

# US Solar Fund Plc

## Making hay

US Solar Fund Plc (USF) is a newly established closed end investment company that is focused on the large and growing solar market in the US. It invests in utility scale solar farms and sells the electricity generated to creditworthy counterparties through long-term power purchase agreements (PPAs).

From 31 March 2020 or when its assets are operational, USF is targeting a yield of at least 5.5% per annum (paid quarterly), prior to this, it is targeting an initial annual dividend yield of 2 to 3%. It is also targeting a total return in excess of 7.5% per annum (after fees and before tax) over the life of its assets.

USF's shares will be listed on the main market of the London Stock Exchange. The investment manager has an active pipeline of USD4.8bn of assets and it expects to have fully committed the proceeds of its IPO within six to nine months of admission; be fully operational within a further 12 months; and pay its first dividend in November 2019.

## Income from utility scale solar farms in the US

USF'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. USF will predominantly generate revenue by selling the electricity generated through long-term PPAs (a target weighted-average in excess of 15 years) with creditworthy (predominantly investment grade) counterparties. It may also invest in battery storage and may derive revenue from this as well.

The company will target construction-ready, in-construction, or operational solar power assets that are designed and constructed to have an asset life of at least 30 years and are expected to generate stable electricity output and revenue over the lifespan of the asset.

The details of the share issue, including the risk factors that investors should take into consideration, are more fully described in the prospectus published on 26 February 2019 and we urge readers to read this before making any investment decision.

<b>Sector</b>	Infrastructure – renewable energy
<b>Ticker</b>	USF LN
<b>Base currency</b>	USD
<b>Domicile</b>	England and Wales
<b>Closing dates:</b>	
Offer for subscription	1pm 14 March 2019
Initial placing	3pm 14 March 2019
<b>Issue results</b>	15 March 2019
<b>Admission date</b>	20 March 2019
<b>Manager</b>	New Energy Solar Manager Pty Limited

## IMPORTANT INFORMATION

NB: Marten & Co has been paid to prepare this note on behalf of US Solar Fund Plc and has entered into an arrangement with the sole bookrunner under which Marten & Co is entitled to a share of the bookrunner's fee contingent on the success of the IPO.

This IPO note is a marketing communication and not a prospectus.

The note is based upon publicly available information and should be read in conjunction with the prospectus published by US Solar Fund Plc on 26 February 2019. Readers should not place any reliance on the information contained within this note.

The note does not form part of any offer and is not intended to encourage the reader to subscribe for ordinary shares in US Solar Fund Plc or deal in any other security or securities mentioned within the note.

Marten & Co does not seek to and is not permitted to provide investment advice to individual investors.

The note is not intended to be read and should not be redistributed in whole or in part in the United States of America, its territories and possessions; Canada; Australia; the Republic of South Africa; or Japan.

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20	Liam Thomas (chief investment officer)
21	Michael van der Vlies (chief financial officer)
21	Tom Kline (senior adviser)
21	James Turner (investment director)
22	Adam Haughton (investment director)
22	Paul Whitacre (asset manager)
22	<b>The board</b>
23	Gillian Nott (chair of the board)
23	Jamie Richards (chair of the audit committee)
23	Rachael Nutter (director)
24	Josephine Tan (non-independent director)

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## How to invest

Potential investors can apply for shares through the initial placing and/or offer for subscription. Private wealth managers and other investment professionals can invest in USF on behalf of their clients through the initial placing. Investors may also invest directly through the offer for subscription by completing the application form in Appendix one of the prospectus published on 26 February 2019.

## Investment summary

### The fund – US Solar Fund Plc

- US solar infrastructure fund that seeks to take advantage of the acceleration in the transition to renewable energy.
- The company intends to carry on its business at all times as a UK investment trust for the purposes of s1158 of the UK Corporation Tax Act 2010 (as amended) and it will be listed on the London Stock Exchange (ticker: USF).
- US dollar assets with reporting in US dollars.
- Focused on investing in the large and growing US solar market.
- Targets attractive risk adjusted returns by acquiring solar power plants and associated infrastructure (for example, battery storage) with long-term off-take agreements with creditworthy (predominantly investment-grade) counterparties.
- Conservative look-through gearing based on contracted cash flows (a long-term target of 50% gearing on post-operational assets).
- The manager looks for embedded growth opportunities in its investments. These may include on-site energy storage infrastructure, network services to counterparties or utilities, or replacing hardware to improve asset performance.

### The investment manager - New Energy Solar Manager Pty Limited

- Established investment manager that has invested USD800m in utility scale solar, in 22 projects, since 2016.
- Significant presence in the US market.
- Current investment pipeline of USD4.8bn.
- Dedicated team of 21 based in New York and Sydney focused on acquisition, asset management and operations.
- A disciplined investment process, underpinned by rigorous due diligence, is combined with technical and asset management expertise at the project level to optimise value.
- Part of the Evans Dixon Group, which manages over AUD18bn of assets.
- The management team has well-established relationships throughout the North American solar market and has secured many assets before they come to market, reducing the resource burden of participating in multiple competitive auction processes.

### USF's initial issue

- Target raising of USD250m (minimum of USD200m and a maximum of USD500m).
- Offer price of USD1.00 per ordinary share.
- Issuance costs capped at 2% so that the opening NAV will be USD0.98 per share.
- Prospectus published 26 February 2019.
- Target closing dates:
  - 1pm on 14 March 2019 for the offer for subscription
  - 3pm on 14 March 2019 for the initial placing
- Target admission date: 20 March 2019.

## Strategy, target returns and investment pipeline

- The strategy is to invest in a diversified portfolio of solar power assets in North America and other OECD countries in the Americas, to generate attractive risk-adjusted returns from long-term PPAs with creditworthy (predominantly investment grade counterparties).
- It is targeting an initial annual dividend yield of 2 to 3% and, from 31 March 2020 or when the assets are operational, a yield of at least 5.5% per annum (paid quarterly). The first dividend is expected to be paid in November 2019.
- Dividends will be paid quarterly, in US Dollars, in February, May, August and November of each year.
- The investment manager has identified an attractive mid-market segment in the US. The segment includes the 5 – 80MW<sub>DC</sub> utility-scale sector, corporate PPAs (including multinational (OECD) PPAs) and large commercial and industrial on-site, or “behind the meter” installations.
- The fund is targeting a total return greater than 7.5% (after fees and before tax) over the expected life of the assets.
- The fund can co-invest with its sister fund, ASX listed New Energy Solar, in a USD4.8bn pipeline of assets that has been developed by the investment manager.
- The investment manager expects the proceeds of the initial issue to be fully committed within six to nine months of admission and fully operational within a further 12 months.

## Investment restrictions

At the time of investment or, if earlier, at the time of commitment to an investment:

- USF may invest up to 30% of net asset value in one single solar power asset, however the company’s investment in any other single solar power asset shall not exceed 25% of net asset value;
- the aggregate value of USF’s investment in solar power assets under contract to any single offtaker will not exceed 40% of net asset value;
- solar power assets in the United States will represent at least 85% of gross asset value;
- solar power assets in OECD countries located in the Americas other than the US may represent up to 15% of gross asset value; and
- USF will not invest in other UK listed closed-ended investment companies.

## Hedging and derivatives

USF’s investment manager has authority to use derivatives for the purposes of hedging, partially or fully:

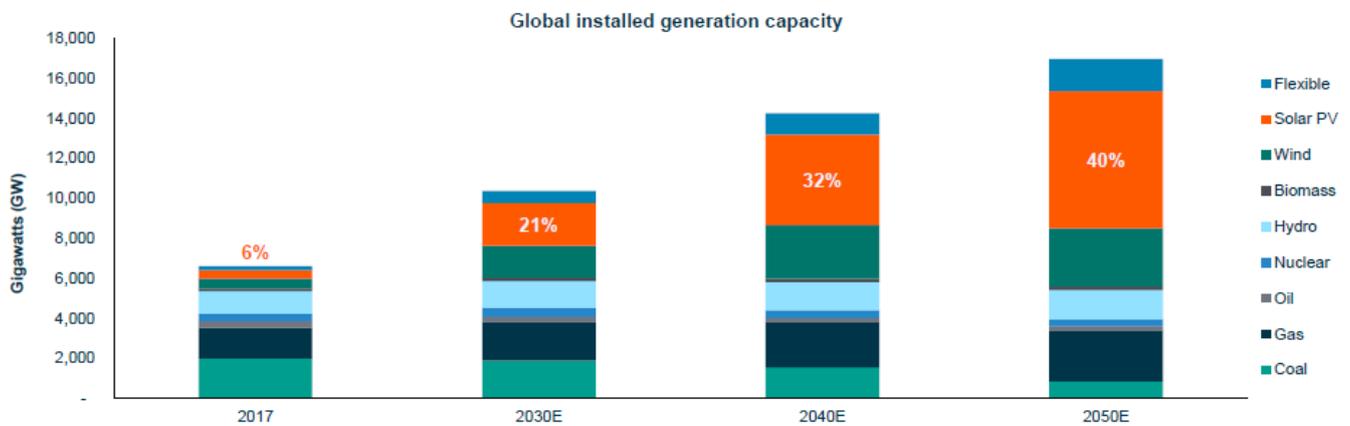
- electricity price risk relating to any electricity generated from solar power assets not sold under a PPA;
- currency risk in circumstances where a solar power asset is acquired in a currency other than US Dollars;
- currency risk in relation to any Sterling denominated operational expenses of the company; and
- interest rate risk associated with the company’s debt facilities.

