

# US Solar Fund PLC

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## US Solar Fund taps into America's sunshine belt for healthy income

Thursday sees applications close for US Solar Fund PLC (LON:USF), the latest in a rapidly growing number of renewable and infrastructure funds to list in London.

The UK has become a hot spot for this type of fund says John Martin at the trust's Australia-based manager, New Energy Solar (NESM).

**WATCH:** US Solar Fund to list in London and targeting 5.5% annual dividend  
A deep knowledge base coupled with a desire for a US-focused solar vehicle encouraged the listing, he adds.

US Solar will invest in projects in the southern and south-western states.

It's an area Martin knows well.

NESM currently runs a similar fund, New Energy Solar Ltd, with around US\$800mln of assets under management.

The two funds will co-invest in assets says Martin, and eventually he sees US Solar reaching a similar size to its sister fund.

There is pipeline of US\$4.8bn worth of potential assets already identified comprising over 60 projects located across 13 US states.

Investment grade counterparties

Each of those already has power purchase agreements (PPA) in place with off-takers and ranging in length from 11 years to 25 years.

Martin says the ability to sell power to an investment grade counterparty is one of the things that makes the US a unique market.

"In most places you have to take a risk to build the solar farm, find a customer and with price.

"Here you already know what return you are going to get before you build and that is a really big difference."

Another is how cost effective solar has become.

Solar power cost tumbles

A favourite chart shows that the price of solar electricity has fallen by 90% over the past ten years.

Draw a line coast-to-coast across the top of the south and south-western states and below it solar is the cheapest form of energy in the US, Martin says.

Gas is not far behind, making a combination of gas and solar very popular in these areas, he adds.

### Share Information

**Code:** USSOF

**Listing:** PRIVATE-NA

**Sector:** Financial Services

**Website:**

### Company Synopsis:

*US Solar Fund PLC ("USF" or the "Company"), a newly established investment company focused on investing in Solar Power Assets primarily in the United States.*

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In the north-east, where it is less sunny, gas and wind is the favoured combination.

"Coal and nuclear are coming to the end of their lives and not being replaced."

#### Construction ready strategy

Economics are driving the change, adds Martin, helped by a generous upfront 30% tax break on solar developments.

Effectively a subsidy upfront, it makes solar assets even cheaper.

Solar is cheap anyway, he says, but with the tax incentive it becomes 'super cheap' and is 'really driving US market along' especially as the credit drops to 26% in 2021.

US Solar will buy assets at the start of construction rather than at switch-on as there is less competition and hence the price is lower.

"It's a much better return. We take over the construction risk. It's a construction ready strategy."

The listing is aiming to raise US\$250mln and interest has been high, he adds.

US power is a hard market to get into and investors in London wanted a pure US solar play.

#### Income and a dollar hedge

The fund brings also diversification, income and a dollar hedge to a portfolio.

US Solar is targeting an annual dividend of 5.5% once all its assets are operational.

That shouldn't take longer than a year, but even while investors wait for things to get going, the aim is for a dividend yield of 2-3%.

Trading is scheduled to start on 20 March.

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