



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



# Second Quarter Update

## USF Quarter Highlights

- **Deployment:** The Company has effectively committed all of the funds raised in the IPO and more than 60% of the assets are now operating, with the remainder on track to reach operational status by year-end.
- **Contracted Cashflows:** The USF portfolio has PPAs with contracted prices for 100% of electricity generated for a weighted average PPA term of 15 years, and all PPA counterparties are investment grade (S&P rated A to BBB+).
- **Fifth Acquisition:** In May, USF acquired a 61 megawatt (MW<sub>dc</sub>) portfolio of five mechanically-complete projects in Oregon from Southern Current LLC (Southern Current). In June, USF announced the financial close of tax equity financing and a binding loan commitment from the long-term debt provider. The portfolio was commissioned in June and July and is now operational.
- **Construction:** USF's five remaining in-construction assets are well-progressed and expected to be completed on schedule in the third and fourth quarters of 2020.
- **Dividend:** On 22 May, USF paid a dividend of 0.50 cents per share for the quarter ending 31 December 2019. USF also announced its fourth dividend of 0.50 cents per share for the period ending 31 March (paid on 14 August 2020).
- **Board Appointment:** The Company appointed Thomas Plagemann as an independent non-executive director. Thomas is based in New York and has almost 30 years of experience with renewables, energy, and infrastructure assets in the US and globally.
- **COVID-19 Impact:** Throughout the period of the pandemic there has been no material impact on USF's operational assets. USF's most recent fifth acquisition experienced a delay in plant commissioning due to COVID-19 work restrictions in Oregon, however, all sites in this project commenced operations shortly after quarter-end.
- **Pipeline:** As of 30 June, the Investment Manager's pipeline (Pipeline) included 3,379 MW<sub>dc</sub> of assets with a cash equity value of \$3.2 billion and a weighted-average PPA term of 17 years.

### FIFTH ACQUISITION

During the quarter, USF closed its fifth acquisition, a 61 MW<sub>dc</sub> portfolio of four utility-scale solar plants located in Oregon. The projects were acquired at mechanical completion from Southern Current, with commissioning subject to the interconnecting utility re-starting work following COVID-19 restrictions.

The minor delay to commissioning did not impact USF as the purchase price for the acquisition was payable in stages, with the full purchase price not at risk until the utility completed the interconnection work and the plants were operational and selling power.

Additionally, the purchase price was subject to a downward adjustment if the operational date was delayed.

The portfolio was commissioned during June and July and immediately began to generate revenue for the Company under each project's long-term Power Purchase Agreement (PPA) with Portland General Electric (S&P rating: BBB+). The PPAs set escalating prices with fixed annual percentage increases for a weighted average term of 11.2 years.

Acquisition Five, and the four previously announced acquisitions, together represent a total commitment of approximately 85% of the IPO proceeds. The Company has now effectively committed all of the funds raised in the IPO as the remaining capital is not sufficient to complete a sizeable transaction.



West Hines I Solar Power Plant – May 2020

### CONTRACTED CASHFLOWS

Acquisition Five brings USF's portfolio to over 443 MW<sub>dc</sub> across 41 projects with a weighted-average PPA term of 15 years as at 30 June. The PPAs set contracted prices for 100% of electricity generated, and all PPA counterparties are investment grade (S&P rated A to BBB+). Almost 70% of USF's assets are now operational, with the remainder on track to reach operational status by year-end.

### CONSTRUCTION

Of USF's 41 plants, three are in late-stage construction. Four of the Acquisition Two plants were commissioned in July and August and the remaining two plants, located in North Carolina, are expected to be completed on time and on budget during the current (third) quarter. USF's largest plant, Milford, in Utah began sending test power to the grid in early September and is expected to be completed on time and on budget in the fourth quarter of 2020.



Milford Solar Power Plant – July 2020



# Second Quarter Update

## DIVIDEND

On 22 May, the Company paid its third dividend of 0.50 cents per ordinary share for the prior period. USF also announced its fourth dividend of 0.50 cents per ordinary share for the period ending 31 March 2020. This dividend was paid on 14 August 2020 to shareholders on the register as at the close of business on 24 July 2020. With more than 60% of USF projects now operating, USF expects to cover the remaining 2020 dividends with operating cashflows and continues to be in a strong position to commence the 5.5 cents target dividend in 2021.

## BOARD APPOINTMENT

During the quarter, Thomas Plagemann was appointed as an independent non-executive director of the Company. Thomas brings almost 30 years of experience with renewables, energy and infrastructure assets in the US and globally.

The Board and Investment Manager welcomes Thomas to the Board and look forward to the benefit of his skills and experience, which will be invaluable as the Company continues its growth trajectory.

## COVID-19 IMPACT

There continues to be no direct day-to-day impact on USF's operational solar assets from the COVID-19 pandemic. Essential for economic activity, the generation and provision of electricity in most of the US has not been significantly disrupted by the pandemic. USF's plants have continued to operate throughout the pandemic and service personnel have been permitted to travel to sites to conduct work as needed. For further information please see our COVID-19 Statement [here](#).



