



**Attractive and sustainable returns from US solar power**



# First Quarter Update

## CAPITAL RAISING (COMPLETED AFTER QUARTER-END)

On 7 May 2021, US Solar Fund (**USF** or the **Company**) announced it had raised gross proceeds of \$132 million in its initial issue from its 12 month Placing Programme announced in April 2021. This was significantly ahead of its \$105 million stated target with strong support from both existing and new investors. The proceeds will be put toward immediate capital management and growth opportunities, resulting in increased dividend cover and NAV accretion.

## USF Quarter Highlights

- **Sixth acquisition:** On 29 March 2021 USF announced the completion of a 25% interest in a 200MW<sub>DC</sub> operating solar plant located in the Imperial Valley of Southern California, Mount Signal 2 (**MS2**). This acquisition increases USF's total portfolio to 493MW<sub>DC</sub> of fully operational assets. USF has the option to acquire a further 25% interest in the following 12 months.
- **Portfolio performance:** The portfolio performed close to expectations, with actual production 0.5% below weather-adjusted expectations (budget adjusted for actual weather experienced) and 1.8% below budget expectations. USF's largest project, the 128MW<sub>DC</sub> Utah project (**Milford**), continues to perform well above expectations while further heavy snowfall in Oregon and the progressive rectification of inverter issues in North Carolina during the quarter resulted in the slight underperformance.
- **NAV:** Unaudited NAV at 31 March 2021 was \$194.4 million or \$0.971 per ordinary share, a 0.1% increase from the 31 December 2020 NAV of \$194.2 million or \$0.970 per ordinary share.
- **Contracted cashflows:** All assets in the portfolio have power purchase agreements (**PPAs**) with contracted prices for 100% of electricity generated. The portfolio weighted average PPA term is 15.1 years as at 31 March 2021, and all PPA counterparties are investment-grade (S&P rated A to BBB).
- **Dividend:** The Company announced its fourth dividend for the 2020 financial year (for 4Q20) of 0.50 cents per ordinary share, paid on 12 April 2021. This brings the total dividend for FY20 to 2.0 cents per ordinary share. USF confirms its 2021 annual dividend target of 5.5 cents per ordinary share which will continue to be paid quarterly and which is expected to be covered with operating cash flows.
- **Dividend cover:** Dividend cover for the six months ended 31 March 2021 was 2.38x. This reflects the first six-month period in which all projects acquired with the IPO proceeds were, or became, operational.

- **Pipeline:** As of 31 March 2021, the Investment Manager's pipeline (**Pipeline**) included 2,975MW<sub>DC</sub> of high-quality assets, with an aggregate value of approximately \$2.9 billion in cash equity value and a weighted-average PPA term of 15 years.
- **COVID-19 Impact:** COVID-19 had no material impact on USF's operating activities during the quarter.

## CAPITAL RAISING

After the end of the quarter, USF announced it was seeking to raise \$105 million by issuing new Ordinary Shares under a Placing Programme. The raising closed on 7 May 2021, oversubscribed. Taking into account the proposed use of proceeds, the Company decided to increase the size of the Initial Issue from \$105 million to \$132 million. The proceeds are expected to be used as follows:

- approximately \$90 million for the refinancing of the 177MW<sub>DC</sub> Heelstone Portfolio for the Company, reducing the cost and quantum of gearing;
- approximately \$22 million for the acquisition of a further 25% interest in Mount Signal 2, a 200MW<sub>DC</sub> operating solar plant located in the Imperial Valley of Southern California, bringing the Company's total ownership of the asset to 50%;
- approximately \$8 million to repay existing drawings under the Company's revolving credit facility; and
- the balance to be retained as working capital or for subsequent investments consistent with the Company's Investment Policy.

The above uses are expected to be NAV accretive, benefitting the Company by reducing gearing, enhancing dividend coverage, and increasing the size and diversification of USF and its portfolio.

