



Attractive and sustainable returns from US solar power

First Quarter Update

APRIL 2020 UPDATE (AFTER QUARTER-END)

In April, US Solar Fund (**USF** or **the Company**) released an update to the market, covering operating and in-construction assets as well as commentary on cashflow stability and dividend. Highlights include:

- USF's long-term power purchase agreements (**PPA**) provide long-term price, volume, and cashflow stability and the Company does not expect COVID-19 to materially impact construction timelines or operating cashflows.
- USF's acquired portfolio consists of 37 projects with total capacity of 382 MW_{DC}. A further four projects totaling 61 MW_{DC} are under exclusivity. All are on target to be operating by the end of 2020.
- More than 55% (by MW_{DC}) 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 382 MW_{DC} is in-place, and USF's acquisition of the further 61 MW_{DC} is subject to debt and tax equity financing being in place.
- The Company is in a strong position to commence the full 5.5% (annualised) 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.

USF Quarter Highlights

- **COVID-19 Impact:** To date there is no direct impact on day to day operations of operational assets. USF's in-construction assets are well-progressed with the remainder of work not requiring personnel to work at close distance.
- **Third Acquisition:** In January, USF announced the financial close on 39 MW_{DC} across eight operating projects from Greenbacker Renewable Energy Company LLC (**Greenbacker**), committing \$36 million of equity.
- **Fourth Acquisition and Commitment of IPO Proceeds:** In January, USF announced a binding acquisition agreement with affiliates of Heelstone Renewable Energy LLC (**Heelstone**) to acquire a 177 MW_{DC} portfolio of 22 operating projects located in North Carolina, Oregon and California. Including a potential refinancing of the acquisition, this transaction marked commitment of the IPO proceeds. In March, the acquisition reached financial close, bringing the portfolio to 55% operating (by MW_{DC}). Any refinancing is at the option of the Company.
- **Potential Fifth Acquisition:** In February, USF entered exclusivity with Southern Current LLC (**Southern Current**), for a 61 MW_{DC} in-construction portfolio in Oregon.
- **Pipeline Update:** As of 31 March 2020, the Investment Manager's pipeline (**Pipeline**) included 2,133 MW_{DC} of assets with a cash equity value of \$2.1 billion and a weighted-average PPA term of 15 years.
- **Fraud Resolution:** At the end of January, the Investment Manager, was the victim of a fraud. The Company has now fully recovered the \$6.9 million. There is no impact on the Company's Net Asset Value (**NAV**), and no impact to the relevant construction schedules or budgets.

- **Dividend:** USF announced its third dividend of 0.50 cents per ordinary share for the period ended 31 December 2019 (to be paid on 22 May 2020). This represents an annualised dividend yield of 2% when measured against the initial issue price of \$1 per share.

To date, COVID-19 has had no direct impact on operations of USF's operational assets. Electricity generation, including solar, meets the definition of essential services in most of the US. As such, the Investment Manager believes that while people are mandated to stay at home, USF's plants will continue running and service personnel will be permitted to travel to site to conduct work as needed. Seven of the 37 projects in the portfolio are currently in construction. Although there has been little interruption to business to date, the Investment Manager continues to work closely with all relevant stakeholders to ensure that preventative measures are in place.

During the quarter, USF closed its third and fourth acquisitions, announcing full commitment of the IPO proceeds.

The third acquisition of eight operating utility-scale solar power projects totaling 39 MW_{DC} reached financial close in January. The projects commenced operations between 2012 and 2015 and all are selling 100% of their electricity output under fixed-price PPAs with subsidiaries of Duke Energy (S&P rating: A-).

In March, USF announced it had reached financial close with Heelstone for a portfolio of 22 operating assets in North Carolina, Oregon and California. The assets commenced operations between 2016 and 2018 and sell 100% of their electricity output under fixed price long-term PPAs to a variety of investment grade off-takers (S&P ratings ranging from BBB+ to A). The PPAs have a weighted-average term remaining of 11.7 years at 31 March 2020.