## The global solar market

### Solar is an increasing proportion of electricity generation

Aided by incentives such as subsidies and tax credits, global solar power generation capacity has been growing rapidly in recent years, and this trend is forecast to continue for several decades. As illustrated in Figure 1 below, Analysis included in Bloomberg New Energy Finance’s (BNEF’s) New Energy Outlook 2018, projects that global generation capacity (across the full range of generation sources) is expected to more than double by 2050. However, as illustrated in Figure 1, solar generation is expected to grow at the fastest rate and become the largest share of capacity.

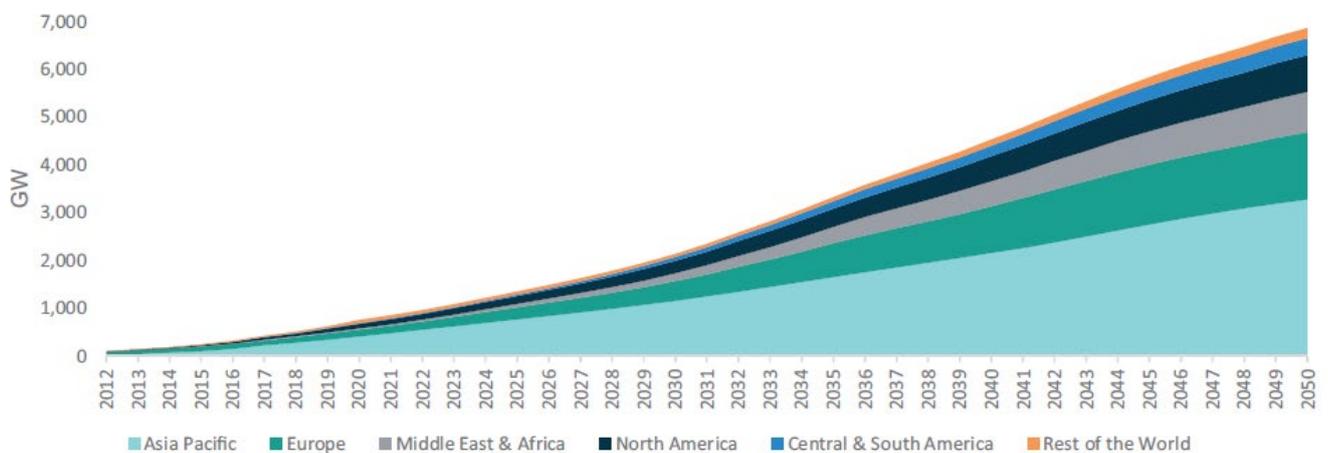
Figure 1: Global installed generation capacity



Source: BNEF New Energy Outlook 2018

By 2050, installed solar PV capacity is expected to exceed 6,800 GW<sub>DC</sub>, representing 41% of total global generation capacity or 24% of global electricity generation. This implies a compound average growth rate in annual solar PV generation of 9.7% between 2017 and 2050. This growth will largely be driven by overall increased electricity demand, as well as renewables replacing ageing traditional sources of generation. Figure 2 below highlights the growth trajectory of global cumulative installed solar capacity through 2050.

Figure 2: Cumulative global installed solar generation capacity, 2012 to 2050E

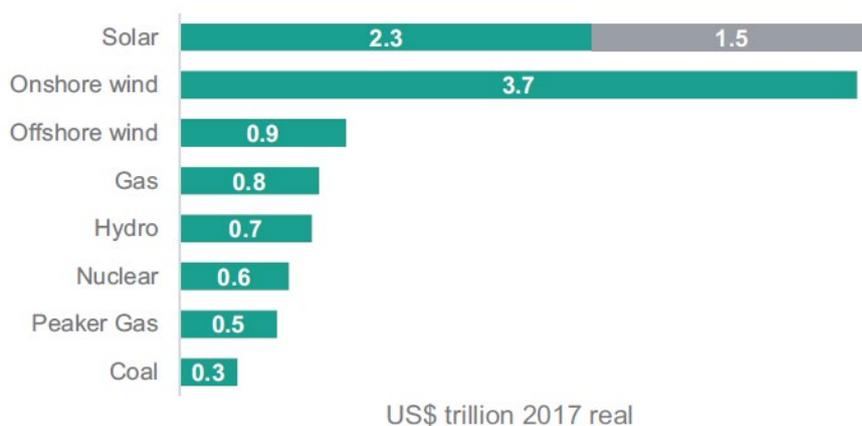


Source: BNEF New Energy Outlook 2018

Global capacity growth will require significant investment

BNEF forecasts approximately USD9.3 trillion will be invested in new renewable generation capacity between 2017 and 2050. Solar PV is forecasted to be a leading component of this investment at USD3.8 trillion, with USD2.3 trillion of that to be invested in utility-scale solar plants. Figure 3 illustrates the global investment in new generation by technology from 2017 to 2050.

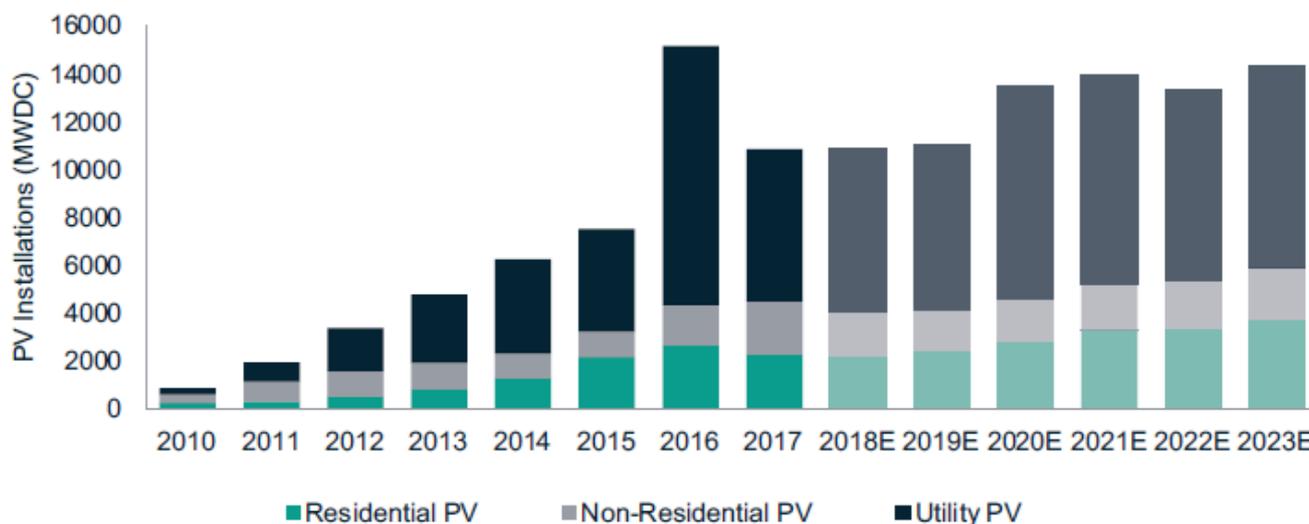
Figure 3: Global investment in new generation capacity by technology, 2018 to 2050E