# First Quarter Update

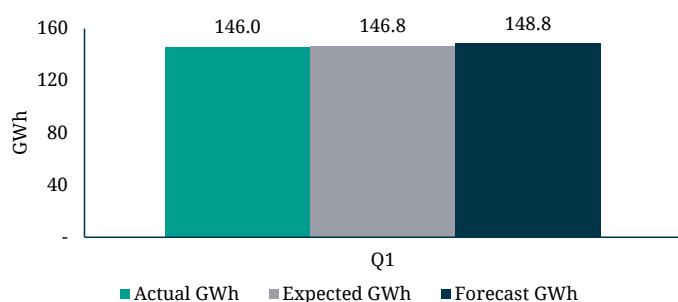
## SIXTH ACQUISITION (MS2)

On 29 March 2021, the Company announced the completion of the first tranche (**Tranche One**) of the MS2 acquisition for \$23 million. USF has the option to acquire a further 25% interest (**Tranche Two**) for \$22 million subject to a performance-based adjustment mechanism which can adjust the price upwards or downwards by up to \$1 million. USF may exercise the Tranche Two option for up to 12 months from Tranche One completion, with Tranche Two completion subject to the same customary third-party consents as Tranche One.



## PORTFOLIO PERFORMANCE<sup>1</sup>

Figure 1: Operating portfolio performance Q1 2021<sup>2</sup>



The USF portfolio performed close to expectations during the quarter, with actual production of 146.0 gigawatt-hours (GWh). This was 1.8% below budgeted or forecast production of 148.8GWh and 0.5% below weather-adjusted expected production of 146.8GWh. The performance reflects a production index (actual generation divided by weather-adjusted expected generation) of 99.5% for the quarter.

Table 1: Q1 2021 Operating portfolio performance by State

State	# of plants	MW	MW % of total <sup>3</sup>	Performance vs Expected	vs Budget
California	2	7	2%	(5.5)%	6.9%
North Carolina	28	168	38%	(7.8)%	3.6%
Oregon	10	140	32%	(3.5)%	(14.1)%
Utah	1	128	29%	7.4%	3.6%
<b>Total</b>	<b>41</b>	<b>443</b>	<b>100%</b>	<b>(0.5)%</b>	<b>(1.8)%</b>

In Utah, Milford, which comprises 29% (128 MW<sub>DC</sub>) of USF's portfolio capacity, continued to perform well above budget and weather-adjusted expectations. This quarter was Milford's first full quarter of operations, and it performed 7.4% above weather-adjusted expectations and 3.6% above budget.

In North Carolina, performance was above budget but below the Investment Manager's weather-adjusted expectations primarily due to unscheduled maintenance and intermittent grid outages. Inverter issues at the 7MW Gauss site highlighted in the last quarterly report were resolved in January under a warranty claim. The other issues highlighted in the last quarterly report were resolved by quarter-end with the exception of the 6.2MW<sub>DC</sub> Nitro site, which remains off-line as a result of an equipment failure, with site remediation expected to be completed by the end of May.

USF's Oregon assets performed below budget and weather-adjusted expectations primarily due to significant snowfall in January and damaged feeder cables at the 14MW Chiloquin site. Snow coverage of solar panels across a site can be highly variable so snow coverage is not typically included in the adjustment for actual weather conditions. Accordingly, in periods where there has been snow coverage, performance against weather-adjusted expectations will be lower. Repairs to feeder cables at Chiloquin commenced in March. This work is covered by insurance and the project receives business interruption proceeds until repairs are complete.

The two smaller assets in California, comprising 2% of USF's operating capacity, performed above budget but below weather-adjusted expectations due to soiling. This will be addressed by a panel washing before the summer high production period. MS2 performance will be included in the next quarterly report.

## NAV UPDATE

Consistent with Company policy, USF's assets were internally valued this quarter. No changes were made to the electricity price forecasts or discount rates used by the external valuer in the 31 December 2020 valuation. Positive working capital movements offset dividends paid and normal operating expenses. For the quarter to 30 June, all 42 assets (including MS2) will be externally valued using updated electricity price forecasts and discount rates.

## CONTRACTED CASHFLOWS

USF's portfolio is fully operational with 100% of revenues contracted with investment-grade offtakers. The portfolio's weighted-average PPA term is 15.1 years as at 31 March 2021; all with investment-grade offtakers.