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Acquisition Four combined with the three previously announced transactions represent a total commitment of approximately 70% of the net IPO proceeds. At the time of closing Acquisition Four, USF also announced the intention to use the remaining 30% of the net IPO proceeds to refinance the existing project level debt with a new, smaller debt facility on more attractive terms resulting in lower portfolio gearing and improved returns.

Subsequent to Acquisition Four, USF entered exclusivity with Southern Current, a leading US solar developer, for a potential fifth acquisition. It is an approximately 61 MW_{DC} utility-scale solar power portfolio consisting of four in-construction projects. USF is currently working towards a binding agreement for the transaction and expects to sign and complete the acquisition during the first half of 2020.

Should the transaction proceed to a binding commitment, USF will fund the equity purchase price with available cash from the approximately 30% of IPO proceeds left available before the potential refinancing of Acquisition Four. This potential fifth acquisition would bring the portfolio to over 443 MW_{DC} across 41 projects and with a weighted-average investment-grade PPA term of 15 years as at the end of 2020.

USF continues to evaluate new investment opportunities and is considering putting an acquisition facility in place to fund future acquisitions. COVID-19 has, to date, had minimal impact on the potential acquisition Pipeline, however, the Investment Manager is cautious of the possible slowdown in business activity over the next quarter due to the challenging macroeconomic environment. As of 31 March, the Pipeline included 2,133 MW_{DC} of assets with a cash equity value of \$2.1 billion and a weighted-average PPA term of 15 years. At 31 December 2019, the Pipeline stood at 2,036 MW_{DC} of assets with a cash equity value of \$1.9 billion and a weighted-average PPA term of 14 years.

At the end of January, the Investment Manager, was the victim of a fraud. The Company has now fully recovered the \$6.9 million. There is no impact on the Company's NAV, and no impact to the relevant construction schedules or budgets.

Immediately following the fraud, with the full support of the Board, the Investment Manager appointed a major accountancy firm to review the financial controls and processes at the Investment Manager.

The review was completed during the quarter and, although it identified no material deficiencies, the Investment Manager is well progressed in implementing the enhancements to its financial controls and processes suggested by the accounting firm.

USF announced its third dividend of 0.50 cents per ordinary share for the period ending 31 December 2019. This dividend will be paid on 22 May 2020 to shareholders on the register as at the close of business on 1 May 2020.

US Solar Market Update

Q1 2020 UTILITY-SCALE SOLAR MARKET UPDATE¹

The US utility-scale solar photovoltaic (PV) market finished 2019 with the strongest quarter of installations since 2016, with 4.4 GW_{DC} of capacity installed. This brought total installed capacity in 2019 to 8.4GW_{DC} (up 37% from 2018).

The 4.4 GW_{DC} of utility-scale PV installed in the US over the quarter, represents:

- a 51% increase compared to Q4 2019;
- a 194% increase compared to Q4 five years prior, and;
- a 23% year on year cumulative capacity growth.

Figure 2: US utility-scale PV capacity installed by quarter¹



Over the course of 2019, 30.2GW_{DC} was added to the contracted pipeline (the total capacity of solar with a PPA signed) for utility-scale PV solar, bringing the total pipeline to 49.2 MW_{DC}. The pipeline has continued to expand to all-time highs, primarily driven by developers looking to secure projects by 2019 to qualify for the 30% ITC².

Over the course of 2019, the proportion of utility-scale solar PV PPAs driven by renewable portfolio standards (RPS) has increased, as more states announced new RPS or zero carbon targets. Although the RPS market share of new procurement continues to grow, voluntary procurement remains the largest driver of utility-scale solar PV projects in the US accounting for 51% of 2019 procurement. Corporate procurement, which accounted for 20% of new procurement in 2019, will likely be the segment most impacted by COVID-19 in 2020. Although solar PPAs may realise savings for many buyers, companies under financial pressure might be more focused on operationally critical activities than renewable energy procurement.

During 2019, US solar PV accounted for almost 40% of all new electricity-generation capacity added. This not only represents the largest share of new capacity additions in 2019 when comparing to other technologies such

¹ Wood Mackenzie/SEIA Q1 2020 U.S. Solar Market Insight®. The Q1 2020 report provides data through Q4 2019.

