



Attractive and sustainable returns from US solar power

Fourth Quarter Update

USF Quarter Highlights

- **NAV update:** US Solar Fund's (USF or the Company) unaudited NAV at 31 December 2021 was \$324.0 million or \$0.975 per share, a 3.0% increase from the 30 September 2021 NAV of \$0.947 per ordinary share, reflecting the impact of useful life extensions for selected assets in the portfolio, and an uplift in the valuation of USF's interest in and option over Mount Signal 2 (MS2); which more than offset a softer average long-term electricity price outlook, tax and working capital adjustments, and model roll forward.
- **Portfolio performance:** Full-year production for 2021 was 3.9% below budget with 1.5% due to lower-than-expected irradiance and 2.4% due predominantly to the H1 contractually allowable and expected curtailment at MS2 in California, isolated performance issues, unplanned outages, snow, and other adverse weather impacts.
- **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 14.4 years as of 31 December 2021, and all PPA counterparties are investment-grade (S&P rated A to BBB).
- **Dividends:** The Company announced its 3Q2021 dividend of 1.50 cents per ordinary share, paid on 7 January 2022, in line with the Company's target full year dividend of 5.5 cents per ordinary share. The Company's year-end dividend for 2021, will be announced with the annual report in March 2022. 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 seasonal cash flow profile of the assets.
- **Dividend cover:** Dividend cash cover for the 12-months ended 31 December 2021 was 1.82x. 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 share but the Investment Manager expects the dividend to remain comfortably cash-covered.
- **Pipeline:** As of 31 December 2021, the Investment Manager's pipeline included 1,940 MW_{DC} of high-quality assets, with an aggregate value of approximately \$2.2 billion in cash equity value and a weighted-average PPA term of 17.7 years.

- **Acquisition (after the period):** In February 2022, USF acquired a further 25% (50MW_{DC}) of MS2, a 200MW_{DC} project in California. This brings the total portfolio to 543MW_{DC}. The acquisition is not included in performance numbers or summaries of the portfolio as it was completed after the period.
- **Sustainability Report (after the period):** In February, USF released its inaugural Sustainability Report, expanding on previous reporting in the Annual and Interim Reports.

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

	12 months to 31 December 2021 \$m
Project revenue	50.4
Project operating expenses	(13.9)
Payments to tax equity	(8.4)
Portfolio debt expenses	(9.6)
Project cash flows after debt service	18.5
Management fees	(1.6)
Corporate operating expenses	(2.0)
Revolver interest and fees	(0.2)
Underlying operating cash flows	14.7
Cash flow reserve carried forward	4.1
Total underlying cash flow	18.8
Dividends paid	10.3
Dividend cover	1.82x

NAV UPDATE

The key drivers of the 3% increase from the 30 September 2021 NAV of \$0.947 per Ordinary Share were useful life extensions for assets in the portfolio (\$0.045) and an uplift in the initial valuation of the interest in and option over Mount Signal 2 (MS2) (\$0.024); which more than offset a softer average long-term electricity price outlook, tax and working capital adjustments, and model roll forward (collectively -\$0.041).

USF engaged a leading independent engineer (IE) to review the portfolio, which resulted in 30 of the 42 assets having their useful lives extended. The IE reviewed the geotechnical and structural design, historical operational performance, budgeted operating costs, and other key components to determine a recommended useful life and associated assumptions, including additional maintenance and capital expenditure. Assets that were considered for extensions have permits, contracts, and land control to support the term of useful life.

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PORTFOLIO PERFORMANCE

Figure 1 shows the actual and budgeted production of the portfolio during the four quarters of the period. The increase in production from Q1 to Q2 and decrease from Q3 to Q4 is largely attributable to the seasonality of production as we moved into and then out of the summer months.

Production for 2021 was 3.9% below budget. 1.5% of this was due to lower-than-expected irradiance and 2.4% due predominantly to the H1 curtailment at MS2 in California, isolated performance issues, unplanned outages, and snow.