# First Quarter Update

## DIVIDEND

USF announced the seventh dividend of 0.50 cents per ordinary share for the period ending 31 December 2020, to be paid on 12 April 2021. The 2020 distribution represents a dividend yield of 2% when measured against the initial issue price of \$1 per share. USF confirms its 2021 annual dividend target of 5.5 cents per ordinary share, expected to be covered with operating cash flows.

## DIVIDEND COVER

Underlying Operating Cash Flows for the six months ended 31 March 2021 were \$2.8 million. This reflects the first six-month period in which all projects acquired with the IPO proceeds were operational, noting that some projects were completing commissioning during the period. Combined with the benefit of cash flow reserves carried forward from previous periods, dividend cover on \$2 million of dividends paid over the period was 2.38x.

**Table 2: Underlying Operating Cash Flows and Dividend Cover**

	Six-months ended 31 March 2021 (USD '000)
Project revenue	\$17,483
Project operating expenses	(\$5,557)
Payments to tax equity	(\$1,547)
<b>Portfolio debt expenses</b>	<b>(\$5,938)</b>
<b>Project cash flows after debt service</b>	<b>\$4,441</b>
Management fees	(\$878)
Operating expenses	(\$684)
<b>Other fund expenses</b>	<b>(\$36)</b>
<b>Underlying Operating Cash Flows</b>	<b>\$2,842</b>
Cash flow reserve carried forward	\$1,913
<b>Total Underlying Cash Flows</b>	<b>\$4,756</b>
<b>Dividends paid</b>	<b>\$2,001</b>
<b>Dividend cover</b>	<b>2.38x</b>

USF will provide dividend coverage for both the six and nine-month periods ending 30 June 2021 in the 2021 Half-Year Report, and for the 12-month period ending 31 December 2021 in the 2021 Annual Report.

## PIPELINE

As at 31 March 2021, the Investment Manager's pipeline included 2,975MW<sub>DC</sub> of high-quality assets, with an aggregate value of approximately \$2.9 billion in cash equity value and a weighted-average PPA term of 15 years.

## COVID-19 IMPACT

COVID-19 did not have any material impact on USF's assets during the quarter. Service staff continue to travel to sites to conduct work as needed. Further information on the pandemic's impact on the Company can be found in our COVID-19 Statement [here](#).

## Utility Solar Market Update

### Q1 2021 UTILITY-SCALE SOLAR MARKET UPDATE<sup>4</sup>

The US solar photovoltaic (PV) market finished 2020 with the strongest year of installations ever recorded with 19.2 GW<sub>DC</sub> of capacity installed, including 14.0GW<sub>DC</sub> of utility-scale PV capacity. This is 27% more than was installed in 2016, previously the year of highest growth due primarily to the extension of the solar investment tax credit (ITC). Solar PV accounted for 43% of new US electricity-generating capacity additions in 2020, representing the largest share of new capacity additions by type, with wind constituting the second largest share at 38%. During Q4 2020, there was 6.3 GW<sub>DC</sub> of US utility-scale PV capacity installed, representing:

- a 40% increase compared to Q4 2019;
- a 170% increase compared to Q4 five years prior; and
- the largest quarter for US utility-scale PV ever recorded.

**Figure 2: US utility-scale PV capacity installed by quarter**



Despite the record number of installations in 2020, the utility-scale PV market is expected to beat this record in 2021. The current forecast by Wood Mackenzie expects there to be 17.5GW<sub>DC</sub> of capacity installations over the next year. Between 2021 and 2025, 90.0GW<sub>DC</sub> of utility-scale PV capacity additions is expected, an increase of 15% from the previous forecast due to the federal ITC extension.

The US utility-scale PV contracted pipeline remains steady at a record high of 69.0GW<sub>DC</sub>. The pipeline is strong due to the rapid and consistent increase in decarbonisation targets from a variety of offtakers, a renewed focus on clean energy deployment at the federal level, and the continued expansion of state-level renewable energy targets. Utility-scale PV continues to be the most cost-effective new build option in most state markets. Once the U.S. federal production tax credit for wind is completely phased out over 2021, solar is expected to be more attractive than wind in almost all state markets.

