



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



# Second Quarter Update

## USF Quarter Highlights

- **Portfolio performance:** The US Solar Fund (USF or the **Company**) portfolio performed in line with the Investment Manager's expectations during the quarter, with production 0.2% above budget. All assets are now operational and generating cash flow.
- **NAV update:** Unaudited NAV at 30 June 2021 was \$313.3 million or \$0.943 per ordinary share, a 2.9% decrease from the 31 March 2021 NAV of \$0.971 per ordinary share, due to the impact of 2020 and early 2021 COVID uncertainty on the merchant period pricing forecasts used in the valuation, partially offset by favourable reductions in discount rates. Since the period end, US merchant price forecasts have trended upwards again due to a reduction in COVID-related sentiment and an increasingly bullish outlook for carbon pricing to 2050.
- **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 14.9 years as of 30 June 2021, and all PPA counterparties are investment-grade (S&P rated A to BBB). As merchant pricing relates to the period following expiry of the PPAs, merchant price forecast changes do not impact contracted cashflows.
- **Dividends:** The Company paid its 1Q21 dividend of 1.25 cents per ordinary share on 2 July 2021 and announced its 2Q21 dividend of 1.25 cents per ordinary share to be paid on 29 October 2021. These quarterly dividends are in line with the Company's target full year dividend of 5.5 cents per ordinary share. In each year, the Company expects to declare slightly higher quarterly dividends for the third and fourth quarters compared to the quarterly dividends for the first and second quarters due to the cash flow profile of the assets.
- **Dividend cover:** Dividend cash cover for the six months ended 30 June 2021 was 4.61x. This is the first six-month period during which all projects were operating and cash flow producing. Dividend cover in future quarters is expected to trend lower as the Company is now paying dividends in line with its fully operational target of 5.5 cents per ordinary share, but the Investment Manager expects dividends to remain comfortably cash-covered.

**Table 1: Underlying Operating Cash Flows and Dividend Cover (unaudited)**

	Six months to 30 June 2021 \$m
Project revenue	20.8
Project operating expenses	(5.7)
Payments to tax equity	(3.0)
Portfolio debt expenses	(4.7)
<b>Project cash flows after debt service</b>	<b>7.4</b>
Management fees	(0.9)
Corporate operating expenses	(1.3)
Revolver interest and fees	(0.1)
<b>Underlying operating cash flows</b>	<b>5.2</b>
Cash flow reserve carried forward	4.1
<b>Total underlying cash flow</b>	<b>9.3</b>
<b>Dividends paid</b>	<b>2.0</b>
<b>Dividend cover</b>	<b>4.61x</b>

- **Capital raise:** In May, USF announced it had raised gross proceeds of \$132 million in the initial issue from its 12-month Placing Programme announced in April 2021. This was significantly more than its \$105 million target with strong support from both existing and new investors. \$92 million of these proceeds have been deployed to date.
- **Heelstone debt refinancing:** Shortly after the capital raise, USF deployed approximately \$92m<sup>1</sup> of the equity raised to refinance the existing debt facilities associated with a 177 MW<sub>DC</sub> portfolio of 22 projects acquired in 2020 (**Heelstone Portfolio**), reducing interest costs and overall gearing, and enhancing dividend cover.
- **Pipeline:** As of 30 June 2021, the Investment Manager's pipeline (**Pipeline**) included 2,218MW<sub>DC</sub> of high-quality assets, with an aggregate value of approximately \$2.2 billion in cash equity value and a weighted-average PPA term of 15.2 years.
- **ESG & sustainability:** In April 2021 the parent of the Investment Manager became a signatory to the United Nations sponsored Principles for Responsible Investing (**UN PRI**).

