10, 2020 (three projects)</li> </ul>	<ul style="list-style-type: none"> <li>March 12, 2020</li> </ul>	<ul style="list-style-type: none"> <li>May 28, 2020</li> </ul>
Offtaker	<ul style="list-style-type: none"> <li>Subsidiaries of Duke Energy (S&amp;P A-rated), one of the largest electric power holding companies in the US, providing electricity to 7.7 million retail customers in six states</li> </ul>	<ul style="list-style-type: none"> <li>Duke Energy Progress, Duke Energy Carolinas, PacifiCorp, Virginia Electric &amp; Power, San Diego Gas &amp; Electric, North Carolina Electric</li> <li>S&amp;P ratings: from BBB+ to A</li> </ul>	<ul style="list-style-type: none"> <li>Portland General Electric (S&amp;P BBB+ rated), an Oregon-based utility servicing 1.9 million customers in and around Portland</li> </ul>
Volume Contracted	<ul style="list-style-type: none"> <li>100% of electricity generated</li> </ul>	<ul style="list-style-type: none"> <li>100% of electricity generated</li> </ul>	<ul style="list-style-type: none"> <li>100% of electricity generated</li> </ul>
Weighted Average PPA Remaining	<ul style="list-style-type: none"> <li>10 years</li> </ul>	<ul style="list-style-type: none"> <li>12 years</li> </ul>	<ul style="list-style-type: none"> <li>11 years</li> </ul>
Performance Since Acquisition	<ul style="list-style-type: none"> <li>Since acquisition, the portfolio has performed at 100% of weather-adjusted forecast</li> </ul>	<ul style="list-style-type: none"> <li>Portfolio availability since acquisition is meeting expectations. Full production data will be available next quarter (Q2 2020)</li> </ul>	<ul style="list-style-type: none"> <li>All projects are mechanically complete and expected to reach COD by end July 2020</li> </ul>





# USF's In-Construction Assets



**In-construction assets totaling 167 MW<sub>DC</sub> are progressing well and remain on target for completion by year-end**

	Acquisition One	Acquisition Two
Size and Location	<ul style="list-style-type: none"><li>128 MW<sub>DC</sub> project in Utah</li></ul>	<ul style="list-style-type: none"><li>39 MW<sub>DC</sub> across 6 projects in North Carolina</li></ul>
Acquired	<ul style="list-style-type: none"><li>September 2, 2019</li></ul>	<ul style="list-style-type: none"><li>December 23, 2019</li></ul>
Offtaker	<ul style="list-style-type: none"><li>PacifiCorp (S&amp;P rating: A), a wholly owned subsidiary of Berkshire Hathaway Energy, is a US electric power company that primarily operates regulated utilities with a service territory across the US states of Oregon, Washington, California, Utah, Idaho and Wyoming</li></ul>	<ul style="list-style-type: none"><li>Subsidiaries of Duke Energy (S&amp;P A- rated), one of the largest electric power holding companies in the US, providing electricity to 7.7 million retail customers in six states</li></ul>
Volume Contracted	<ul style="list-style-type: none"><li>100% of electricity generated</li></ul>	<ul style="list-style-type: none"><li>100% of electricity generated</li></ul>
Weighted Average PPA Remaining	<ul style="list-style-type: none"><li>25 years</li></ul>	<ul style="list-style-type: none"><li>13 years</li></ul>
Current Status	<ul style="list-style-type: none"><li>On track for COD in H2 2020. While most construction materials have already been delivered to site or are already in the US, procurement managers continue to closely track the delivery of remaining items sourced overseas and does not expect components to arrive later than scheduled</li></ul>	<ul style="list-style-type: none"><li>The vast majority of the materials required for construction are either on site or have been procured from various international suppliers overseas. While a few items are slightly delayed, they are not expected to impact completion targets</li></ul>



# Conclusion



**USF is well-positioned in the current market: operating assets performing well and portfolio is on track to be fully operational by year-end with strong contracted cashflows**

- USF's portfolio has PPAs that contract a fixed price for 100% of the electricity produced for the duration of the contract; counterparties are investment grade (S&P rated A to BBB+)
- USF's portfolio is 60% operational and remainder is on target for operations during 2020
- Fully operational target dates are in line with IPO expectations as described in the Prospectus dated February 26, 2019, and USF expects to ramp-up to the full 5.5% dividend in Q1 2021, also in line with Prospectus targets
- There has been limited COVID-19 impact to date; the Investment Manager is closely monitoring well-developed contingency plans in order to mitigate potential impact
- The US Solar market continues growing with >\$75 billion expected to be required for next five years of installations
- Investment Manager has a robust pipeline of opportunities including 2,888 MW<sub>DC</sub> of assets with a cash equity value of \$2.8 billion as at 1 June 2020

**By the end of 2020 USF expects to have a fully operational 443 MW<sub>DC</sub> portfolio with a weighted average investment-grade PPA term of 15 years**