# First Quarter Update

The Biden Administration has continued to implement changes at the federal level in support of the renewable energy industry during 2021. In February, the US rejoined the Paris Climate Accord and, in April, President Biden announced a new target for the US to achieve a 50-52% reduction in net greenhouse pollution from 2005 levels by 2030. As a result, Wood Mackenzie reportst that this has led to large corporates like Microsoft, Facebook, Amazon, 3M, and GM pre-emptively increasing renewable pledges in anticipation of additional federal mandates or targets.

Further national policies relating to renewable energy growth and carbon reduction are expected. As a result, Wood Mackenzie reports that a growing number of technology corporations and large industrial manufacturing firms including Microsoft, Facebook, Amazon, 3M, and General Motors, are actively increasing their renewable energy uptake to reduce their carbon footprint and lower energy costs. The pressure for utilities and corporates to move toward a net-zero carbon energy portfolio is growing and is expected to drive more solar in the coming decade.

With President Biden now in the White House, the renewables industry is poised for strong support and growth. Biden has released an outline of the “Build Back Better” plan that includes a \$2 trillion investment towards deploying decarbonisation technologies within the economy, targeting a carbon-free power sector by 2035. Wood Mackenzie projects that to achieve this goal, there would need to be at least \$2.2 trillion deployed in renewables and energy storage, driving US utility-scale capacity additions to be at least 100GW<sub>DC</sub> per year by 2025 onwards (capacity currently projected to be 11.8GW<sub>DC</sub> in 2025).

## KEY FINANCIAL FACTS AT 31 MARCH 2021

Ordinary Shares Issued	200,192,361	
Ticker	USF (\$)	USFP (£)
Share Price	1.035	0.7400
NAV (\$)⁵	194.4m	
NAV/share (\$)⁵	0.971	
Premium to NAV⁵	6.6%	
Market Cap (\$m)	207.2	
Ongoing Charges⁶	1.48%	
Target Dividend Yield⁷,⁸	5.5%	
Next Dividend	April 2021	
Target Net Total Return⁷,⁹	Min 7.5%	

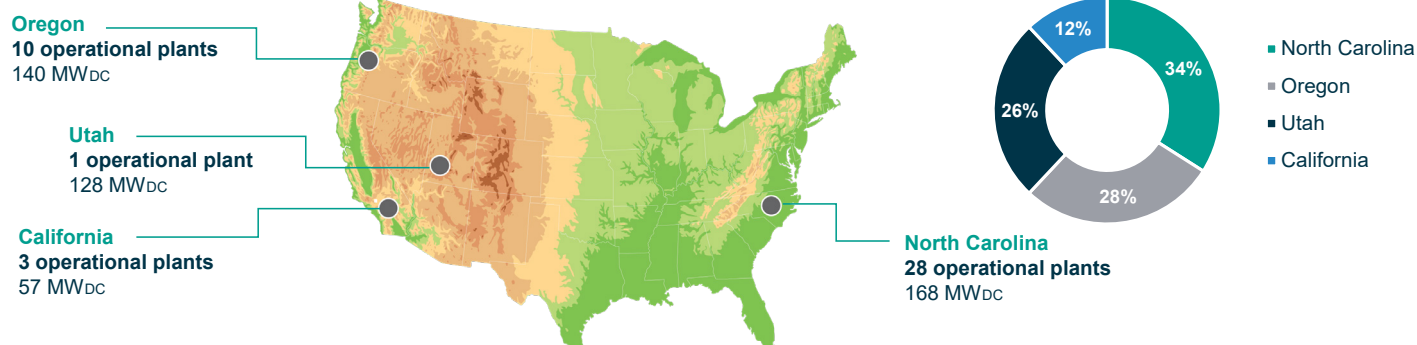
## COMPANY INFORMATION

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:	<a href="http://www.ussolarfund.co.uk">www.ussolarfund.co.uk</a>