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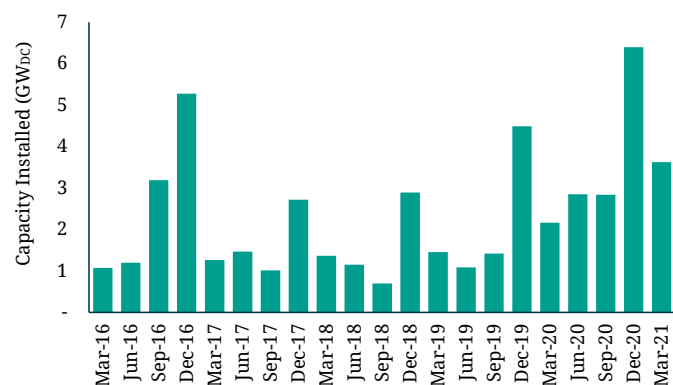
## Utility Solar Market Update

### Q2 2021 UTILITY-SCALE SOLAR MARKET UPDATE<sup>2</sup>

The US utility-scale solar photovoltaic (PV) sector experienced its strongest first quarter on record with 3.6GW<sub>DC</sub> of capacity installed in Q1 2021. In 2020, the PV market also experienced a record year of installations, with this momentum carrying into 2021 largely driven by the Investment Tax Credit (ITC) extension in late 2020. Throughout the course of 2021, a record breaking 17.9GW<sub>DC</sub> of US utility-scale PV is expected to come online, with 17GW<sub>DC</sub> of projects currently under construction. The 3.6GW<sub>DC</sub> of US utility-scale PV installed over Q1 2021 represents:

- a 68% increase compared to Q1 2020;
- a 238% increase compared to Q2 five years prior; and
- the largest quarter for US utility-scale PV ever recorded.

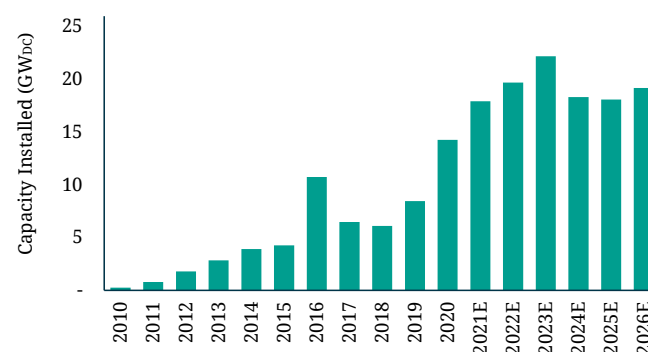
**Figure 1: US utility-scale PV capacity installed by quarter**



Source: Wood Mackenzie, Q2 2021 US Solar Market Insight, June 2021.

In Q1 2021, 6.2 GW<sub>DC</sub> of new development contracts were signed despite the first quarter of the year typically being slower in activity after the year-end push in installations. More than 110 GW<sub>DC</sub> of utility-scale PV is expected to be added between 2021 and 2026. The market is expected to see double-digit year-over-year growth through to 2023 as developers continue to build projects that have accrued under earlier ITC deadlines. Annual installations are expected to decline slightly in 2024 but remain at 18-19GW<sub>DC</sub> until 2026 as seen in Figure 2.

**Figure 2: US utility-scale PV capacity installed and forecasted by year**



Source: Wood Mackenzie, Q2 2021 US Solar Market Insight, June 2021.

Over the quarter, the US utility-scale PV contracted pipeline grew to a record high of 76.9GW<sub>DC</sub>, from the previous high of 69.0GW<sub>DC</sub> in Q4 2020. The contracted pipeline continues to grow due to the 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.

The bipartisan Infrastructure Investment and Jobs Act, passed through the Senate in August, allocates over \$60 billion to power infrastructure – with a focus on new, resilient transmission lines to facilitate the expansion of renewable energy. A second related package includes an extension and expansion of investment and production tax credits for clean energy generation and storage – giving the option of ‘direct pay’, or cash payments, for taxpayers. If passed, solar is likely to be a major beneficiary of the initiatives.