Source: BNEF New Energy Outlook 2018

The US solar market

Figure 4: Projected growth in the US solar market



Source: Wood Mackenzie, Q4 2018 US Solar Market Insight, December 2018

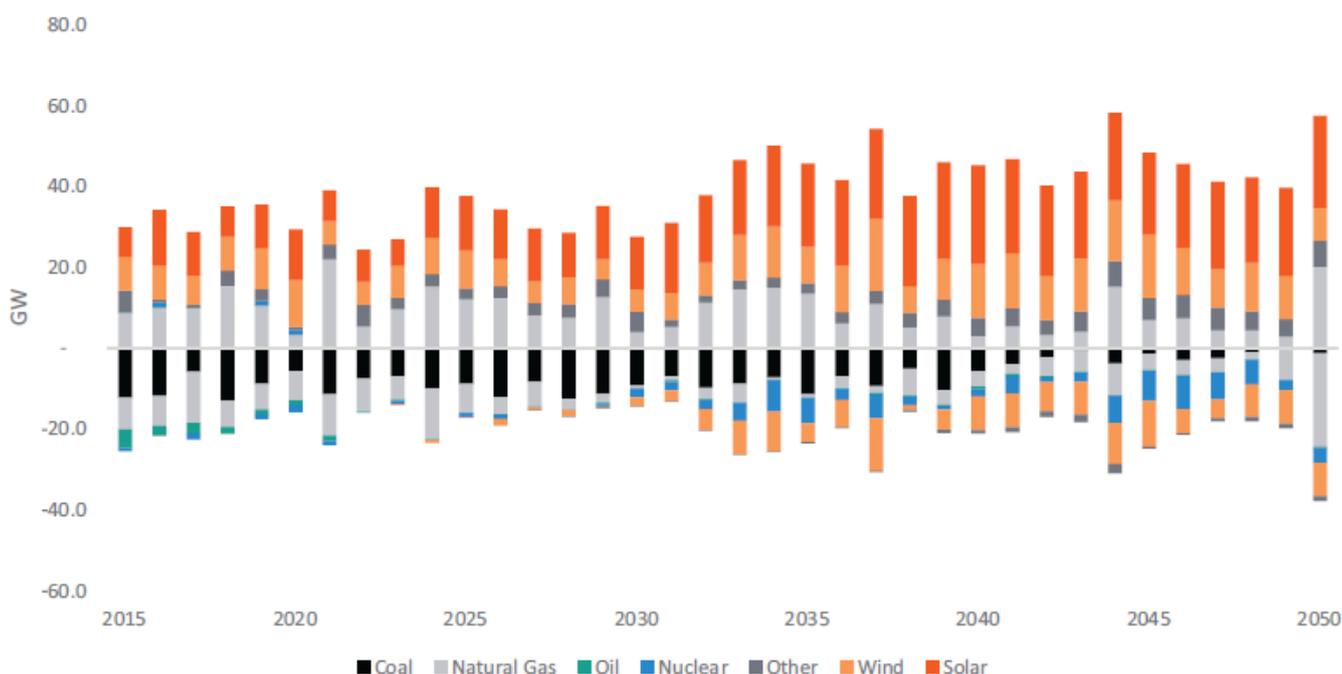
The US solar market is a leading global solar market and is expected to experience continued strong growth in the future. USF's investment manager believes this growth will largely be driven by the improving cost competitiveness of solar PV and, to a lesser extent, the continued support of state and federal incentive schemes.

Figure 4 shows the recent and projected growth in the US solar market from 2010 through 2023. Utility-scale solar PV have accounted for the largest share of annual

installations in the US solar market and this is expected to continue. It is forecast that there will be 41GW of utility-scale solar installations between 2019 and 2023, which is expected to require a total investment of over USD38 billion at 2018 prices.

Furthermore, the US Energy Information Administration (EIA) expects solar PV to form an increasingly larger share of the US generation mix over time as solar PV, and other renewables, and new gas generation continue to replace older fossil fuel plants such as coal. Figure 5 below illustrates the annual generating capacity additions and retirements forecasted through 2050. Solar dominates the capacity additions while coal dominates the retirements.

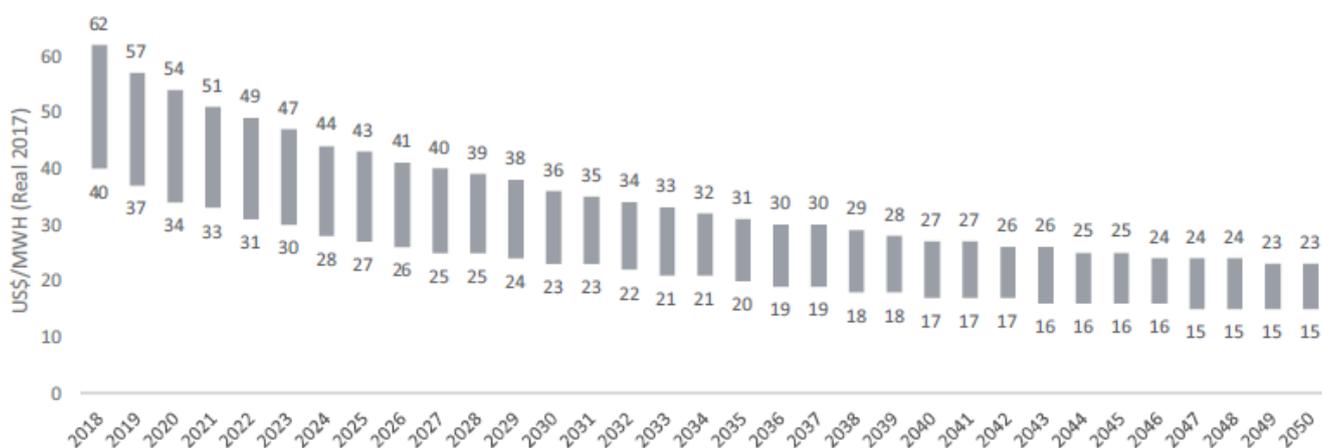
Figure 5: US annual electricity generating capacity additions and retirements (2015 to 2050e)



Source: BNEF New Energy Outlook 2018

Solar PV to be the cheapest unsubsidised form of new build generation in the US by 2030

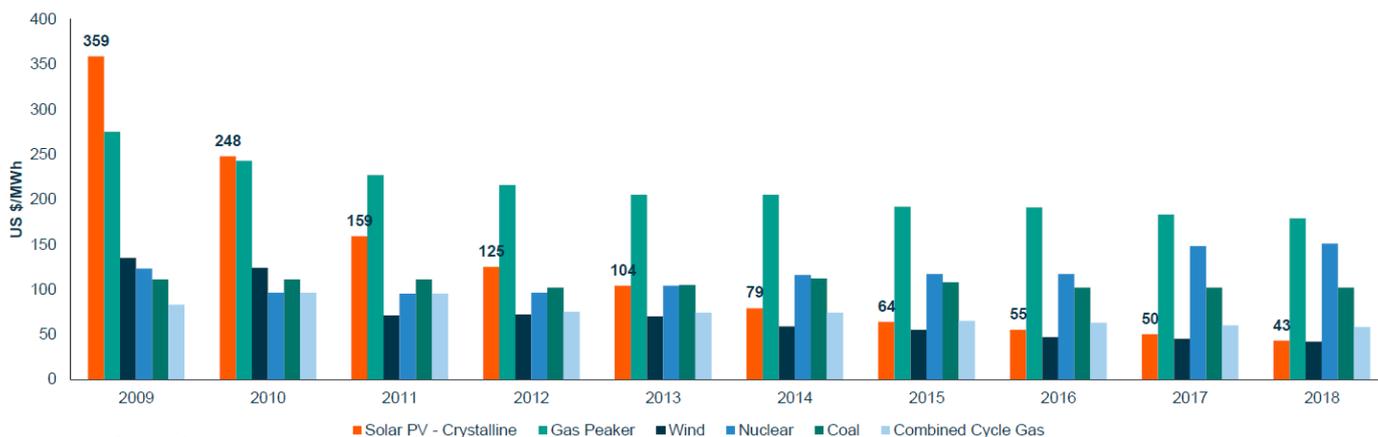
Figure 6: Forecast LCOE Range – United States, PV Tracking (2018 to 2050E)



Source: BNEF, LCOE Comparison and Visualisation

It is expected that continued growth in the US solar market will be driven primarily by the increasing cost competitiveness of solar PV technology, supported by available state and federal policy. Figure 6 below shows the forecast decline in the levelised cost of electricity (LCOE) for utility-scale solar PV through to 2050. The analysis assumes no subsidies for renewables or price on carbon emissions for fossil fuels. As such, it represents underlying energy costs. BNEF has forecast that solar PV will be the cheapest unsubsidised form of new build generation technology in the US by 2030. Figure 7 illustrates how the levelised cost of electricity has declined relative to competing sources in recent years.

Figure 7: Levelised cost of energy stack 2009 - 2018



Source: PV Magazine

### US policy support for solar build out through the incentive tax credit scheme

The ITC programme has been highly successful in driving renewable adoption in the US.

Federal policy support in the form of the Investment Tax Credit ('ITC') was introduced in 2005 to give project owners tax credits for installing designated renewable energy generation equipment. Like the availability of subsidies has driven the roll out of renewable energy generation in Europe, the ITC programme has been highly successful in driving renewable adoption in the US. For qualifying solar PV projects the ITC provides an immediate tax credit of 30% of the eligible capital costs. There are plans to phase this out over time but the 30% credit will apply to qualifying solar projects that commence construction before the end of 2019. The ITC then steps down to 26% for projects that begin construction in 2020 and 22% for projects that begin in 2021 and are placed in service before the end of 2023. For projects that commence construction after 2021, the ITC will drop to a permanent 10%.

