



Attractive and sustainable returns from US solar power

Fourth Quarter Update

USF Quarter Highlights

- **Operating Assets:** All of USF's 41 assets totalling 443MW_{DC} are now operating and generating revenue for the Company. Asset performance has improved since the third quarter, with fourth quarter performance 26% above budget expectations and 19% above weather-adjusted expectations. Performance was positively impacted by USF's 128MW_{DC} Utah project (**Milford**) generating substantial unbudgeted pre-PPA revenues and performing well above weather-adjusted expectations since commissioning. Key detractors from performance were snow events in Oregon, grid outages, and unscheduled maintenance.
- **Sixth Acquisition:** USF announced binding agreements to acquire up to a 50% interest in a 200MW_{DC} operating solar plant located in the Imperial Valley of Southern California, Mount Signal 2 (**MS2**). The transaction is structured in two tranches with the first tranche comprising an immediate acquisition of an initial 25% interest, expected to be completed during the first quarter of 2021, bringing USF's portfolio to 493MW_{DC} of fully operational assets. With this transaction, 100% of USF's IPO proceeds have now been invested or committed to operational projects.
- **Construction Assets:** USF completed its final construction project, Milford, on-time and under budget.
- **Contracted Cashflows:** All assets in the portfolio have power purchase agreements (**PPAs**) with contracted prices for 100% of electricity generated. Including MS2, the portfolio weighted average PPA term is 15.4 years as at 31 December 2020, and all PPA counterparties are investment-grade (S&P rated A to BBB).
- **Valuations:** All 41 operating assets were externally valued at 31 December 2020, (construction assets were held at cost in previous periods).
- **Dividend:** The Company announced its sixth dividend (for the period ended 30 September 2020) of 0.50 cents per ordinary share, to be paid on 12 February 2021. USF expects to cover the remaining 2020 dividend with operating cashflows and confirms its 2021 annual dividend target of 5.5 cents per ordinary share.
- **Pipeline:** As of 31 December 2020, the Investment Manager's pipeline (**Pipeline**) included 2,785MW_{DC} of high-quality assets, with an aggregate value of approximately \$2.7 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 construction or operating activities during the quarter.

SIXTH ACQUISITION (MS2)

On 31 December 2020, the Company announced it had executed binding agreements to acquire up to a 50% interest in a 200MW_{DC} operating solar plant located in the Imperial Valley of Southern California, MS2, for a total price of between \$44 million and \$46 million (**Transaction**). USF will acquire the investment in MS2 from New Energy Solar Fund (**NEW**), an Australian listed solar fund, also managed by USF's Investment Manager, New Energy Solar Manager.

The Transaction is structured in two tranches. Tranche One comprises an immediate acquisition of an initial 25% interest for a fixed price of \$23 million and is expected to be completed during the first quarter of 2021, subject to customary third-party consents. Tranche Two consists of an option for USF to acquire a further 25% interest 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.

On completion of Tranche One of the Transaction, USF's total portfolio will be 493MW_{DC} of fully operational assets in four states of the US, with a weighted average investment-grade PPA term of 15.4 years as at 31 December 2020.

MS2 was built during 2018 and 2019 by Swinerton Renewable Energy, a leading US civil and solar constructor. The project uses First Solar Series 6 modules, with operations and maintenance services provided by First Solar Energy Services under a long-term contract. MS2 has a 20-year PPA with Southern California Edison (**SCE**), that commenced in June 2020. Under the PPA, 100% of the electricity generated by MS2 is sold to SCE at an annually escalating price. SCE (S&P: BBB), a subsidiary of Edison International, serves a population of more than 15 million people and is the primary electricity provider for central, southern and coastal California.



Mount Signal 2 (MS2), California – 200MW_{DC}

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CONSTRUCTION ASSET UPDATE

USF's final construction asset, Milford, achieved completion on 19 November 2020. The asset reached the commercial operations date under its PPA on-time and under budget. The Company was pleased to benefit from construction and development cost savings of approximately \$4 million as well as approximately \$1 million from better than expected test electricity sales, which resulted in a combined \$5 million upside to the Company, compared to acquisition assumptions. Milford will sell 100% of the electricity generated to PacifiCorp (S&P: A) for a remaining PPA term of 24.9 years as at 31 December 2020.