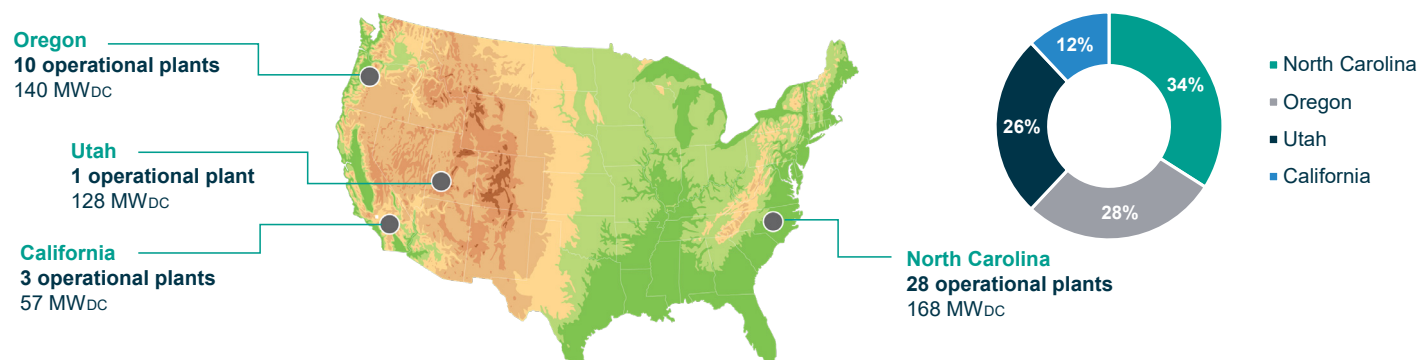
# Fact Sheet

## KEY FINANCIAL FACTS AT 30 JUNE 2021

Ordinary Shares Issued	332,192,361	
Ticker	USF (\$)	USFP (£)
Share Price	1.015	0.7100
NAV (\$) <sup>3</sup>	313.3m	
NAV/share (\$) <sup>3</sup>	0.943	
Premium to NAV <sup>3</sup>	7.6%	
Market Cap (\$m)	337.2	
Ongoing Charges	1.36%	
Target Dividend Yield <sup>4,5</sup>	5.5%	
Next Dividend	November 2021	
Target Net Total Return <sup>6</sup>	Min 7.5%	

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>

## PORTFOLIO OVERVIEW<sup>7</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	24.4	Nov 20
Mount Signal 2	49.9	California	Mar 21	Southern California Edison	S&P: BBB	18.9	Jan 20
Suntex	15.3	Oregon	Jun 20	Portland General Electric	S&P: BBB+	10.1	Jul 20
West Hines	15.3	Oregon	Jun 20	Portland General Electric	S&P: BBB+	10.1	Jun 20
Alkali	15.1	Oregon	Jun 20	Portland General Electric	S&P: BBB+	10.2	Jun 20
Rock Garden	14.9	Oregon	Jun 20	Portland General Electric	S&P: BBB+	10.2	Jun 20
Chiloquin	14.0	Oregon	Mar 20	PacifiCorp	S&P: A	10.5	Jan 18
Dairy	14.0	Oregon	Mar 20	PacifiCorp	S&P: A	10.3	Mar 18
Tumbleweed	14.0	Oregon	Mar 20	PacifiCorp	S&P: A	10.5	Dec 17
Lakeview	13.7	Oregon	Mar 20	PacifiCorp	S&P: A	10.3	Dec 17
Turkey Hill	13.2	Oregon	Mar 20	PacifiCorp	S&P: A	10.3	Dec 17
Merrill	10.5	Oregon	Mar 20	PacifiCorp	S&P: A	10.3	Jan 18
Lane II	7.5	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	12.2	Jul 20