Certain solar PV assets are eligible for accelerated depreciation to further enhance tax effectiveness.

In addition to this, certain solar PV assets are eligible for accelerated depreciation to further enhance tax effectiveness. Typically, many developers and equity investors do not have sufficient taxable income to fully use these tax benefits. Therefore, many investment structures for solar PV assets in the US include the use of Tax Equity Partners, who have the capacity to use tax attributes in a shorter timeframe alongside the equity investors. Tax Equity Partners include banks, other financial institutions, insurance companies, and large corporates. The structures often include mechanisms to allow Tax Equity Partners to exit the project at an agreed time.

The ability of a Tax Equity Partner to generate value from tax attributes, including the ITC, over a shorter time horizon allows it to invest in solar PV projects, generate a return through a combination of savings on other tax liabilities and project cash distributions, and then have a clear pathway to exiting the investment if it does not have an appetite to be a long-term holder in the project.

Tax credit programs, such as the ITC for renewables, are a well-recognised structure that have been used in the US for many years.

Tax credit programmes, such as the ITC for renewables, are a well-recognised structure that have been used in the US for many years. They are used to encourage private investment in projects and businesses that provide a public benefit to individuals, families or communities, enable historical preservation, or provide clean energy. Along with renewable energy, tax credit programmes exist for low-income housing, urban and rural housing, and historical preservation.

Structures allowing Tax Equity Partners to more efficiently utilise tax attributes associated with solar power assets have been successfully used for more than ten years. After being introduced in 2005, the ITC has been extended multiple times. Most recently it was reviewed and maintained as part of the 2017 US Tax Cuts and Jobs Act.

### PURPA has also been a driver of renewable energy adoption in the US

PURPA has allowed independent power producers to interconnect with the local utility distribution system and required utilities to buy renewable power from private “qualifying facilities”.

In addition to the ITC, the Public Utility Regulatory Policy Act 1978 as amended (‘PURPA’) has been another federal driver of renewable energy adoption in the US. PURPA has allowed independent power producers to interconnect with the local utility distribution system and required utilities to buy renewable power from private “qualifying facilities” at an avoided cost rate that was equivalent to the rate the utility would have paid to purchase or generate the electricity itself. From the inception of PURPA in 1978 through recent years, solar and wind were expensive enough relative to other energy sources that utilities weren’t exposed to this avoided cost mechanism. However, the decline in the cost of solar PV technology has turned PURPA into a key driver of utility-scale solar power plants.

In several states across the country, PURPA has been the largest driver of solar power in the last several years. A 2017 report from BNEF reported PURPA drove half of the 3.8GW of large-scale solar PV capacity built within regulated utilities between 2006 and 2015.

### Renewable portfolio standards

US states have substantial control over energy policy and the number of renewable energy installations varies widely between states.

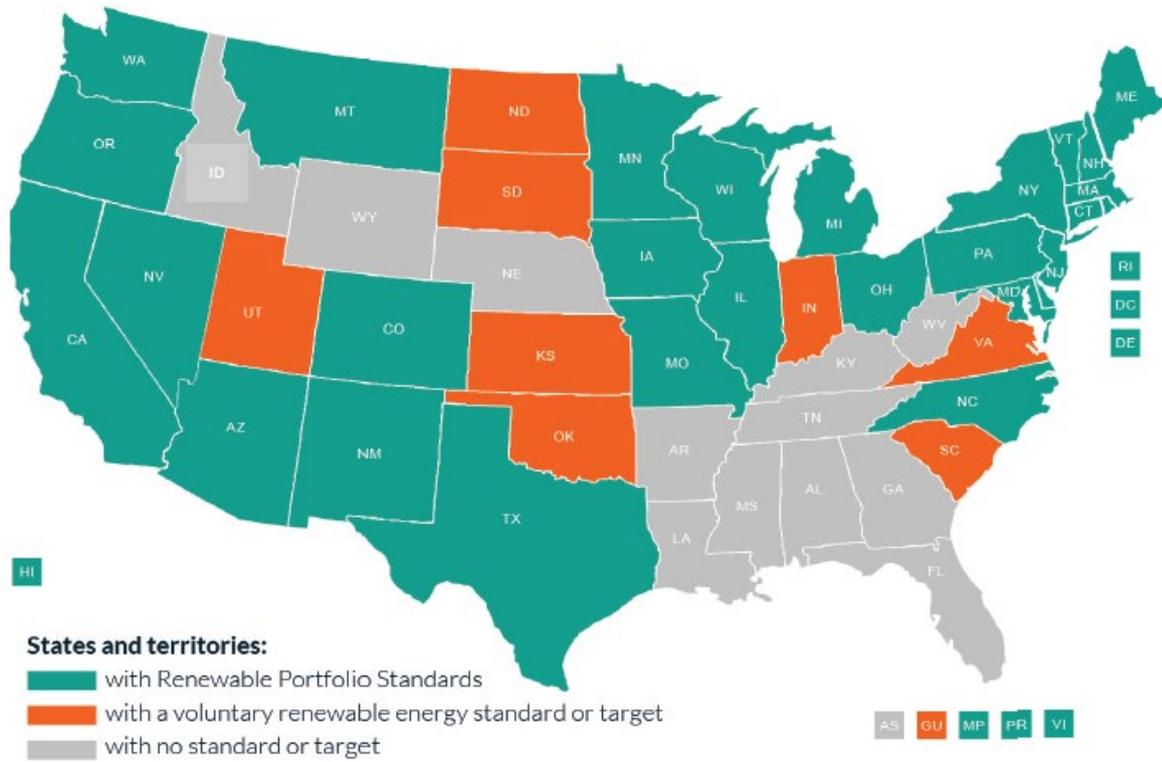
US states have substantial control over energy policy and the number of renewable energy installations varies widely between states, largely by state-level priorities rather than the renewable resource in the region (e.g. sunshine or wind). Renewable Portfolio Standards (RPS) have historically been the primary driver of state renewable adoption in the last decade. Several states have recently sought to accelerate their clean energy targets but economics now largely drive the role out of renewables.

RPS targets set the minimum electricity generation from renewables with the intent of accelerating renewable investment and adoption.

RPS targets set the minimum electricity generation from renewables with the intent of accelerating renewable investment and adoption. A summary of states with RPS targets can be found in Figure 8.

In addition, many of these states include carve outs that require specific levels of electricity generation from solar PV. According to the Berkeley National Laboratory, from 2008 to 2014, 60-70% of new renewable energy capacity installed in the US was attributable to satisfying RPS obligations. However, in 2016, this figure dropped to 44%. While there are many factors driving this shift, what is notable is the decline in the levelised cost of energy for renewables (see Figures 6 and 7) and the associated rise in economic-driven utility and corporate procurement of power from renewable sources.

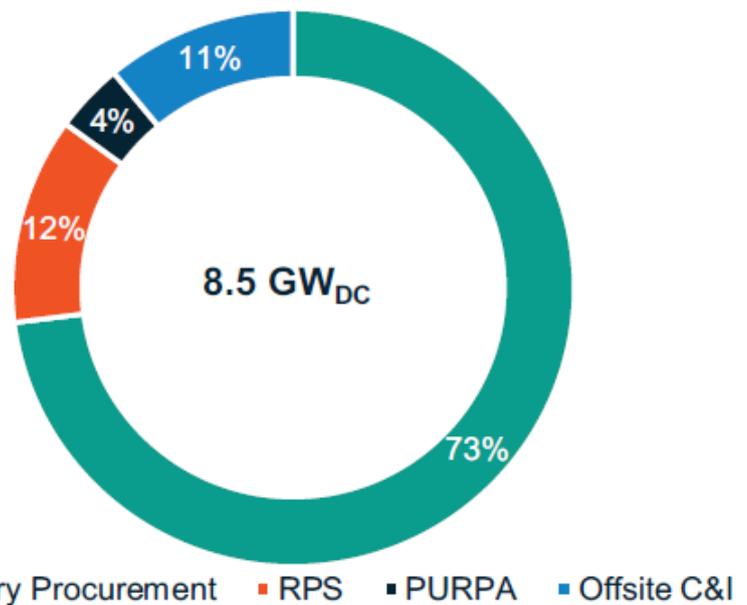
Figure 8: Map of Renewable portfolio standards by state and territory



Source: National Conference of State Legislatures 2016

Utility and corporate environmental and social awareness is also driving the large-scale adoption of solar PV in the US

Figure 9: Driving factors for utility PV projects announced in H1 2018



Source: GTM Research, US Solar Market Insight: Q3 2018

USF's investment manager believes that increasing environmental and social awareness on the part of both utilities and corporates is having a positive impact on the

large-scale adoption of solar PV in the United States. Against a backdrop of falling costs of renewable resources and mounting shareholder pressures to include sustainable factors in strategic decisions, PPAs and other clean energy contracting has continued to surge among businesses and corporations. Corporate PPA volumes for clean energy reached 5.3 gigawatts (GW) in the United States through August 2018, which is more than triple the number of corporate PPAs at the same point in 2017.