OPERATING ASSET UPDATE¹

Figure 1: Operating portfolio performance CY 2020²

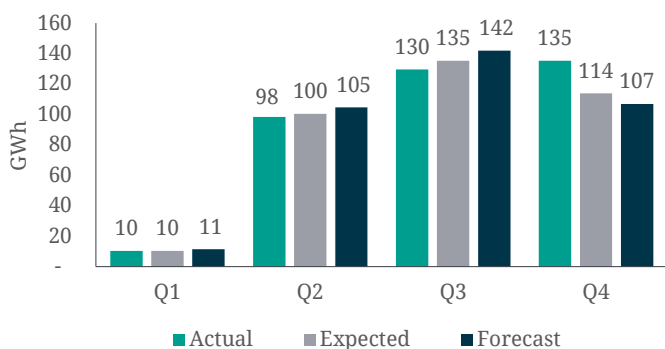
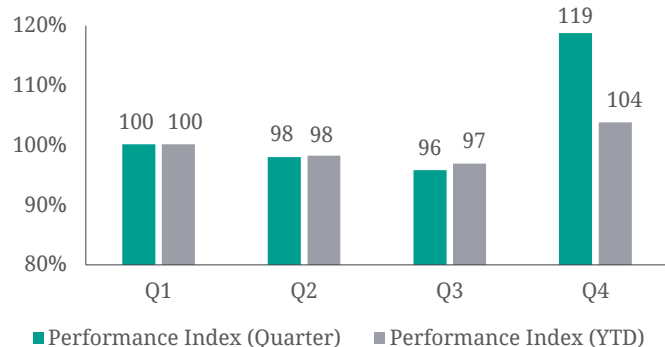


Figure 2: Performance Index CY 2020



The USF portfolio performed well overall during the quarter, with actual production of 135 gigawatt-hours (GWh); 26% above budgeted or forecast production of 107GWh, and 19% above weather-adjusted expected production of 114 GWh. This reflects a production index (actual generation divided by weather-adjusted expected generation) of 119% for the quarter, up from 96% for the prior quarter.

Table 1: Q4 2020 Operating portfolio performance by State

State	# of plants	MW	MW % of total	Performance	
				% of Expected	% of Budget
California	2	7	2%	90%	94%
North Carolina	28	168	38%	90%	92%
Oregon	10	140	32%	95%	109%
Utah	1	128	29%	262%	272%
Total	41	443	100%	119%	126%

In Utah, the Company's newest asset, Milford, which comprises 29% (128MW_{DC}) of USF's portfolio capacity, performed well above budget and weather-adjusted expectations between its commercial operations date (in November) and quarter end. Prior to commercial operations, Milford also generated test revenue that exceeded expectations by approximately \$1 million. In December, its first full month of operations, Milford performed 14% above budget and 8% above weather-adjusted expectations.

In North Carolina, performance was below the Investment Manager's expectations primarily due to storm-related grid outages, ongoing inverter issues at the 7MW_{DC} Gauss site, and isolated inverter outages at other sites. Issues at Gauss were largely resolved after quarter end under a warranty claim and inverter issues at other sites are being resolved progressively during the first quarter of 2021.

USF's Oregon assets performed well above budget but below weather-adjusted expectations. Most Oregon sites experienced significant snowfall within the months of November and December thereby decreasing weather-adjusted performance. Snow coverage of solar panels across a site can be highly variable therefore snow coverage is not included in the adjustment for actual weather conditions. Therefore, in periods where there has been snow coverage, performance against weather-adjusted expectations will be lower.

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

Fourth Quarter Update

CONTRACTED CASHFLOWS

USF's portfolio is fully operational as of 31 December 2020, with 100% of revenues contracted with investment-grade offtakers. Once Tranche One of the MS2 Transaction is complete, the weighted-average PPA term will be 15.4 years as at 31 December 2020; all with investment-grade offtakers.

VALUATIONS

In accordance with Company policy, all 41 operating assets were externally valued at 31 December 2020 (construction assets were held at cost in previous periods). The discount rates used by the external valuer ranged from 6.5% to 7.0% on a pre-tax WACC basis (30 June 2020: 6.8% to 7.2%) and 8.3% to 9.7% on a pre-tax cost of equity basis (30 June 2020: 8.1% to 8.8%). The generally lower discount rates reflect the projects moving from construction to operational stage.