## PIPELINE

While COVID-19 has created a challenging macroeconomic environment, the fundamental drivers of the US solar industry remain strong, and the Investment Manager has seen an increase to the potential acquisition pipeline over the prior quarter. As of 30 June, the Pipeline included 3,379 MW<sub>DC</sub> of assets with a cash equity value of \$3.2 billion and a weighted-average PPA term of 17 years at the end of the period.

## Utility Solar Market Update

### Q2 2020 UTILITY-SCALE SOLAR MARKET UPDATE<sup>1</sup>

Across all electricity market segments in the US, solar photovoltaic (PV) accounted for 40% of new electricity-generating capacity additions in Q1 2020. The growth of the US utility-scale solar PV market remained strong through Q1 with 2.3GW<sub>DC</sub> of utility-scale PV installed, representing:

- a 57% increase compared to Q1 2020;
- a 258% increase to Q1 five years prior, and;
- the largest ever Q1 capacity growth.

Figure 2: US utility-scale PV capacity installed by quarter<sup>1</sup>



The US utility-scale PV contracted pipeline grew by five gigawatts (GW<sub>DC</sub>) to 51 GW<sub>DC</sub> over the quarter, driven by a surge in new PPA and project announcements. The pre-contract pipeline (the total capacity of solar without a signed PPA but in an interconnection queue) has grown to 258 GW<sub>DC</sub>.

Voluntary procurement continues to be the largest driver of new projects, spurring approximately half of the new PPAs in 2020 to date. While there are concerns COVID-19 may affect new project development, utility-scale PV is expected to remain the most economically competitive electricity source in the US. New procurement driven by state renewable targets grew to approximately a quarter of new projects due to an increase in state renewable portfolio standard (RPS) mandates over recent years. Corporate procurement has faced increased uncertainty in the current political and economic climate, as corporations have shifted concentration toward their investment in operationally critical areas.

COVID-19 has impacted the electricity market, particularly the demand for energy commodities and consequently, near and long-term electricity pricing. While this heightens the risk of delays in the development pipeline, the majority of developers have reported that any delays they have experienced have not been significant, and they have been able to move forward with project construction with minimal disruption.

<sup>1</sup> Wood Mackenzie/SEIA Q2 2020 U.S. Solar Market Insight®. The Q2 2020 report provides data through Q1 2020.

# Second Quarter Update

During the quarter there continued to be healthy levels of new project procurement, with the majority of these new projects targeting to commence operations in 2021-2022.

The outlook of the US utility-scale PV market remains strong with 82.7 GW<sub>DC</sub> expected to be installed from 2020 to 2025. This is only an 0.5 GW<sub>DC</sub> reduction from the prior quarter's forecast, despite the majority of COVID-19-related stay-at-home orders being enacted over the quarter.

While the pandemic has caused some changes in project dynamics, Wood Mackenzie does not believe it will be detrimental to the long-term growth of the sector. Medium-term growth is expected to be driven by the remaining years of the federal Investment Tax Credit, while long-term growth will be supported by declining utility-scale PV installation costs and increasing policy mandates for clean energy. Utility-scale PV is expected to consistently account for over half of new US annual generation capacity from 2027 onwards.

## 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 Initial Public Offering (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 become 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.

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](http://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\$21 billion of funds under advice.

## KEY FINANCIAL FACTS AT 30 JUNE 2020

Ordinary Shares Issued	200,092,323	
Ticker	USF (\$)	USFP (£)
Share Price	0.94	0.7650
NAV (\$) <sup>2</sup>	193m	
NAV/share (\$) <sup>2</sup>	0.964	
Discount to NAV <sup>2</sup>	2.1%	
Market Cap (\$)	188m	
Ongoing Charges <sup>3</sup>	1.50%	
Target Dividend Yield <sup>4,5</sup>	5.5%	
Next Dividend	14 August 2020	
Target Net Total Return <sup>5,6</sup>	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>

<sup>2</sup> Based on the unaudited NAV as at 30 June 2020.

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> 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.