# Fact Sheet

Asset	Capacity (MW <sub>DC</sub> )	Location	Acquisition Date	Energy Offtaker	Offtaker Credit Rating	Remaining PPA Length (Years)	COD
Pilot Mountain	7.5	North Carolina	Dec 19	Duke Energy Carolinas	S&P: BBB+	12.2	Sep 20
Davis Lane	7.0	North Carolina	Mar 20	Virginia Electric & Power	S&P: BBB+	11.5	Dec 17
Gauss	7.0	North Carolina	Mar 20	Virginia Electric & Power	S&P: BBB+	12.1	Oct 18
Jersey	7.0	North Carolina	Mar 20	North Carolina Electric	S&P: A-	6.5	Dec 17
Sonne Two	7.0	North Carolina	Mar 20	Duke Energy Carolinas	S&P: BBB+	10.1	Dec 16
Red Oak	6.9	North Carolina	Mar 20	Duke Energy Progress	S&P: BBB+	10.5	Dec 16
Schell	6.9	North Carolina	Mar 20	Virginia Electric & Power	S&P: BBB+	10.5	Dec 16
Siler 421	6.9	North Carolina	Mar 20	Duke Energy Progress	S&P: BBB+	10.1	Dec 16
Cotten	6.8	North Carolina	Mar 20	Duke Energy Progress	S&P: BBB+	10.4	Nov 16
Tiburon	6.7	North Carolina	Mar 20	Duke Energy Carolinas	S&P: BBB+	10.1	Dec 16
Monroe Moore	6.6	North Carolina	Mar 20	Duke Energy Carolinas	S&P: BBB+	10.1	Dec 16
Four Oaks	6.5	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	9.3	Oct 15
Princeton	6.5	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	9.3	Oct 15
Tate	6.5	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	12.2	Aug 20
Freemont	6.4	North Carolina	Mar 20	Duke Energy Carolinas	S&P: BBB+	10.1	Dec 16
Mariposa	6.4	North Carolina	Mar 20	Duke Energy Carolinas	S&P: BBB+	10.2	Sep 16
S. Robeson	6.3	North Carolina	Jan 20	Progress Energy	S&P: BBB+	6.1	Jul 12
Sarah	6.3	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	9.0	Jun 15
Nitro	6.2	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	8.4	Jul 15
Sedberry	6.2	North Carolina	Mar 20	Duke Energy Progress	S&P: BBB+	10.1	Dec 16
Willard	6.0	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	12.2	Oct 20
Benson	5.7	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	12.2	Aug 20
Eagle Solar	5.6	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	12.2	Aug 20
Granger	3.9	California	Mar 20	San Diego Gas & Electric	S&P: BBB+	15.2	Sep 16
Valley Center	3.0	California	Mar 20	San Diego Gas & Electric	S&P: BBB+	15.4	Dec 16
County Home	2.6	North Carolina	Mar 20	Duke Energy Carolinas	S&P: BBB+	10.1	Sep 16
Progress 1	2.5	North Carolina	Jan 20	Progress Energy	S&P: BBB+	10.8	Apr 12
Progress 2	2.5	North Carolina	Jan 20	Progress Energy	S&P: BBB+	6.5	Apr 13
Faison	2.3	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	8.8	Jun 15
<b>Grand Total</b>	<b>492.9</b>					<b>14.9</b>	

- 1 USF used approximately \$92 million for the Heelstone Refinancing however approximately \$7.6 million was subsequently released from reserve accounts held by the legacy debt holders resulting in a net use of proceeds of approximately \$85 million.
- 2 Wood Mackenzie / SEIA Q2 2021 U.S. Solar Market Insight®. The Q2 2021 report provides data through Q1 2021.
- 3 Based on the unaudited NAV as at 30 June 2021.
- 4 Once fully operational and on a fully invested and geared basis.
- 5 The 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.
- 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.
- 7 Portfolio breakdown by state is by MW<sub>DC</sub>.



## SENIOR MANAGEMENT

### LIAM THOMAS *Chief Executive 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.

### WARWICK KENEALLY *Chief Financial Officer*



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

### ADAM HAUGHTON *Chief Investment Officer*



- Over 12 years experience in Renewable Energy, Infrastructure and M&A.
- Previous roles with Greentech Capital, Bank of America Merrill Lynch and SunEdison.

### SCOTT FRANCIS *Head of Asset Management*



- Over 15 years experience in Energy, Infrastructure and asset management.
- Previous roles with Apex Clean Energy and Dominion Energy.

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## CORPORATE CALENDAR

Dividend, NAV and Trading Update	November 2021
Company Year-End	December 2021
Annual Dividend, NAV and Trading Update	March 2022
Annual General Meeting	May 2022

## 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.