

**US Solar**  
Fund

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

**Quarterly Update** | 30 September 2022

# Third Quarter Update

## USF Quarter Highlights

- **Dividends:** US Solar Fund (**USF** or **the Company**) paid its Q2 2022 dividend of 1.27 cents per ordinary share on 21 October 2022 and has announced its Q3 2022 dividend of 1.52 cents to be paid on 6 January 2023. Both are in line with the Company's target full year dividend of 5.58 cents per ordinary share. USF expects to continue covering dividends paid in 2022 with cashflow from portfolio operations.
- **NAV update:** USF's unaudited NAV at 30 September 2022 was \$322.2 million or \$0.970 per share, an increase from the 30 June 2022 NAV of \$321.2 million or \$0.967 per share. Discount rates and other macro assumptions were held steady for this period, as is typically done for USF outside of year-end and interim results. They will be reviewed at 31 December and included in NAV.
- **Portfolio performance:** During the period, the portfolio produced 281GWh (including reimbursed curtailment). Year-to-date generation remains within the expected range of annual variance and USF expects to continue to cash cover the dividend.
- **Contracted cash flows:** 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 14.0 years as of 30 September 2022, and all PPA counterparties are investment-grade (S&P rated A to BBB).
- **Dividend cover:** Reflecting the normal seasonality of cash flows, dividend cover for the nine months to 30 September was 1.46x.
- **Option agreement:** In August, USF announced it has sold a purchase option (**Option**) over its 50% interest in its 200MW<sub>DC</sub> Mount Signal 2 (**MS2**) to MN8 Energy LLC (**MN8**), a renewable energy business formerly known as Goldman Sachs Renewable Power LLC. Under the terms of the Option, MN8 paid USF a non-refundable option fee of US\$1 million and has the option, for an initial term of six months extendable for a further three months by mutual agreement, to acquire USF's 50% interest in MS2 for an additional US\$52.2 million excluding working capital. If executed, the proceeds are consistent with the net asset value at which USF held MS2 at 31 March 2022 and the sale would imply a gross return of 11% per annum<sup>1</sup> since USF announced the agreement to acquire up to 50% of MS2 from New Energy Solar (NEW) in December 2020. A further announcement will be made in due course.

- **Strategic review:** The USF Board has announced that it is undertaking a strategic review of the options available to the Company to maximise value for shareholders. Although USF has successfully executed its strategy of delivering a sustainable dividend for shareholders, structural challenges in the US solar sector alongside a recent sustained discount of the share price to its net asset value have impeded the Company's ability to grow its asset base. The Board will consider all options available to the Company, including, but not limited to, a sale of the entire issued, and to be issued, share capital of the Company which is being conducted under the framework of a "formal sale process" in accordance with the Takeover Code, selling the Company's portfolio and returning funds to shareholders or changing the investment management arrangements of the Company. There is no certainty that any changes will result from the Strategic Review. The Board will make further announcements in due course.

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

	Nine months to 30 September 2022 \$'m
Project revenue	42.2
Project operating expenses	(10.7)
Payments to tax equity	(7.7)
Portfolio debt expenses	(6.8)
<b>Project cash flows after debt service</b>	<b>17.0</b>
Management fees	(3.0)
Corporate operating expenses	(1.6)
Revolver interest and fees	(0.2)
<b>Underlying operating cash flows</b>	<b>12.2</b>
Cash flow reserve carried forward	8.5
<b>Total underlying cash flow</b>	<b>20.6</b>
<b>Dividends paid</b>	<b>14.2</b>
<b>Dividend cover</b>	<b>1.46x</b>

### NAV UPDATE

USF's unaudited NAV at 30 September 2022 was \$322.2 million or \$0.970 per Ordinary Share, an increase from the 30 June NAV of \$321.2 million or \$0.967 per Ordinary Share. An increase in working capital and cash balances drove the increase in fair value of the portfolio's underlying solar investments.