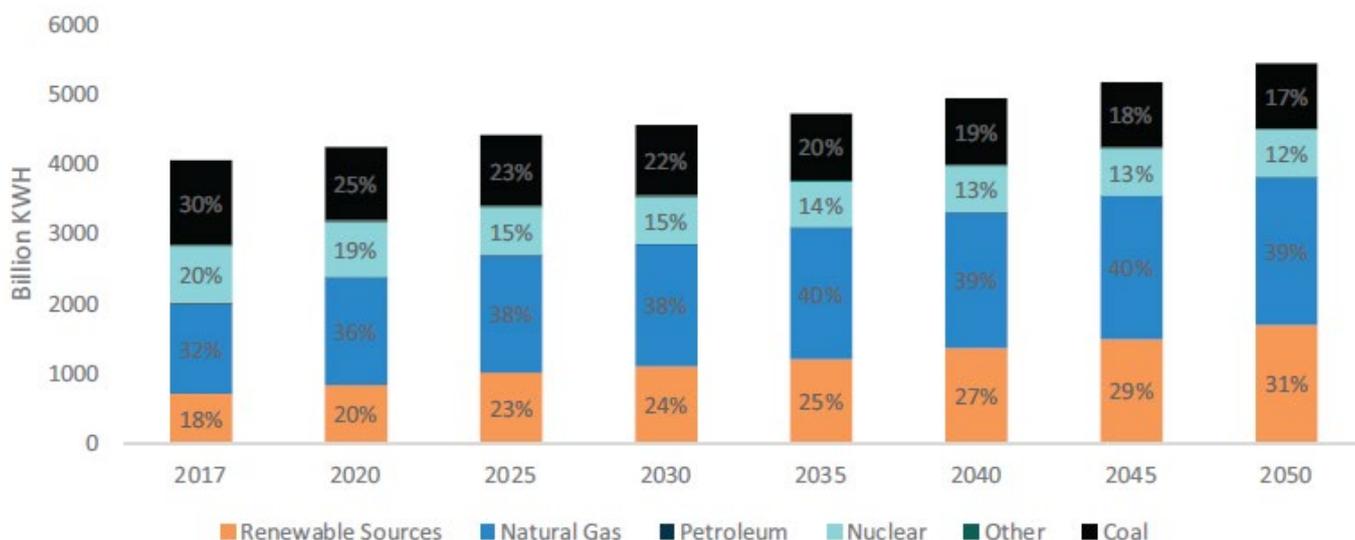
US-based utilities have also recognised the cost and margin benefits of adopting renewable energy, working towards decarbonising existing plants and replacing retired plants with renewables.

Similarly, US-based utilities have also recognised the cost and margin benefits of adopting renewable energy, working towards decarbonising existing plants and replacing retired plants with renewables. In a recent example, Xcel, a major US-based utility company, announced it would retire major coal plants by investing in wind, solar and batteries to replace generation, thereby saving tax-payers up to USD374 million. According to the utility’s executive team, the motivation behind the shift is based largely on economics and customer expectations.

Figure 9 above illustrates that 84% of utility-scale solar power plants in the US were driven by economic procurement factors rather than regulatory mandates. The investment manager believes this fundamental shift will help to solidify the sustained growth of the US solar market in the future.

■ US electricity market supply, demand and pricing

Figure 10: Historical and forecast electricity generation by fuel (2017 to 2050e)



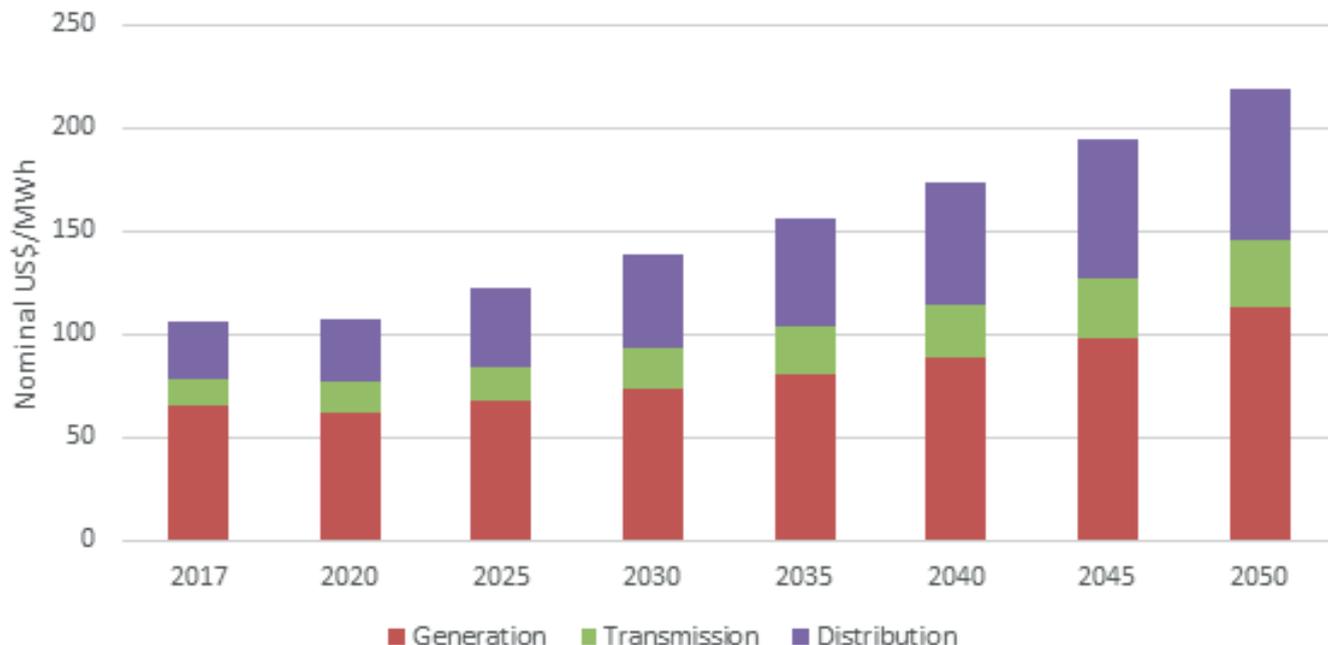
Source: EIA 2019

The EIA expects that, in the context of relatively modest electricity demand growth (with upside if electric vehicle uptake is faster than expected), the primary drivers for new generation capacity installations will be the retirement of older, less-efficient fossil fuel units. Reductions in technology costs, particularly solar PV, the implementation of policies that encourage the use of renewables at the state level and at the federal level (wind production tax credits and the solar ITC), and the abundance of competitively priced shale gas means that renewables and natural gas will be the primary source of new generation capacity, both replacing retirements and meeting new demand. Figure 10 shows renewables overtaking coal in the early 2030s, and renewables and gas continuing to increase their share of total electricity generation volume over the forecast period.

The forecast electricity price is made up of three key components: generation, transmission and distribution which are expected to diverge in terms of price growth.

Generation currently accounts for approximately 60% of electricity costs, however by 2050 the EIA expects that it will drop to approximately 50% due to slower price growth than the other two components; transmission, and distribution.

Figure 11: Forecast end-user average prices and composition (2017 to 2050e)



Source: EIA 2019

Nominal end-user price growth is expected to be broadly consistent with average growth since 2000, however this will be driven by higher growth in transmission and distribution prices, and lower growth in generation prices due to renewables. In real terms, this translates to an expectation of flat real average electricity pricing across the US. From an investment perspective, the forward outlook for electricity prices is important in terms of estimating the revenue of solar power assets when the initial PPA term has expired.