<sup>6</sup> 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 <sub>DC</sub> )	Location	Acquisition Date	Energy Offtaker <sup>7</sup>	Offtaker Credit Rating	Remaining PPA Length (Years)	COD <sup>8</sup>
●	One	Milford	127.8	Utah	Aug 19	PacifiCorp	S&P: A	25.0	Nov 20
●	Two	Pilot Mountain	7.5	North Carolina	Dec 19	Duke Energy	S&P: A-	13.1	Sep 20
●	Two	Willard	6.0	North Carolina	Dec 19	Duke Energy	S&P: A-	13.1	Sep 20
<b>Construction Total</b>			<b>141.3</b>					<b>23.9<sup>9</sup></b>	
●	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	Tate	6.5	North Carolina	Dec 19	Duke Energy	S&P: A-	13.1	Jul 20
●	Three	Faison	2.3	North Carolina	Dec 19	Duke Energy	S&P: A-	9.8	Jun 15
●	Three	Four Oaks	6.5	North Carolina	Dec 19	Duke Energy	S&P: A-	10.3	Oct 15
●	Three	Nitro	6.2	North Carolina	Dec 19	Duke Energy	S&P: A-	9.4	Jul 15
●	Three	Princeton	6.5	North Carolina	Dec 19	Duke Energy	S&P: A-	10.3	Oct 15
●	Three	Sarah	6.3	North Carolina	Dec 19	Duke Energy	S&P: A-	10.0	Jun 15
●	Three	S. Robeson	6.3	North Carolina	Jan 20	Duke Energy	S&P: A-	7.1	Jul 12
●	Three	Progress 1	2.5	North Carolina	Jan 20	Duke Energy	S&P: A-	11.8	Apr 12
●	Three	Progress 2	2.5	North Carolina	Jan 20	Duke Energy	S&P: A-	7.5	Apr 13
●	Four	County Home	2.6	North Carolina	Mar 20	Duke Energy Carolinas	S&P: A-	11.1	Sep 16
●	Four	Mariposa	6.4	North Carolina	Mar 20	Duke Energy Carolinas	S&P: A-	11.2	Sep 16
●	Four	Freemont	6.4	North Carolina	Mar 20	Duke Energy Carolinas	S&P: A-	11.1	Dec 16
●	Four	Sonne Two	7.0	North Carolina	Mar 20	Duke Energy Carolinas	S&P: A-	11.1	Dec 16
●	Four	Cotten	6.8	North Carolina	Mar 20	Duke Energy Progress	S&P: A-	11.4	Nov 16
●	Four	Monroe Moore	6.6	North Carolina	Mar 20	Duke Energy Carolinas	S&P: A-	11.1	Dec 16
●	Four	Red Oak	6.9	North Carolina	Mar 20	Duke Energy Progress	S&P: A-	11.5	Dec 16
●	Four	Schell	6.9	North Carolina	Mar 20	Virginia Electric & Power	S&P: BBB+	11.5	Dec 16
●	Four	Sedberry	6.2	North Carolina	Mar 20	Duke Energy Progress	S&P: A-	11.1	Dec 16
●	Four	Siler 421	6.9	North Carolina	Mar 20	Duke Energy Progress	S&P: A-	11.1	Dec 16
●	Four	Tiburon	6.7	North Carolina	Mar 20	Duke Energy Carolinas	S&P: A-	11.1	Dec 16
●	Four	Granger	3.9	California	Mar 20	San Diego Gas & Electric	S&P: BBB+	16.2	Sep 16
●	Four	Valley Center	3.0	California	Mar 20	San Diego Gas & Electric	S&P: BBB+	16.4	Dec 16
●	Four	Turkey Hill	13.2	Oregon	Mar 20	PacifiCorp	S&P: A	11.3	Dec 17
●	Four	Merrill	10.5	Oregon	Mar 20	PacifiCorp	S&P: A	11.3	Jan 18
●	Four	Lakeview	13.7	Oregon	Mar 20	PacifiCorp	S&P: A	11.3	Dec 17
●	Four	Dairy	14.0	Oregon	Mar 20	PacifiCorp	S&P: A	11.3	Mar 18
●	Four	Chiloquin	14.0	Oregon	Mar 20	PacifiCorp	S&P: A	11.5	Dec 17
●	Four	Tumbleweed	14.0	Oregon	Mar 20	PacifiCorp	S&P: A	11.5	Dec 17
●	Four	Davis Lane	7.0	North Carolina	Mar 20	Virginia Electric & Power	S&P: BBB+	12.5	Dec 17
●	Four	Jersey	7.0	North Carolina	Mar 20	North Carolina Electric	S&P: A-	7.5	Dec 17
●	Four	Gauss	7.0	North Carolina	Mar 20	Virginia Electric & Power	S&P: BBB+	13.1	Oct 18
●	Five	Alkali	15.1	Oregon	May 20	Portland General Electric	S&P: BBB+	11.2	Jun 20
●	Five	Rock Garden	14.9	Oregon	May 20	Portland General Electric	S&P: BBB+	11.2	Jun 20
●	Five	Suntex	15.3	Oregon	May 20	Portland General Electric	S&P: BBB+	11.1	Jul 20
●	Five	West Hines I	15.3	Oregon	May 20	Portland General Electric	S&P: BBB+	11.1	Jun 20
<b>Operational Total</b>			<b>301.7</b>					<b>11.3<sup>9</sup></b>	
<b>Portfolio Total</b>			<b>443.0</b>					<b>15.3<sup>9</sup></b>	

<sup>7</sup> Duke Energy Carolinas, Duke Energy Progress, and Progress Energy are subsidiaries of Duke Energy Corporation and are separate legal entities which are liable to meet their own financial obligations and as such are subject to separate credit ratings.

<sup>8</sup> Commercial Operation Date.

<sup>9</sup> Capacity weighted average remaining PPA term as at 30 June 2020.

**KEY** ● Operational  
● Under construction

## 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.

## CORPORATE CALENDAR

Company Financial Half-Year	June 2020
NAV and Trading Update	September 2020
Dividend, NAV and Trading Update	November 2020
Company Financial Year End	December 2020

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## DISCLAIMER

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