DIVIDEND

USF announced the sixth dividend of 0.50 cents per ordinary share for the period ending 30 September 2020, to be paid on 12 February 2021. This dividend represents an annualised dividend yield of 2% when measured against the initial issue price of \$1 per share. USF expects to cover the remaining 2020 dividend with operating cashflows during the period in which it is paid and confirms its 2021 annual dividend target of 5.5 cents per ordinary share.

PIPELINE

As at 31 December 2020, the Investment Manager's pipeline included 2,785MW_{DC} of high-quality assets, with an aggregate value of approximately \$2.7 billion in cash equity value and a weighted-average PPA term of 15 years. This includes Tranche Two of MS2 which gives USF the option, exercisable for up to 12 months from transaction completion, to acquire a further 25% of the 200MW_{DC} asset.

COVID-19 IMPACT

COVID-19 did not have any material impact on USF's operating or construction assets during the quarter, with Milford commencing its PPA on time, as expected. 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

Q4 2020 UTILITY-SCALE SOLAR MARKET UPDATE³

Despite current pandemic conditions, US solar photovoltaic (PV) installations accounted for 43% of new US electricity-generating capacity additions from Q1 to Q3 2020, representing the largest share of new capacity addition by type, with natural gas being the second largest share at 30%. Over Q3 2020, there were 2.7 gigawatts (GW_{DC}) of US utility-scale PV capacity installed, representing:

- a 90% increase compared to Q3 2019;
- a 370% increase compared to Q3 five years prior; and
- the largest third quarter for US utility-scale PV since 2016.

The 2.7GW_{DC} of utility-scale PV deployed brings the 2020 cumulative capacity to 7.6GW_{DC} through to the end of Q3. In addition to this, 7GW_{DC} of projects are expected to have been completed by the end of December 2020, which will put the year on pace to exceed 2016 US utility-scale PV installations, placing 2020 on track to be the largest ever year for US utility-scale PV installations.

Figure 3: US utility-scale PV capacity installed by quarter



The US utility-scale PV contracted pipeline grew by a further 7GW_{DC} over the quarter to reach a record high of 69.2GW_{DC}. The growth has been driven by continued expansion of state-level renewable energy targets as well as targets set by large corporates, utilities, and municipalities. Utility-scale PV continues to be a cost-effective option in most state markets.

Although the pandemic has caused great uncertainty in market conditions and greater financial risks for developers, the utility-scale solar market has continued to expand. As at Q3 2020, there have been no reported pandemic-related delays in US utility-scale PV construction.

Wood Mackenzie increased their 2020-2025 US utility-scale PV capacity additions forecast by 8.6GW_{DC} to 92.5GW_{DC} as a result of the surge in new utilities announcing renewable energy and carbon reduction targets in addition to the increased confidence in project buildouts. Utilities across the US have continued to ramp up solar procurement in anticipation of Investment Tax Credit (ITC) project completion deadlines.

Fourth Quarter Update

In December 2020, the pandemic relief package included a two-year extension on the ITC for solar systems across the US, with the Solar ITC remaining at 26% for projects that begin construction by the end of 2022 (previously set to drop from 26% to 22% for projects that begin construction in 2021). The ITC then steps down to 22% for projects that begin construction by the end of 2023 and then 10% for projects commencing construction from 2024 onwards. Although these changes do not impact USF's current operating portfolio, the Investment Manager expects to see increased acquisition opportunities later in 2021 through 2023, and that the other components of the relief package will have a positive impact on the already buoyant renewable energy market in the US.

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_{DC} per year by 2025 onwards (capacity currently projected to be 11.8GW_{DC} in 2025).