Table 2: Q4 2021 Operating Portfolio Performance by State

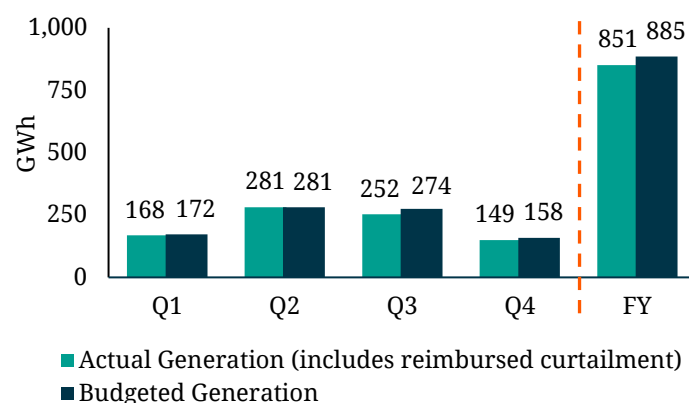
State	Number of plants	MW _{DC}	MW % of Total	% of Budget MWh	Actual MWh/ Budget MWh	MWh weighted perf. vs budget
California	3	57	12%	14%	-6.9%	-1.0%
North Carolina	28	168	34%	28%	-5.5%	-1.5%
Oregon	10	140	28%	27%	-3.7%	-1.0%
Utah	1	128	26%	31%	-1.1%	-0.3%
Total	42	493	100%	100%		-3.9%

Performance in California for the year was 6.9% below budget largely due to soiling, curtailment, grid outages and unscheduled maintenance at MS2 (50MW_{DC}). MS2 experienced roughly two full years of expected curtailment within the 2021 calendar year (the curtailment calendar is June to May). While the curtailment was budgeted for by the Investment Manager, it was expected to be spread evenly across twelve months for each year, thus impacting 2021 production. MS2's soiling and sensor issues are expected to be resolved during March 2022.

Figure 2: Operating Portfolio Production Waterfall YTD 2021



Figure 1: Operating Portfolio Performance YTD 2021



North Carolina performance was 5.5% below budget. Performance was impacted by a number of small site-specific issues including grid outages and unscheduled maintenance. All issues have been resolved.

The Oregon portfolio performed 3.7% below budget primarily due to poor weather (including snow), grid outages (partially driven by the Oregon wildfires, although no sites were damaged by fires), soiling and unscheduled maintenance. All issues have been resolved except damaged feeder cables (rodent damage at Chiloquin, 14.0MW_{DC}) which are expected to be repaired this spring; the Investment Manager has filed an insurance claim for repair costs and business interruption.

In Utah, Milford (128MW_{DC}) performed 1.1% below budget for the year. Although the project performed strongly above budget for the first half of the year, inverter and medium voltage transformer issues drove underperformance in August and September. All issues have now been repaired and the project is performing well.

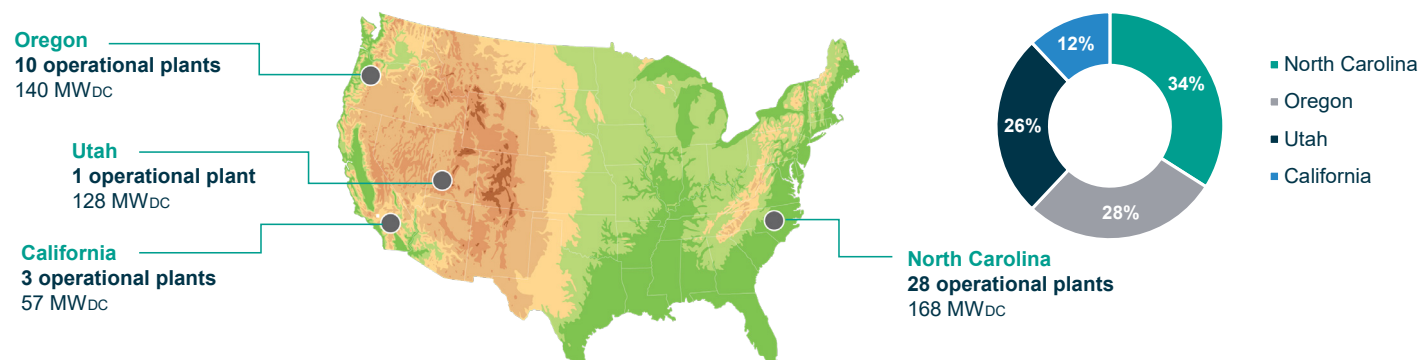
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KEY FINANCIAL FACTS AT 31 DECEMBER 2021

Ordinary Shares Issued	332,192,361	
Ticker	USF (\$)	USFP (£)
Share Price	0.96	0.7050
NAV (\$)¹	324.0m	
NAV/share (\$)¹	0.975	
Premium to NAV¹	(1.6%)	
Market Cap (\$m)	318.9	
Ongoing Charges	1.36%	
Target Dividend Yield²,³	5.5%	
Next Dividend⁴	March 2022	
Target Net Total Return⁵	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 OVERVIEW⁶



1 Based on the unaudited NAV as at 31 December 2021.

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 Annual dividend will be announced in March with Annual Results.

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, once the Company is fully invested).