## The investment opportunity

USF’s investment manager believes there is an opportunity to earn attractive risk-adjusted returns from an investment in US solar power. Its reasons are set out below:

### Compelling asset class

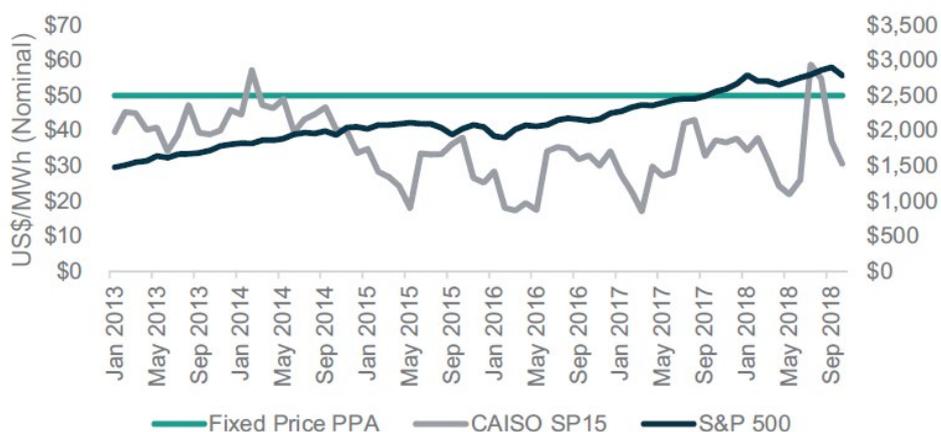
Forecast build over the next five years requires over USD38 billion of capital.

Solar power generation is a rapidly growing infrastructure investment opportunity in the US. At current prices, forecast build over the next five years requires over USD38 billion of capital. The favourable regulatory regime in the US is expected to result in an increase in acquisition opportunities in 2019 and 2020, but the increasingly competitive cost of solar means that solar is expected to be the predominant source of new electricity generation in the US going forward, even without the current regulatory support.

The US solar power market includes large and creditworthy counterparties participating as developers, constructors, service providers and financiers.

Uncorrelated contracted cash flows

Figure 12: Historical pricing variability (2013-2018)



Source: Merchant curve from Wood Mackenzie, S&P 500 pricing data from Capital IQ. Note: CAISO SP15 represents wholesale electricity prices in a region in California

The investment manager targets assets that are expected to produce stable cashflows backed by long-term PPAs with creditworthy (predominantly investment grade) offtakers. Figure 12 illustrates the revenue certainty provided by a long-term fixed nominal price PPA relative to generating revenue in more volatile wholesale markets. In addition, the contracted cash flows associated with these assets are by nature, uncorrelated to global equity and fixed income markets. The investment manager believes these predictable, contracted cash flows provide investors exposure to attractive risk-adjusted returns while providing diversification from traditional investment classes.

Reduced revenue variability from a diversified portfolio

The investment manager believes a well-diversified portfolio of solar power assets can deliver a high certainty of attractive risk-adjusted returns. While generation from a utility-scale solar power plant will vary by day, variability is reduced significantly on a monthly or annual basis. This variability is further reduced through a geographically diverse portfolio of solar power assets.

Utility-scale solar power plants have also demonstrated a lower long-term variability than wind projects

Solar power plants have also demonstrated a lower long-term variability than wind projects. Project revenues for wind can vary year to year by 15-20% for wind but solar PV variability generally averages around 5%, depending on the region.

An established investment manager with demonstrated origination, diligence and execution capabilities

The universe of active renewable asset acquirers and owners is narrow given the complexity of the market and the competitive landscape. The track record and experience of buyers is highly scrutinised by the sellers of renewable assets to minimise their transactional execution risk.

This team currently consists of 21 professionals with substantial relevant investment and acquisitions experience, supported by specialists in project management, capital markets, tax and legal fields.

The investment manager has a dedicated team of experienced investment and renewable energy professionals focused on sourcing, evaluating and transacting on new investments for the company. This team currently consists of 21 professionals with substantial relevant investment and acquisitions experience, supported by specialists in project management, capital markets, tax and legal fields. This structure has enabled the investment manager to compete and reach scale despite the narrow field of active renewable asset acquirers and owners, having deployed or committed over AUD1.1 billion across 22 projects in three years.

The investment manager has also established strong relationships with developers, PPA counterparties, EPC contractors and financiers through its market activity over recent years. These relationships have allowed the investment manager to access a pipeline of attractive investment opportunities which may be otherwise unavailable to other market participants.

### Investment manager incentives are aligned

To align the incentives of the investment manager with those of investors, an associate of the investment manager will subscribe for five million ordinary shares at the initial issue price (representing an investment of USD5 million); these shares will be subject to a lock-up agreement restricting disposal for three years. Additionally, the investment manager will receive 10% of the annual management fee in the form of ordinary shares (see page 18).

### Access to a large, high-quality pipeline of assets, and the opportunity to invest alongside an established market participant

The investment manager has developed a large pipeline of high-quality assets, with an aggregate value of approximately USD4.8 billion.

After deploying or committing over AUD1.1 billion across 22 projects, the investment manager has developed a large pipeline of high-quality assets, with an aggregate value of approximately USD4.8 billion.

While the investment manager participates in any competitive process it believes could result in the acquisition of attractive assets, bilateral or relationship-based processes represent a lower risk investment of time and cost. The investment manager believes the ability to be successful in both competitive processes and maintain relationships with bi-lateral counterparties produces the greatest opportunity to build an attractive portfolio of assets.

The company believes that repeat transactions result in lower transaction cost per acquisition and allow the counterparty to source or develop opportunities which closely fit the company's investment objective, while competitive processes allow increased diversification, broaden the investment manager's relationships, and provide market pricing benchmarks.

### Investment manager's pipeline of opportunities

The investment manager has identified a pipeline of solar power assets with an aggregate value of approximately USD4.8 billion which, based on information that it had at the date of the publication of the prospectus, aligns with the USF's objective and policy. The investment manager is undertaking due diligence on, or is in discussions for the company to acquire several of, these pipeline assets.

The pipeline assets represent a potential investment opportunity of approximately ten times the net initial proceeds, assuming that USF achieves its targets gross proceeds of USD250m.

While there is no guarantee that USF will acquire any of the pipeline assets, the investment manager says that the acquisition of the pipeline assets would provide the Company with a well-diversified initial portfolio. This is because these assets are diversified by location, developer/vendor, offtaker and PPA term. In summary, the pipeline:

- comprises 14 opportunities made up of more than 60 projects located across 13 US states;
- has predominately investment grade offtakers; and
- has an average PPA term of 15.2 years, ranging from 11 years to 25 years.

**Figure 13: Investment manager's active pipeline as at 26 February 2019**

Opportunity	MW	Location (US state)	Number of projects	PPA length (years)	PPA offtaker credit rating	Project status	Sale process
1	42	NC, OR	5	13.5	Baa1	Development	Bilateral
2	1,515	Various (12 states)	TBD	12.0	N/A	Operational	Competitive
3	337	NX, VA	3	21.1	A, BBB+, N/A	Development	Bilateral
4	215	TX	1	15.0	N/A	Development	Bilateral
5	137	CA	1	22.5	Aa3, Aa2	Operational	Bilateral
6	178	CA, AZ, UT, TX, MN	7	18.0	A	Operational	Competitive
7	56	NC	14	11.3	Baa2	Operational	Competitive
8	123	UT	1	25.0	A3	Development	Competitive
9	20	TN	1	20.0	Aaa	Operational	Competitive
10	102	PA	1	20.0	A2	Development	Competitive
11	68	CA	1	20.0	AA	Development	Competitive
12	50	OR, NC, CT, SC	12	14.8	Baa1, A3, A2, Baa1	Development	Competitive
13	18	CA	1	17.3	Baa1	Development	Competitive
14	160	OR	16	12.0	N/A	Development	Competitive
<b>Total MW/ Avg PPA length</b>	<b>3,020</b>			<b>15.2</b>			

Source: US Solar Fund Prospectus of 26 February 2019

USF's investment manager says that, subject to completing the necessary due diligence, it is expected USF could commit to, or invest in, some of these pipeline assets shortly after initial admission. Furthermore, the investment manager believes that suitable acquisition opportunities exist which would allow the net initial proceeds of the IPO to be invested or committed within six to nine months of initial admission.

## Capital structure and life

More information about the workings of investment trusts is available in the [QuotedData guide](#)

USF is structured as an investment trust, that will be listed on the London Stock Exchange. It will be owned and controlled by its shareholders. Investment trusts can make much longer-term investments than an open-ended fund (such as an OEIC or a UCITS fund) could.

A board of directors (whose details are given on pages 22 onwards), governs the relationship between the company and its suppliers (including the investment manager). The board is accountable to shareholders for its actions.

USF may expand in the future. The board has permission to issue up to 1 billion shares in total before 25 February 2020.

### Initial issue and placing programme

At IPO, USF will issue ordinary shares to its investors. The prospectus says that the minimum number of shares that will be issued is 200m and the maximum is 500m, while the target for the initial issue is 250m shares. However, the prospectus also allows for future expansion of the fund through a placing programme. This allows the board, at their sole discretion, to issue up to 1 billion ordinary shares (including those that are issued as part of the IPO) up to 25 February 2020.