KEY FINANCIAL FACTS AT 31 DECEMBER 2020

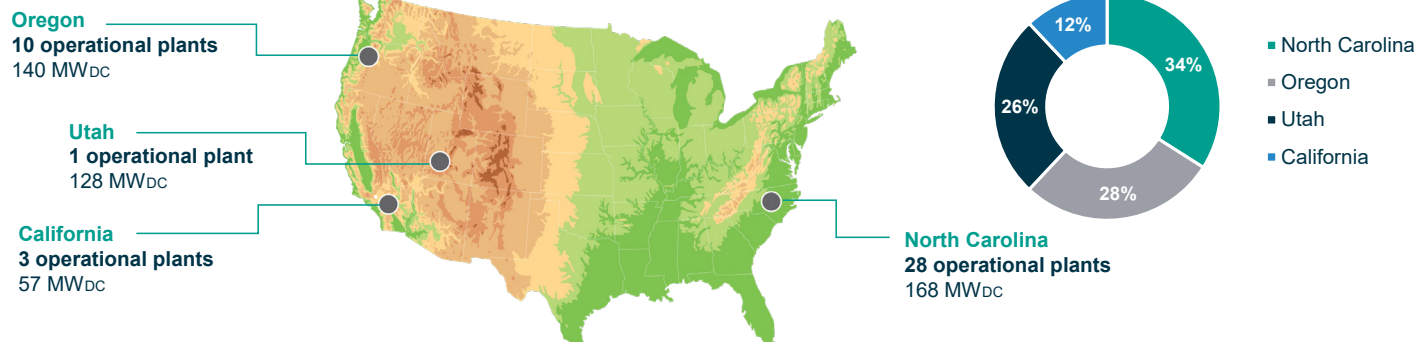
Ordinary Shares Issued	200,192,361	
Ticker	USF (\$)	USFP (£)
Share Price	1.075	0.8000
NAV (\$) ⁴	194.2m	
NAV/share (\$) ⁴	0.970	
Premium to NAV ⁴	10.8%	
Market Cap (\$m)	215.2	
Ongoing Charges ⁵	1.48%	
Target Dividend Yield ^{6,7}	5.5%	
Next Dividend	February 2021	
Target Net Total Return ^{7,8}	Min 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

Fact Sheet

Portfolio Overview⁹



Asset	Capacity (MW _{DC})	Location	Acquisition Date	Energy Offtaker	Offtaker Credit Rating	Remaining PPA Length (Years)	COD
Granger	3.9	California	Mar 20	San Diego Gas & Electric	S&P: BBB+	15.7	Sep 16
Mount Signal 2	49.9	California	Feb 2021 ¹⁰	Southern California Edison	S&P: BBB	19.4	Jan 20
Valley Center	3.0	California	Mar 20	San Diego Gas & Electric	S&P: BBB+	15.9	Dec 16
Benson	5.7	North Carolina	Dec 19	Duke Energy Progress	S&P: A-	12.7	Aug 20
Cotten	6.8	North Carolina	Mar 20	Duke Energy Progress	S&P: A-	10.9	Nov 16
County Home	2.6	North Carolina	Mar 20	Duke Energy Carolinas	S&P: A-	10.6	Sep 16
Davis Lane	7.0	North Carolina	Mar 20	Virginia Electric & Power	S&P: BBB+	12.0	Dec 17
Eagle Solar	5.6	North Carolina	Dec 19	Duke Energy Progress	S&P: A-	12.7	Aug 20
Faison	2.3	North Carolina	Dec 19	Duke Energy Progress	S&P: A-	9.3	Jun 15
Four Oaks	6.5	North Carolina	Dec 19	Duke Energy Progress	S&P: A-	9.8	Oct 15
Freemont	6.4	North Carolina	Mar 20	Duke Energy Carolinas	S&P: A-	10.6	Dec 16
Gauss	7.0	North Carolina	Mar 20	Virginia Electric & Power	S&P: BBB+	12.6	Oct 18
Jersey	7.0	North Carolina	Mar 20	North Carolina Electric	S&P: A-	7.0	Dec 17
Lane II	7.5	North Carolina	Dec 19	Duke Energy Progress	S&P: A-	12.7	Jul 20
Mariposa	6.4	North Carolina	Mar 20	Duke Energy Carolinas	S&P: A-	10.7	Sep 16
Monroe Moore	6.6	North Carolina	Mar 20	Duke Energy Carolinas	S&P: A-	10.6	Dec 16
Nitro	6.2	North Carolina	Dec 19	Duke Energy Progress	S&P: A-	8.9	Jul 15
Pilot Mountain	7.5	North Carolina	Dec 19	Duke Energy Carolinas	S&P: A-	12.7	Sep 20
Princeton	6.5	North Carolina	Dec 19	Duke Energy Progress	S&P: A-	9.8	Oct 15
Progress 1	2.5	North Carolina	Jan 20	Duke Energy Progress	S&P: A-	11.3	Apr 12
Progress 2	2.5	North Carolina	Jan 20	Duke Energy Progress	S&P: A-	7.0	Apr 13
Red Oak	6.9	North Carolina	Mar 20	Duke Energy Progress	S&P: A-	11.0	Dec 16
S. Robeson	6.3	North Carolina	Jan 20	Duke Energy Progress	S&P: A-	6.6	Jul 12
Sarah	6.3	North Carolina	Dec 19	Duke Energy Progress	S&P: A-	9.5	Jun 15
Schell	6.9	North Carolina	Mar 20	Virginia Electric & Power	S&P: BBB+	11.0	Dec 16
Sedberry	6.2	North Carolina	Mar 20	Duke Energy Progress	S&P: A-	10.6	Dec 16
Siler 421	6.9	North Carolina	Mar 20	Duke Energy Progress	S&P: A-	10.6	Dec 16
Sonne Two	7.0	North Carolina	Mar 20	Duke Energy Carolinas	S&P: A-	10.6	Dec 16
Tate	6.5	North Carolina	Dec 19	Duke Energy Progress	S&P: A-	12.7	Aug 20
Tiburon	6.7	North Carolina	Mar 20	Duke Energy Carolinas	S&P: A-	10.6	Dec 16
Willard	6.0	North Carolina	Dec 19	Duke Energy Progress	S&P: A-	12.7	Oct 20
Alkali	15.1	Oregon	Jun 20	Portland General Electric	S&P: BBB+	10.7	Jun 20
Chiloquin	14.0	Oregon	Mar 20	PacifiCorp	S&P: A	11.0	Jan 18

