

Bluefield Solar Income Fund

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Bluefield Solar Income Fund sees sunny outlook ahead

Solar funds are one of the few areas of the stock market where investors can still get a yield of c. 6% with relatively little risk.

Bluefield Solar Income Fund (LON:BSIF) was the first of the sector's trusts to list (in 2013) and since then has consistently paid out a dividend on or above its target of matching RPI inflation.

WATCH: Bluefield Solar Income Fund in top shape as renewables come of age James Armstrong, at the trust's investment adviser Bluefield Partners, believes there is a structural shift now underway towards renewables in the UK energy business led by solar and wind power.

"They are here to stay," he told Proactive, adding another seismic change for solar is fast approaching in the form of the industry being economic without any form of subsidy.

"That would be incredible," he adds, given where the sector was ten years ago and reflects a 90% drop in the cost of installing solar capacity.

£650mIn portfolio

Bluefield Solar has £650mIn worth of assets under its control producing about 465Mw of electricity or enough to power around 140,000 homes.

That gives Bluefield one of the largest solar portfolios in Europe, not just the UK.

Around 60% of its output is covered by the old subsidy scheme through the 'grandfathering principle', which locked them in place for 20 years from the time an asset was connected to the grid.

Prices are also inflation-linked and that, with the subsidies, makes for a very visible and predictable income stream.

Wholesale price recovery

Of the remaining 40%, Bluefield arranges power purchase contracts that run for up to three years.

Bluefield Solar has been able to take advantage of a strong market over the last nine months to lock in good prices for at least the next two years.

A while ago, Bluefield made the decision that due to asset inflation it is was not going to acquire more unless a truly exceptional opportunity arose.

That has kept the portfolio relatively stable, but the net asset value has improved as prices for solar assets have continued to rise.

Price: 138.5

Market Cap: £512.29 m

1 Year Share Price Graph



Share Information

Code: BSIF

Listing: LSE

52 week High Low
139.5 120

Sector: Investments and investor services

Website: www.bluefieldsif.com

Company Synopsis:

Bluefield Solar Income Fund (BSIF/the Company) is an investment company focused on the acquisition and management of a diversified portfolio of large scale solar energy in the UK. BSIF targets utility scale assets and portfolios on greenfield, industrial and/or commercial sites with the objective of delivering long term stable yield.

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Armstrong says changes to the market mean the challenge now is to find assets that are priced attractively - only 2% of opportunities presented to Bluefield were taken up in 2018, for example.

Instead, the focus has been on asset optimisation measures to improve the returns on its existing portfolio - things such as lease contracts, power prices, and batteries.

Storage on way

Armstrong says it's impossible currently to be in the renewable space and not be talking about batteries/storage.

The ability to store power will mark a fundamental shift for solar and other renewable power producers, he says.

Bluefield has surplus capacity and excess land at present and while it may not be directly involved in their development, he envisages a situation where battery groups set up on its facilities.

"We are always looking at storage," he says, but the plan currently is to prime its land for the possibility through planning permissions and see then the direction it takes.

"We like the idea of second mover advantage here," he says but adds that undoubtedly the advent of batteries will be good both for BSIF and the renewables sector.

Bluefield's NAV rose to 114.1p at the end of December, which puts the share premium at nearly 13% at 128.5p.

Underlying earnings were £17.9m and based on the first quarterly payment of 1.9p the yield currently is 5.9%.

Fundamental support

Such high income backed by strong fundamentals explains Bluefield's premium to NAV, though all of the listed solar vehicles also trade at premiums.

While the fund is primarily backed by institutions, Armstrong says that its yield should appeal to all investors especially with fixed income and savings offering such a meagre return currently.

"Earnings have also stood up well since IPO and the fund has kept delivering on its targets.

"Single technology, UK focused renewable funds are the best opportunity in our view for people seeking sterling income.

"It's a great place for investors to get some stable, attractive income."

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