² The ITC begins to phase-down after 2019, stepping down to 26%, 22% and 10% in annual increments and remaining at 10% from the end of 2022.

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as natural gas, coal and wind, but it is also solar PV's highest-ever share of new U.S. electricity-generating capacity additions. When comparing US utility-scale solar PV to the broader US solar market, utility-scale PV installations remained the largest share of total solar PV installed capacity with 63% of all capacity installed over the year.

Looking forward, 83.2 GW_{DC} of utility-scale PV is expected to be installed in the US from 2020 to 2025, more than double the total utility-scale PV installed over the last five years. The strong demand for utility-scale PV continues to be sustained by the economic cost-competitiveness of utility-scale solar PV and the increasing number of states and utilities pledging carbon reduction or renewable energy targets. Despite wide expectation of COVID-19 related delays in the US utility-scale solar PV market, there have been no reports of contracted project cancellations to date. Wood Mackenzie has forecasted 2020 procurement levels to remain strong but has cautiously reduced forecasts from 2019 levels given the current economic uncertainty.

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 \$200 million.

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 IPO are operational with an average growth rate of 1.5-2.0% per annum (on a fully invested and geared basis). The Company is in a strong position to commence the full 5.5% (annualised) dividend from Q1 2021 in line with the targets set out at IPO
- 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 invested or committed within six to nine months of Admission, 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 \$800 million 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\$20 billion of funds under advice and management.

KEY FINANCIAL FACTS AT 31 MARCH 2020

Ordinary Shares Issued	200,092,323	
Ticker	USF (\$)	USFP (£)
Share Price	0.90	0.7150
NAV (\$) ³	193m	
NAV/share (\$) ³	0.96	
Discount to NAV ³	6.6%	
Market Cap (\$)	180m	
Ongoing Charges ⁴	1.50%	
Target Dividend Yield ^{5,6}	5.5%	
Next Dividend	22 May 2020	
Target Net Total Return ^{6,7}	Min 7.5%	

COMPANY INFORMATION

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

³ Based on the unaudited NAV as at 31 March 2020.

⁴ 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.

⁵ 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.

⁶ 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.

⁷ Per annum, 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.