Fact Sheet

Portfolio Overview (continued)

Asset	Capacity (MW _{DC})	Location	Acquisition Date	Energy Offtaker ⁹	Offtaker Credit Rating ¹⁰	Remaining PPA Length (Years)	COD ¹¹
Dairy	14.0	Oregon	Mar 20	PacifiCorp	S&P: A	10.8	Mar 18
Lakeview	13.7	Oregon	Mar 20	PacifiCorp	S&P: A	10.8	Dec 17
Merrill	10.5	Oregon	Mar 20	PacifiCorp	S&P: A	10.8	Jan 18
Rock Garden	14.9	Oregon	Jun 20	Portland General Electric	S&P: BBB+	10.7	Jun 20
Suntex	15.3	Oregon	Jun 20	Portland General Electric	S&P: BBB+	10.6	Jul 20
Tumbleweed	14.0	Oregon	Mar 20	PacifiCorp	S&P: A	11.0	Dec 17
Turkey Hill	13.2	Oregon	Mar 20	PacifiCorp	S&P: A	10.8	Dec 17
West Hines	15.3	Oregon	Jun 20	Portland General Electric	S&P: BBB+	10.6	Jun 20
Milford	127.8	Utah	Aug 19	PacifiCorp	S&P: A	24.9	Nov 20
Grand Total	492.9					15.4	

1 Operating data does not include performance from the MS2 asset.

2 "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.

3 Wood Mackenzie / SEIA Q4 2020 U.S. Solar Market Insight®. The Q4 2020 report provides data through Q3 2020.

4 Based on the unaudited NAV as at 31 December 2020.

5 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.

6 Once fully operational and on a fully invested and geared basis. USF has set an initial target annual dividend of 2-3% on the IPO issue price in respect of the period from listing until all the Solar Power Assets are fully operational.

7 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.

8 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.

9 USF Portfolio overview charts and table includes the 25% interest in MS2.

10 USF has executed binding agreements to acquire MS2 however transaction close is subject to customary regulatory approval expected in February 2021.

SENIOR MANAGEMENT

JOHN MARTIN *Chief Executive Officer*



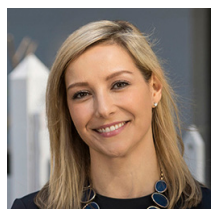
- Over 30 years experience in Energy, Infrastructure, Resources and Finance.
- 10+ years experience in renewable energy (wind, hydro, and solar).
- Previous roles with ABN Amro, RBS, NAB, PwC, Zurich and Aquasia.

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.

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CORPORATE CALENDAR

Annual Dividend, NAV and Trading Update	March 2021
Annual General Meeting	May 2021
Dividend, NAV and Trading Update	May 2021
Company Financial Half-Year	June 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.