<sup>1</sup> Before tax and based on USF's announcement date of 31 December 2021, second 25% option exercise date of 10 February 2022, MN8 option date of 21 August 2022, and an assumed completion date of 31 March 2023

# Third Quarter Update

## PORTFOLIO PERFORMANCE

**Figure 1: Operating Portfolio Performance Q3 2022**

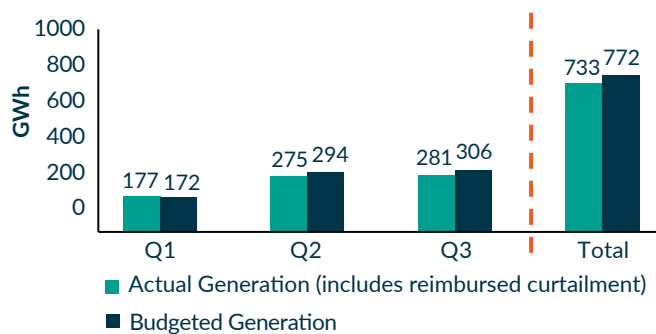


Figure 1 shows actual and budgeted generation for the period. The increase in production from Q1 to Q2 is attributable to the seasonality of production as we moved into the summer months.

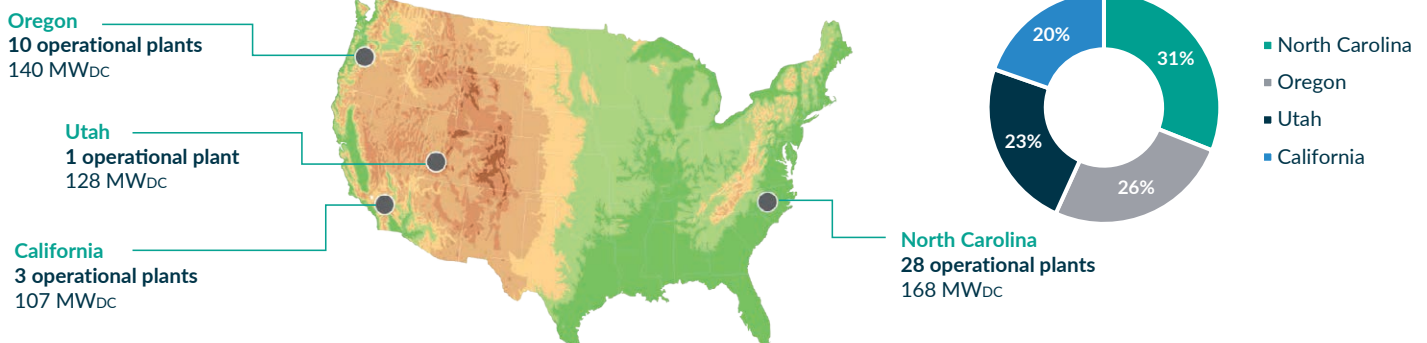
During the period, production of 281GWh (including reimbursed curtailment) was impacted by lower than expected irradiation, utility-directed curtailment at MS2, soiling issues, DC work orders and unscheduled inverter and grid outages all of which are being addressed and no individual assets are materially underperforming. Year-to-date generation remains within the expected range of annual variance and USF expects to continue to cash cover the dividend.

## KEY FINANCIAL FACTS AT 30 SEPTEMBER 2022

Ordinary Shares Issued	332,192,361	
Ticker	USF (\$)	USFP (£)
Share Price	\$0.84	£0.7710
NAV (\$m) <sup>1</sup>	\$322.2	
NAV/share (\$) <sup>1</sup>	\$0.970	
Premium (discount) to NAV <sup>1</sup>	(13.4%)	
Market Cap (\$m)	\$279.0	
Ongoing Charges	1.37%	
Target Dividend Yield <sup>2,3</sup>	5.58%	
Next Dividend <sup>4</sup>	November 2022	
Target Net Total Return <sup>5</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:	www.ussolarfund.co.uk

## PORTFOLIO OVERVIEW<sup>6</sup>



1 Based on the unaudited NAV as at 30 September 2022.

2 Once fully operational and on a fully invested and geared basis.

3 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.

4 Q3 2022 dividend was announced in November 2022.

5 Over the life of the solar power assets (expected to have a typical asset life of up to 40 years) net of all fees and expenses but before tax, on the basis of the IPO issue price.