# Fact Sheet

## Portfolio Overview<sup>10</sup>



Asset	Capacity (MW <sub>DC</sub> )	Location	Acquisition Date	Energy Offtaker	Offtaker Credit Rating	Remaining PPA Length (Years)	COD
Milford	127.8	Utah	Aug 19	PacifiCorp	S&P: A	24.7	Nov 20
Mount Signal 2	49.9	California	Dec 20	Southern California Edison	S&P: BBB	19.2	Jan 20
Suntex	15.3	Oregon	Jun 20	Portland General Electric	S&P: BBB+	10.3	Jul 20
West Hines	15.3	Oregon	Jun 20	Portland General Electric	S&P: BBB+	10.3	Jun 20
Alkali	15.1	Oregon	Jun 20	Portland General Electric	S&P: BBB+	10.4	Jun 20
Rock Garden	14.9	Oregon	Jun 20	Portland General Electric	S&P: BBB+	10.4	Jun 20
Chiloquin	14.0	Oregon	Mar 20	PacifiCorp	S&P: A	10.7	Jan 18
Dairy	14.0	Oregon	Mar 20	PacifiCorp	S&P: A	10.6	Mar 18
Tumbleweed	14.0	Oregon	Mar 20	PacifiCorp	S&P: A	10.7	Dec 17
Lakeview	13.7	Oregon	Mar 20	PacifiCorp	S&P: A	10.6	Dec 17
Turkey Hill	13.2	Oregon	Mar 20	PacifiCorp	S&P: A	10.6	Dec 17
Merrill	10.5	Oregon	Mar 20	PacifiCorp	S&P: A	10.6	Jan 18
Lane II	7.5	North Carolina	Dec 19	Duke Energy Progress	S&P: A-	12.4	Jul 20
Pilot Mountain	7.5	North Carolina	Dec 19	Duke Energy Carolinas	S&P: A-	12.4	Sep 20
Davis Lane	7.0	North Carolina	Mar 20	Virginia Electric & Power	S&P: BBB+	11.8	Dec 17
Gauss	7.0	North Carolina	Mar 20	Virginia Electric & Power	S&P: BBB+	12.4	Oct 18
Jersey	7.0	North Carolina	Mar 20	North Carolina Electric	S&P: A-	6.7	Dec 17
Sonne Two	7.0	North Carolina	Mar 20	Duke Energy Carolinas	S&P: A-	10.4	Dec 16
Red Oak	6.9	North Carolina	Mar 20	Duke Energy Progress	S&P: A-	10.7	Dec 16
Schell	6.9	North Carolina	Mar 20	Virginia Electric & Power	S&P: BBB+	10.7	Dec 16
Siler 421	6.9	North Carolina	Mar 20	Duke Energy Progress	S&P: A-	10.4	Dec 16
Cotten	6.8	North Carolina	Mar 20	Duke Energy Progress	S&P: A-	10.6	Nov 16
Tiburon	6.7	North Carolina	Mar 20	Duke Energy Carolinas	S&P: A-	10.4	Dec 16
Monroe Moore	6.6	North Carolina	Mar 20	Duke Energy Carolinas	S&P: A-	10.4	Dec 16
Four Oaks	6.5	North Carolina	Dec 19	Duke Energy Progress	S&P: A-	9.6	Oct 15
Princeton	6.5	North Carolina	Dec 19	Duke Energy Progress	S&P: A-	9.5	Oct 15
Tate	6.5	North Carolina	Dec 19	Duke Energy Progress	S&P: A-	12.4	Aug 20
Freemont	6.4	North Carolina	Mar 20	Duke Energy Carolinas	S&P: A-	10.4	Dec 16
Mariposa	6.4	North Carolina	Mar 20	Duke Energy Carolinas	S&P: A-	10.5	Sep 16
S. Robeson	6.3	North Carolina	Jan 20	Progress Energy	S&P: A-	6.3	Jul 12
Sarah	6.3	North Carolina	Dec 19	Duke Energy Progress	S&P: A-	9.2	Jun 15
Nitro	6.2	North Carolina	Dec 19	Duke Energy Progress	S&P: A-	8.7	Jul 15
Sedberry	6.2	North Carolina	Mar 20	Duke Energy Progress	S&P: A-	10.4	Dec 16