6 Portfolio breakdown by state is by MW_{DC}.

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Asset	Capacity (MW _{DC})	Location	Acquisition Date	Energy Offtaker	Offtaker Credit Rating	Remaining PPA Length (Years)	COD
Milford	127.8	Utah	Aug 19	PacifiCorp	S&P: A	23.9	Nov 20
Mount Signal 2	49.9	California	Mar 21	Southern California Edison	S&P: BBB	18.4	Jan 20
Suntex	15.3	Oregon	Jun 20	Portland General Electric	S&P: BBB+	9.6	Jul 20
West Hines	15.3	Oregon	Jun 20	Portland General Electric	S&P: BBB+	9.6	Jun 20
Alkali	15.1	Oregon	Jun 20	Portland General Electric	S&P: BBB+	9.7	Jun 20
Rock Garden	14.9	Oregon	Jun 20	Portland General Electric	S&P: BBB+	9.7	Jun 20
Chiloquin	14.0	Oregon	Mar 20	PacifiCorp	S&P: A	10.0	Jan 18
Dairy	14.0	Oregon	Mar 20	PacifiCorp	S&P: A	9.8	Mar 18
Tumbleweed	14.0	Oregon	Mar 20	PacifiCorp	S&P: A	10.0	Dec 17
Lakeview	13.7	Oregon	Mar 20	PacifiCorp	S&P: A	9.8	Dec 17
Turkey Hill	13.2	Oregon	Mar 20	PacifiCorp	S&P: A	9.8	Dec 17
Merrill	10.5	Oregon	Mar 20	PacifiCorp	S&P: A	9.8	Jan 18
Lane II	7.5	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	11.7	Jul 20
Pilot Mountain	7.5	North Carolina	Dec 19	Duke Energy Carolinas	S&P: BBB+	11.7	Sep 20
Davis Lane	7.0	North Carolina	Mar 20	Virginia Electric & Power	S&P: BBB+	11.0	Dec 17
Gauss	7.0	North Carolina	Mar 20	Virginia Electric & Power	S&P: BBB+	11.6	Oct 18
Jersey	7.0	North Carolina	Mar 20	North Carolina Electric	S&P: A-	6.0	Dec 17
Sonne Two	7.0	North Carolina	Mar 20	Duke Energy Carolinas	S&P: BBB+	9.6	Dec 16
Red Oak	6.9	North Carolina	Mar 20	Duke Energy Progress	S&P: BBB+	10.0	Dec 16
Schell	6.9	North Carolina	Mar 20	Virginia Electric & Power	S&P: BBB+	10.0	Dec 16
Siler 421	6.9	North Carolina	Mar 20	Duke Energy Progress	S&P: BBB+	9.6	Dec 16
Cotten	6.8	North Carolina	Mar 20	Duke Energy Progress	S&P: BBB+	9.9	Nov 16
Tiburon	6.7	North Carolina	Mar 20	Duke Energy Carolinas	S&P: BBB+	9.6	Dec 16
Monroe Moore	6.6	North Carolina	Mar 20	Duke Energy Carolinas	S&P: BBB+	9.6	Dec 16
Four Oaks	6.5	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	8.8	Oct 15
Princeton	6.5	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	8.8	Oct 15
Tate	6.5	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	11.7	Aug 20
Freemont	6.4	North Carolina	Mar 20	Duke Energy Carolinas	S&P: BBB+	9.6	Dec 16
Mariposa	6.4	North Carolina	Mar 20	Duke Energy Carolinas	S&P: BBB+	9.7	Sep 16
S. Robeson	6.3	North Carolina	Jan 20	Progress Energy	S&P: BBB+	5.6	Jul 12
Sarah	6.3	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	8.5	Jun 15
Nitro	6.2	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	7.9	Jul 15
Sedberry	6.2	North Carolina	Mar 20	Duke Energy Progress	S&P: BBB+	9.6	Dec 16
Willard	6.0	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	11.7	Oct 20
Benson	5.7	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	11.7	Aug 20
Eagle Solar	5.6	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	11.7	Aug 20
Granger	3.9	California	Mar 20	San Diego Gas & Electric	S&P: BBB+	14.7	Sep 16
Valley Center	3.0	California	Mar 20	San Diego Gas & Electric	S&P: BBB+	14.9	Dec 16
County Home	2.6	North Carolina	Mar 20	Duke Energy Carolinas	S&P: BBB+	9.6	Sep 16
Progress 1	2.5	North Carolina	Jan 20	Progress Energy	S&P: BBB+	10.3	Apr 12
Progress 2	2.5	North Carolina	Jan 20	Progress Energy	S&P: BBB+	6.0	Apr 13
Faison	2.3	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	8.3	Jun 15
Grand Total	492.9					14.4	

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

DISCLAIMER

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