Fact Sheet

Portfolio Overview

Status	Acquisition Portfolio	Asset	Capacity (MW _{DC})	Location	Acquisition Date	Energy Offtaker	Offtaker Credit Rating ⁸	Remaining PPA Length (Years)	COD ⁹
●	One	Milford	127.8	Utah	Aug 19	PacifiCorp	S&P: A	25.0	Nov 20
●	Two	Benson	5.7	North Carolina	Dec 19	Duke Energy	S&P: A-	13.1	Aug 20
●	Two	Eagle Solar	5.6	North Carolina	Dec 19	Duke Energy	S&P: A-	13.1	Aug 20
●	Two	Lane II	7.5	North Carolina	Dec 19	Duke Energy	S&P: A-	13.2	Jul 20
●	Two	Pilot Mountain	7.5	North Carolina	Dec 19	Duke Energy	S&P: A-	13.1	Aug 20
●	Two	Tate	6.5	North Carolina	Dec 19	Duke Energy	S&P: A-	13.2	Jul 20
●	Two	Willard	6.0	North Carolina	Dec 19	Duke Energy	S&P: A-	13.1	Aug 20
●	Five	Potential Acquisition	61.0	Oregon	Pending	Portland General Electric	S&P: BBB+	11.4	Q2 20
Construction Total			227.6					19.3¹⁰	
●	Three	Faison	2.3	North Carolina	Dec 19	Duke Energy	S&P: A-	10.0	Jun 15
●	Three	Four Oaks	6.5	North Carolina	Dec 19	Duke Energy	S&P: A-	10.6	Oct 15
●	Three	Nitro	6.2	North Carolina	Dec 19	Duke Energy	S&P: A-	9.7	Jul 15
●	Three	Princeton	6.5	North Carolina	Dec 19	Duke Energy	S&P: A-	10.5	Oct 15
●	Three	Sarah	6.3	North Carolina	Dec 19	Duke Energy	S&P: A-	10.2	Jun 15
●	Three	S. Robeson	6.3	North Carolina	Jan 20	Duke Energy	S&P: A-	7.3	Jul 12
●	Three	Progress 1	2.5	North Carolina	Jan 20	Duke Energy	S&P: A-	12.0	Apr 12
●	Three	Progress 2	2.5	North Carolina	Jan 20	Duke Energy	S&P: A-	7.8	Apr 13
●	Four	County Home	2.6	North Carolina	Jan 20	Duke Energy	S&P: A-	11.4	Sep 16
●	Four	Mariposa	6.4	North Carolina	Jan 20	Duke Energy	S&P: A-	11.5	Sep 16
●	Four	Freemont	6.4	North Carolina	Jan 20	Duke Energy	S&P: A-	11.4	Dec 16
●	Four	Sonne Two	7.0	North Carolina	Jan 20	Duke Energy	S&P: A-	11.4	Dec 16
●	Four	Cotten	6.8	North Carolina	Jan 20	Duke Energy	S&P: A-	11.6	Nov 16
●	Four	Monroe Moore	6.6	North Carolina	Jan 20	Duke Energy	S&P: A-	11.4	Dec 16
●	Four	Red Oak	6.9	North Carolina	Jan 20	Duke Energy	S&P: A-	11.7	Dec 16
●	Four	Schell	6.9	North Carolina	Jan 20	Virginia Electric & Power	S&P: BBB+	11.7	Dec 16
●	Four	Sedberry	6.2	North Carolina	Jan 20	Duke Energy	S&P: A-	11.4	Dec 16
●	Four	Siler 421	6.9	North Carolina	Jan 20	Duke Energy	S&P: A-	11.4	Dec 16
●	Four	Tiburon	6.7	North Carolina	Jan 20	Duke Energy	S&P: A-	11.4	Dec 16
●	Four	Granger	3.9	California	Jan 20	San Diego Gas & Electric	S&P: BBB+	16.5	Sep 16
●	Four	Valley Center	3.0	California	Jan 20	San Diego Gas & Electric	S&P: BBB+	16.7	Dec 16
●	Four	Turkey Hill	13.2	Oregon	Jan 20	PacifiCorp	S&P: A	11.6	Dec 17
●	Four	Merrill	10.5	Oregon	Jan 20	PacifiCorp	S&P: A	11.6	Jan 18
●	Four	Lakeview	13.7	Oregon	Jan 20	PacifiCorp	S&P: A	11.6	Dec 17
●	Four	Dairy	14.0	Oregon	Jan 20	PacifiCorp	S&P: A	11.6	Mar 18
●	Four	Chiloquin	14.0	Oregon	Jan 20	PacifiCorp	S&P: A	11.7	Dec 17
●	Four	Tumbleweed	14.0	Oregon	Jan 20	PacifiCorp	S&P: A	11.7	Dec 17
●	Four	Davis Lane	7.0	North Carolina	Jan 20	Virginia Electric & Power	S&P: BBB+	12.8	Dec 17
●	Four	Jersey	7.0	North Carolina	Jan 20	North Carolina Electric	S&P: A-	7.7	Dec 17
●	Four	Gauss	7.0	North Carolina	Jan 20	Virginia Electric & Power	S&P: BBB+	13.4	Oct 18
Operational Total			215.8					11.4¹⁰	
Portfolio Total			443.4					15.5¹⁰	

⁸ Bloomberg as of 8 May 2020.

⁹ Commercial Operation Date, dates italicised indicate estimated dates.

¹⁰ Capacity weighted average remaining PPA term as at 31 March 2020.

KEY ● Operational ● Under construction

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CORPORATE CALENDAR

Dividend, NAV and Trading Update	May 2020
Annual General Meeting	June 2020
Company Financial Half-Year	June 2020
NAV and Trading Update	August 2020
Dividend, NAV and Trading Update	November 2020
Company Financial Year End	December 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.