# Fact Sheet

## Portfolio Overview (continued)

Asset	Capacity (MW <sub>DC</sub> )	Location	Acquisition Date	Energy Offtaker <sup>9</sup>	Offtaker Credit Rating <sup>10</sup>	Remaining PPA Length (Years)	COD <sup>11</sup>
Willard	6.0	North Carolina	Dec 19	Duke Energy Progress	S&P: A-	12.4	Oct 20
Benson	5.7	North Carolina	Dec 19	Duke Energy Progress	S&P: A-	12.4	Aug 20
Eagle Solar	5.6	North Carolina	Dec 19	Duke Energy Progress	S&P: A-	12.4	Aug 20
Granger	3.9	California	Mar 20	San Diego Gas & Electric	S&P: BBB+	15.5	Sep 16
Valley Center	3.0	California	Mar 20	San Diego Gas & Electric	S&P: BBB+	15.7	Dec 16
County Home	2.6	North Carolina	Mar 20	Duke Energy Carolinas	S&P: A-	10.4	Sep 16
Progress 1	2.5	North Carolina	Jan 20	Progress Energy	S&P: A-	11.0	Apr 12
Progress 2	2.5	North Carolina	Jan 20	Progress Energy	S&P: A-	6.8	Apr 13
Faison	2.3	North Carolina	Dec 19	Duke Energy Progress	S&P: A-	9.0	Jun 15
<b>Grand Total</b>	<b>492.9</b>					<b>15.1</b>	

- Operating data does not include performance from the MS2 asset as it was acquired on 29 March 2021, two days before the end of the period.
- "Actual" production is the number of MWh generated and sold to the offtaker. "Budget" or "Forecast" is modelled P50 production of the plant before any adjustment for actual weather conditions. "Weather-adjusted expected" production is the Forecast production of the plant adjusted for weather conditions during the period.
- Figures do not include USF's equity in MS2 as the acquisition was completed on 29 March 2021.
- Wood Mackenzie / SEIA Q1 2021 U.S. Solar Market Insight®. The Q1 2021 report provides data through Q4 2020.
- Based on the unaudited NAV as at 31 March 2021.
- 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.
- Once fully operational and on a fully invested and geared basis.
- 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.
- 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.
- USF Portfolio overview charts and table includes the 25% interest in MS2 which closed on 29 March 2021.



## SENIOR MANAGEMENT

### JOHN MARTIN *Chief Executive Officer*



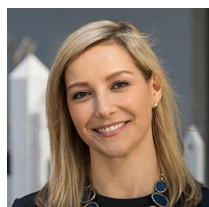
- Over 30 years experience in Energy, Infrastructure, Resources and Finance.
- 10+ years experience in renewable energy (wind, hydro, and solar).
- Previous roles with ABN Amro, RBS, NAB, PwC, Zurich and Aquasia.

### LIAM THOMAS *Chief Investment Officer*



- Over 16 years experience in Energy, Infrastructure, Mining and Agribusiness.
- 5+ years experience in renewable energy and has led all NESM acquisitions.
- Previous roles with Origin Energy, Aurizon, Orica and AWB.

### JACLYN STRELOW *Chief Operating Officer*



- Over 14 years experience in M&A, debt and equity markets, and funds management.
- Previous roles with Aurizon, Instinet, PwC Legal and Mallesons Stephen Jaques.

### WARWICK KENEALLY *Head of Finance*



- Over 18 years experience in funds management, corporate finance and restructuring.
- Previous roles with McGrathNicol and KPMG.

#### Investor Relations

US Solar Fund  
Whitney Voute  
+1 718 230 4329

#### Sponsor, Broker & Financial Adviser

Cenkos Securities plc  
James King  
Tunga Chigovanyika  
Will Talkington  
+44 20 7397 8900

Jefferies International Limited  
Stuart Klein  
Gaudi le Roux  
Neil Winward  
+44 20 7029 8000

#### Administrator & Company Secretary

JTC  
Christopher Gibbons  
Susan Fadil  
+44 20 7409 0181

#### Public Relations

KL Communications  
Charles Gorman  
Charlotte Stickings  
+44 20 3995 6673

#### Registrar

Computershare Investor Services PLC  
+44 37 0703 6253

## CORPORATE CALENDAR

Annual General Meeting	May 2021
Dividend, NAV and Trading Update	May 2021
Company Financial Half-Year	June 2021
Dividend, NAV and Trading Update	August 2021
Dividend, NAV and Trading Update	November 2021
Company Year-End	December 2021

## 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. Due to rounding, numbers presented in this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.