The directors may ask shareholders for permission to issue more shares beyond that date and that limit, but ordinary shares will not be issued at a price that is dilutive to existing holders. That is, after taking in account issue costs and expenses, shares may only be issued at a price that is at least equal to the prevailing NAV. The only exception to this is if the new ordinary shares are first offered pro rata to shareholders on a pre-emptive basis.

The board will therefore, subject to the conditions outlined above (and a few other legal restrictions detailed in the prospectus), be able to issue shares to meet demand. This provides the board with a mechanism to moderate any premium that it felt to be excessive. Furthermore, any such issuance should benefit existing shareholders by both supporting liquidity and, all things being equal, lowering the ongoing charges as USF's fixed costs are spread over a larger asset base.

### Authority to repurchase shares

From the outset, the board will be able to buy back up to 14.99% of the shares in issue. Shareholders will be asked whether they want to renew this permission at each annual general meeting. The prospectus says that the directors will consider using ordinary share buy backs to assist in limiting discount volatility and potentially providing an additional source of liquidity, if the ordinary shares trade at a level which makes their repurchase attractive.

### Indefinite life with discontinuation vote based on the discount to NAV

Shareholders will be offered a discontinuation vote if the average discount exceeds 10% in any complete financial year.

USF is intended to be a long-term investment vehicle and does not have a fixed life. However, its articles of association contain a discontinuation provision.

If USF's ordinary shares trade, over any complete financial year, at an average discount to NAV that is in excess of 10%, the board shall propose a special resolution at USF's next AGM that the company ceases to continue in its present form (this being the "Discontinuation Resolution").

If the discontinuation resolution is passed (requiring the approval of at least 75% of the votes cast), the board will be required to put forward proposals to shareholders at a general meeting of the company, to be held within four months of the discontinuation resolution being passed, to wind up or otherwise reconstruct the company, having regard to the illiquid nature of the company's underlying assets.

### Financial calendar

USF's year-end is 31 December and its financial statements will be prepared in US Dollars in accordance with IFRS. The first accounting period of the company will be from the date of USF's incorporation on 10 January 2019 to 31 December 2019.

USF expects to hold its first annual general meeting in 2020. All shareholders are entitled to attend and vote at AGMs.

The first dividend expected to be paid in November 2019.

The company intends to pay interim quarterly dividends in February, May, August and November of each year. The first dividend expected to be paid in November 2019.

USF intends to publish unaudited quarterly NAV figures in US Dollars.

### NAV calculation and portfolio valuation

USF intends to publish unaudited quarterly NAV figures in US dollars. Every six months as at 30 June and 31 December, the company will engage an independent third-party appraiser to value the solar power assets acquired by the company and its project SPVs. The investment manager will value the solar power assets acquired by the company and its project SPVs for the quarterly periods ending 31 March and 30 September.

## Fees and costs

### Initial issuance costs are capped at 2% of gross proceeds

USF will have an opening NAV of at least USD0.98 per share,

The initial costs of bringing USF to market are being capped at 2% as the investment manager and the sponsor, Fidante Capital, have agreed to bear any costs above this. As such, the opening NAV of the company upon admission will be at least USD0.98 per share and, if USF is able to achieve its target gross proceeds of USD250m, (the minimum and maximum initial issue sizes are USD200m and USD500m respectively) the net initial proceeds will be USD245m.

### Investment management fee

USF has a tiered management fee structure.

There is no performance fee.

Under the terms of the investment management agreement, USF's investment manager is entitled to a fee, based on total net assets, of:

- 1% per annum of NAV for the NAV up to and including USD500 million.
- 0.9% per annum of NAV for the NAV in excess of USD500 million and up to and including USD1 billion; and
- 0.8% per annum of NAV for the NAV in excess of USD1 billion.

The management fee is calculated and paid quarterly in arrears. For the purpose of the calculation, the management fee is based on the NAV for the last business day at the end of the quarter. There is no performance fee.

The management fee is to be paid 90% in cash and 10% in ordinary shares of the company. There are different arrangements for the settlement of the share-based element of the management fee depending on whether USF's shares are trading at a premium or discount to NAV.

Where the average trading price is equal to or higher than the last reported NAV per ordinary share, USF will issue new shares to satisfy the fee.

Where the average trading price is lower than the last reported NAV per ordinary share USF will purchase the shares in the secondary market to satisfy the fee to the manager (at a price no greater than the last reported NAV per ordinary share).

## Ongoing expenses

The main ongoing cost is likely to be the management fee. Beyond the management fee and excluding any transactions costs incurred in the purchase of assets, USF's ongoing expenses are expected, initially, to be approximately 0.35% of the NAV per annum (this assumes that USF achieves target net proceeds of USD245m and takes into account the material fees for services that the company had entered into when the prospectus was published).

## Company secretarial and administration fees

JTC (UK) Limited has been appointed as company secretary and administrator of USF and is entitled to an annual fee of USD137,500 (exclusive of any applicable VAT). This fee is paid quarterly in arrears. The administrator is also entitled to certain variable fees for additional services or corporate actions on behalf of USF.

## Directors' fees

The directors' initial remuneration levels are set at £60,000 for the chair, £50,000 for the chair of the audit committee and £40,000 for the remaining directors. Directors' fees are limited to an aggregate of £500,000 per annum.

# The investment manager

## New Energy Solar Manager Pty Limited

More information is available at the trust's website:

[www.ussolarfund.co.uk](http://www.ussolarfund.co.uk)

New Energy Solar Manager Pty Limited (New Energy Solar) is both USF's alternative investment fund manager (AIFM) and its investment manager. It was established in 2015 to manage New Energy Solar, an Australian Securities Exchange listed investment business that has acquired a portfolio of 22 utility scale solar power plants in the US and Australia. The investment management team currently consists of 21 investment and asset management professionals located in Sydney and New York, which collectively have three centuries of experience. The investment manager offers in-house deal origination and execution capabilities with experience in equity, tax equity, and debt structuring and arranging.

## Walsh & Company and Evans Dixon

The investment manager is a subsidiary of Walsh & Company, which is the funds management division of Evans Dixon, an ASX-listed financial services business with a history spanning over 30 years.

Founded in 2007, Walsh & Company is a well-established Sydney based specialist global fund manager. It manages over AUD5.5 billion (approximately USD3.9 billion) of assets across a range of asset classes, while Evans Dixon is servicing 8,800 clients with over AUD18 billion (approximately USD12.8 billion) of funds under advice and management.

Along with Walsh, Evans Dixon operates two recognisable wealth advice brands in Australia. These are Evans & Partners and Dixon Advisory.

## Key Individuals

The key individuals involved in supporting USF are:

- John Martin, chief executive officer;
- Liam Thomas, chief investment officer; and
- Michael van der Vlies, chief financial officer.
- Tom Kline, senior adviser
- James Turner, investment director
- Adam Haughton, investment director
- Paul Whitacre, asset manager

A brief biography for each is provided below.

### John Martin (chief executive officer)

John joined the investment manager as managing director and CEO in May 2017. John brings a wealth of experience and capability to the role after more than two decades of experience in corporate advisory and investment banking with a focus on the infrastructure, energy and utility sectors.

John previously led the Infrastructure and Utilities business at corporate advisory firm Aquasia where he advised on more than AUD10 billion of infrastructure and utility M&A and financing transactions. Prior to this, John held various investment bank management positions including the head of National Australia Bank Advisory and the joint head of credit markets and head of structured finance at RBS / ABN AMRO.

During his time at ABN AMRO, John managed the Infrastructure Capital business, which was viewed as a market leader in the development and financing of infrastructure and utility projects in Australia. John started his career as an economist with the Reserve Bank of Australia and then worked in various treasury and risk management positions, before moving to PwC as the partner responsible for financial risk management. At PwC, John advised some of Australia's largest corporations on the management and valuation of currency, interest rate and commodity exposures – with a focus on advising energy companies trading in the Australian National Electricity Market.

John has a Bachelor of Economics (Honours) from the University of Sydney. He is a member of the Advisory Board for the Walsh & Company US Select Private Opportunities Fund III (ASX:USP), and is a past board member of Infrastructure Partnerships Australia.

### Liam Thomas (chief investment officer)

Liam joined the investment manager as director – investments in March 2016, to lead transaction origination and execution activities. Liam has over 15 years' experience in mergers and acquisitions, corporate and business development, projects, and commercial management in the energy, infrastructure, mining and agribusiness sectors.