6 Portfolio breakdown by state is by MW<sub>DC</sub>.

# Third Quarter Update

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	23.2	Nov 20
Mount Signal 2	99.8	California	Mar 21	Southern California Edison	S&P: BBB	17.7	Jan 20
Suntex	15.3	Oregon	Jun 20	Portland General Electric	S&P: BBB+	8.8	Jul 20
West Hines	15.3	Oregon	Jun 20	Portland General Electric	S&P: BBB+	8.8	Jun 20
Alkali	15.1	Oregon	Jun 20	Portland General Electric	S&P: BBB+	8.9	Jun 20
Rock Garden	14.9	Oregon	Jun 20	Portland General Electric	S&P: BBB+	8.9	Jun 20
Chiloquin	14.0	Oregon	Mar 20	PacifiCorp	S&P: A	9.2	Jan 18
Dairy	14.0	Oregon	Mar 20	PacifiCorp	S&P: A	9.1	Mar 18
Tumbleweed	14.0	Oregon	Mar 20	PacifiCorp	S&P: A	9.2	Dec 17
Lakeview	13.7	Oregon	Mar 20	PacifiCorp	S&P: A	9.1	Dec 17
Turkey Hill	13.2	Oregon	Mar 20	PacifiCorp	S&P: A	9.1	Dec 17
Merrill	10.5	Oregon	Mar 20	PacifiCorp	S&P: A	9.1	Jan 18
Lane II	7.5	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	10.9	Jul 20
Pilot Mountain	7.5	North Carolina	Dec 19	Duke Energy Carolinas	S&P: BBB+	10.9	Sep 20
Davis Lane	7.0	North Carolina	Mar 20	Virginia Electric & Power	S&P: BBB+	10.3	Dec 17
Gauss	7.0	North Carolina	Mar 20	Virginia Electric & Power	S&P: BBB+	10.9	Oct 18
Jersey	7.0	North Carolina	Mar 20	North Carolina Electric	Fitch: A+	5.2	Dec 17
Sonne Two	7.0	North Carolina	Mar 20	Duke Energy Carolinas	S&P: BBB+	8.9	Dec 16
Red Oak	6.9	North Carolina	Mar 20	Duke Energy Progress	S&P: BBB+	9.2	Dec 16
Schell	6.9	North Carolina	Mar 20	Virginia Electric & Power	S&P: BBB+	9.2	Dec 16
Siler 421	6.9	North Carolina	Mar 20	Duke Energy Progress	S&P: BBB+	8.9	Dec 16
Cotten	6.8	North Carolina	Mar 20	Duke Energy Progress	S&P: BBB+	9.1	Nov 16
Tiburon	6.7	North Carolina	Mar 20	Duke Energy Carolinas	S&P: BBB+	8.9	Dec 16
Monroe Moore	6.6	North Carolina	Mar 20	Duke Energy Carolinas	S&P: BBB+	8.9	Dec 16
Four Oaks	6.5	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	8.1	Oct 15
Princeton	6.5	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	8.0	Oct 15
Tate	6.5	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	10.9	Aug 20
Freemont	6.4	North Carolina	Mar 20	Duke Energy Carolinas	S&P: BBB+	8.9	Dec 16
Mariposa	6.4	North Carolina	Mar 20	Duke Energy Carolinas	S&P: BBB+	9.0	Sep 16
S. Robeson	6.3	North Carolina	Jan 20	Progress Energy	S&P: BBB+	4.8	Jul 12
Sarah	6.3	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	7.7	Jun 15
Nitro	6.2	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	7.2	Jul 15
Sedberry	6.2	North Carolina	Mar 20	Duke Energy Progress	S&P: BBB+	8.9	Dec 16
Willard	6.0	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	10.9	Oct 20
Benson	5.7	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	10.9	Aug 20
Eagle Solar	5.6	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	10.9	Aug 20
Granger	3.9	California	Mar 20	San Diego Gas & Electric	S&P: BBB+	14.0	Sep 16
Valley Center	3.0	California	Mar 20	San Diego Gas & Electric	S&P: BBB+	14.2	Dec 16
County Home	2.6	North Carolina	Mar 20	Duke Energy Carolinas	S&P: BBB+	8.9	Sep 16
Progress 1	2.5	North Carolina	Jan 20	Progress Energy	S&P: BBB+	9.5	Apr 12
Progress 2	2.5	North Carolina	Jan 20	Progress Energy	S&P: BBB+	5.3	Apr 13
Faison	2.3	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	7.5	Jun 15
<b>Grand Total</b>	<b>542.8</b>					<b>14.0</b>	

## 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

Company Financial Year-End	<b>December 2022</b>
Annual Dividend, NAV and Trading Update	<b>March 2023</b>
Annual General Meeting	<b>May 2023</b>
Dividend, NAV and Trading Update	<b>May 2023</b>
Company Financial Half-Year	<b>June 2023</b>

## DISCLAIMER

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