Prior to joining the investment manager, Liam was a senior member of the International Development team at Origin Energy. There he was focused on the investment and development strategy for utility scale solar, hydro, and geothermal projects in Latin America and South-East Asia. Liam's previous roles have included general manager of commercial development at Aurizon, commercial manager for the Northwest

Infrastructure iron ore port joint venture, and project manager at Orica, focusing on large scale mining-related infrastructure and manufacturing projects. Earlier in Liam's career, he worked in the agricultural commodities sector with AWB Limited. Liam has a Bachelor of Agribusiness and Master of Science from Curtin University, and a Master of Business Administration from the University of Melbourne.

### ■ Michael van der Vlies (chief financial officer)

Michael is responsible for the finance activities of the Investment Manager, including business planning, budgeting, forecasting, financial reporting, taxation, treasury, balance sheet management and risk management. Michael has over 16 years' experience working in finance, infrastructure and investment management. Michael previously led a team responsible for the financial reporting, fund administration, regulatory and compliance reporting globally across AMP Capital's AUD15 billion Infrastructure Equity funds.

Prior to this, Michael held various finance roles including general manager of finance and group financial controller at BAI Communications, a communications infrastructure business owned by CPPIB and senior manager at Macquarie. While at Macquarie, Michael worked across a range of listed and unlisted infrastructure funds in sectors including airports and communications. Michael holds a Bachelor of Accounting from the University of Technology, Sydney and is a member of the Institute of Chartered Accountants in Australia.

### ■ Tom Kline (senior adviser)

Tom was the inaugural chief executive officer of the investment manager, having launched the business in December 2015 in his then role as chief operating officer of Walsh & Company. After moving to New York to run the US operations of the investment manager in early 2017, Tom returned to Australia at the end of 2018 to provide ongoing strategic advice and support to the business.

Tom has extensive experience in funds management, corporate finance, and mergers and acquisitions, having been part of the senior management teams at Walsh & Company and Dixon Advisory since 2009. Before Dixon Advisory, Tom worked at UBS AG in Sydney. During this time, he was a member of the Power, Utilities and Infrastructure team and advised on a wide range of public and private M&A and capital market transactions.

Tom advised some of Australia's leading energy generators and infrastructure players, including EnergyAustralia and Transurban. He has also advised energy and utility companies on the proposed introduction of Australia's federal carbon trading scheme (Carbon Pollution Reduction Scheme) and the implications for fossil fuel and renewable energy generation. Tom has a Bachelor of Commerce and Bachelor of Laws (Honours) from Australian National University.

### ■ James Turner (investment director)

James joined the investment manager in May 2017, focusing on due diligence and transaction execution for new fund investments. Before joining the investment manager, James was a vice president in Deutsche Bank's Utilities and Infrastructure team based in Sydney, which advised on a range of complex public and private market mergers and acquisitions transactions in the utilities and infrastructure sector. Prior to this James worked in QIC's Global Infrastructure team, where he was involved in all

aspects of the investment process spanning initial investment screening, due diligence, valuation, transaction processes and asset management.

Earlier in his career, James worked in investment banking roles advising on mergers and acquisitions and capital markets transactions in the power, utilities and infrastructure sectors. James has a Bachelor of Commerce (Honours) from the University of Sydney and is a CFA Charterholder.

### ■ Adam Haughton (investment director)

Adam joined the investment manager in July 2018, focusing on due diligence and transaction execution for new fund investments. Before joining the investment manager, Adam was a vice president at Greentech Capital Advisors, an investment bank focused on mergers and acquisitions and capital raising transactions for companies within the sustainable infrastructure industry. Prior to Greentech, Adam worked in Bank of America Merrill Lynch's Global Industrials Investment Banking group where he advised on a range of public and private mergers and acquisitions and capital market transactions.

Earlier in his career, Adam was a development engineer at SunEdison where he was responsible for the development and design of utility-scale and commercial and industrial solar installations in the U.S. Adam has a Bachelor of Science in Materials Engineering from University of Maryland and Master of Business Administration from University of Texas.

### ■ Paul Whitacre (asset manager)

Paul joined the investment manager as asset manager in November 2017 to lead asset management activities. He has more than 37 years' experience in a variety of operational, engineering, construction, projects, business development and commercial management roles within the power generation, consulting and insurance industries. Prior to joining the Investment Manager, Paul was chief operating officer and senior vice president at Onyx Renewable Partners, where he was responsible for developing and leading the asset management function for the portfolio of commercial and industrial solar sites. Paul has also served as vice president of asset management at OCI Solar Power, where he constructed and operated large utility-scale solar facilities.

Beyond solar renewables, Paul's operational and engineering experience within the power generation industry includes coal- and oil-fired utility plants, aero-derivative cogeneration facilities, district energy, and control system design and development for nuclear power plants in the US and China. He is a US Navy veteran, having served 14 years on submarines as a qualified nuclear engineer officer. Paul has a Bachelor of Arts summa cum laude from Hiram College, a Master of Science in Electrical Engineering with distinction from the Naval Postgraduate School and a Master of Business Administration from Xavier University (Ohio).

## ■ The board

USF's board has four non-executive directors. With the exception of Josephine Tan, who sits on the advisory board of another fund managed by Walsh and Company, all of the directors are considered to be independent of the investment manager (for the purposes of the UK Corporate Governance Code). Brief biographies are provided

below. All four directors intend to subscribe for ordinary shares as part of the initial issue.

**Figure 14: Value of board subscriptions for ordinary shares in initial issue.**

	Value of ordinary shares (£)
Gillian Nott	50,000
Rachael Nutter	20,000
Jamie Richards	50,000
Josephine Tan	20,000

Source: US Solar Fund prospectus of 26 February 2019

### Gillian Nott (chair of the board)

Mrs Nott spent the majority of her career working in the energy sector, including positions with BP. In 1994 she became CEO of ProShare, a not for profit organisation promoting financial education, savings and investment, and employee share ownership. She was also a non-executive director of the Financial Services Authority from 1998 until 2004.

Subsequent to her time at the FSA, Mrs Nott has held numerous board positions including being a non-executive director of Liverpool Victoria Friendly Society and deputy chair of the Association of Investment Companies. Mrs Nott has also served as both a non-executive director and chair of a number of venture capital trusts and investment trusts. She is currently chair of JPMorgan Russian Securities Plc, Premier Global Infrastructure Trust Plc and Hazel Renewable Energy VCT1 Plc.

### Jamie Richards (chair of the audit committee)

Mr Richards is a chartered accountant. He has 25 years' experience in fund management, banking and corporate recovery, with a focus on the infrastructure and solar sectors. Mr Richards previously was a partner, executive committee member and head of infrastructure at Foresight Group having joined in 2000. Between 2007 and 2018, he had overall responsibility from inception for the group's infrastructure and solar business in the UK, Australia, Italy and the US. As a member of the investment committee, Mr Richards oversaw more than 100 solar projects representing the group's approximately £1.5 billion solar portfolio and he also led the IPO of Foresight Solar Fund Limited.

Prior to 2007, Mr Richards led a number of venture capital and private equity transactions in the technology and cleantech sectors, representing Foresight Group's funds, and was a non-executive director of several companies. Previously, Mr Richards worked at PwC, Citibank and Macquarie, both in London and Sydney. Mr Richards also currently acts as alternative chairman of the investment committee of Community Owned Renewable Energy LLP, an investment programme targeting UK solar farms for community ownership.

### Rachael Nutter (director)

Ms Nutter has spent over 20 years in the energy sector and the last 12 years in the renewable and clean energy sector. She is currently general manager of business development for Shell International in the nature-based solutions business. Prior to this, she led a global solar business development team in Shell that originated and delivered investments in solar projects and development platforms, having previously led the development of the solar entry strategy for Shell. Ms Nutter also had a role within Shell

Ventures, and led the portfolio management of technology demonstration projects and assessment of clean energy commercial opportunities such as biogas for Shell.

Prior to re-joining Shell in 2012, she worked at CT Investment Partners, Carbon Trust and PA Consulting Group, having started her career as a petroleum engineer with Shell. Ms Nutter is a board member of the Energy Technologies Institute, a UK public-private partnership to accelerate the commercialisation of low carbon technologies.

### ■ Josephine Tan (non-independent director)

Ms Tan is an experienced corporate finance adviser to junior mining companies and mining focused private equity funds. She is a founding member and chief financial officer of Sandown Bay Resource Capital, a London-based mining private equity firm focused on investments in the junior mining sector. Prior to this, Ms Tan was a senior investment banker at UBS AG in London and Melbourne. During her 10 years at UBS, she worked across various teams and industry sectors, including as part of the European Energy Group, the Global Industrials Group and the Australian Natural Resources Group. She commenced her career at the Boston Consulting Group in Melbourne.

Ms Tan was a non-executive director of the Australian Governance Masters Index Fund from 2015 to 2018 and she currently sits on the advisory board of the Australian Governance and Ethical Index Fund, both managed by a subsidiary of Walsh and Company. Ms Tan is not considered independent from the investment manager.

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