

Armstrong Energy Income Limited (“Armstrong Energy Income” or “Company”) is a UK focused solar energy generation company offering investors access to UK solar and other energy projects with a target annual income of 4% and a total annual return of 6%.

## Acquisition Policy and Strategy Summary

Armstrong Energy Income will continue to focus on UK solar PV energy assets but will also seek to broaden its activities so that the below target NAV weighting is achieved:

- 75% UK Solar
- 25% UK energy infrastructure (including flexible generation and battery storage)

## Outlook

Armstrong Energy Income has set a target to deliver long-term, stable dividends of 4% per annum combined with growth in share price. Attractively priced acquisitions and stable portfolio performance will allow the company to achieve a target total return of 6% per annum.

## Existing portfolio

The Company’s existing portfolio consists of over 2,500 UK commercial and residential rooftop solar installations with a capacity of 13 MWp. All of the assets benefit from feed-in tariffs (FIT) that provide long-term (>15 years in most cases), stable and predictable RPI-adjusted revenue.

## About Us

Armstrong is an experienced London based Asset Manager focused on the impact investment sector in the UK and Asia. Armstrong has funded and managed over 350MWp of UK solar since 2013.

### Current Portfolio

Asset Type	kW	Installations
Commercial	4,687	35
Social Housing	2,445	771
Domestic	5,872	1,841



## Key Facts – As at 30 September 2019

Current GAV	£47m
Target Return	6.0% (including 4.0% income)
Fees	Higher of £35/kWp indexed to inflation, and 0.9% of the gross asset value of the Company
Liquidity	Quarterly (subject to liquidity)
Valuers	Amberside Valuations
Legal Advisors	Michelmores LLP and Osborne Clarke LLP
Asset Managers	Armstrong
Commenced Trading	June 2015

## The credibility of Armstrong Energy Income is underpinned by the following factors...

### Institutional Backing

At acquisition in 2015, Legal & General Investment Management (“L&G”) invested £29.5 million into the Company through the issuance of secured RPI linked loan notes listed on the London Stock Exchange. The notes carry an annual cost of approximately 1.2% indexed to RPI.

L&G is one of the largest asset managers in the UK with over £1 trillion under management. The Company has a 100% record of meeting the covenants for the L&G debt, indicative of the strong governance under Armstrong’s management.

### Strong Governance

The Company has external representation from independent directors with relevant expertise. Clarke Simmons is a non-executive director of the Company and is currently the Managing Director of Neuville Grid Data. He has previous experience with companies including BP Petrochemicals and Carbon Trust.

The board of the Company is required to approve all activities of the business, including new acquisitions and disposals.

### Independent Valuation

The valuation of the Company is been assessed by a third-party infrastructure valuation specialist, Amberside Valuations (“Amberside”).

The Company’s share price will be updated quarterly using assumptions approved by Amberside, which will be reviewed on an annual basis.

## Valuing the Portfolio

- Renewables assets, such as the solar assets in Armstrong Energy Income, are relatively straightforward assets to value, given the predictability of their cashflows.
- Amberside apply benchmarked discount rates against listed solar funds and comparable market transactions to evaluate the value of the Company’s solar portfolio. In addition, Amberside review the assumptions used in the model against standard industry practice.



*“We believe solar assets to be significantly lower risk than the general infrastructure assets owned by funds such as HICL/ INPP, as solar has lower operational risk” – Amberside Valuations*

## Growing value in the Portfolio

The assumptions used in the valuation modelling are conservative and do not factor in potential value upside in the existing portfolio. There is scope to enhance the portfolio value, for example:

- Extending the planning permission and lease length of solar plants
- Combining solar plants with battery technology and other flexible energy generation systems
- Optimising performance over time through high quality asset management
- Reducing costs, for example by renegotiating maintenance contracts, as the portfolio grows in scale

The Company’s assertion is that these elements could represent achievable improvements in future value for shareholders in the Company.

The key investment considerations are summarised below. Please refer to the detailed Investor Guide for Armstrong Energy Income for more information, including how to invest.

**Inheritance Tax (IHT) & Capital Gains Tax (CGT)**

**Business Property Relief (BPR)**

- 100% Inheritance tax relief is given on transfers of business assets which have been owned for at least two years and the business is trading

**Capital Gains Tax (CGT)**

- Capital Gains within the annual allowance of £12,000 are tax free. Gains in excess are taxed at 10% for basic rate and 20% for higher rate taxpayers. CGT is not paid on death

**Fees**

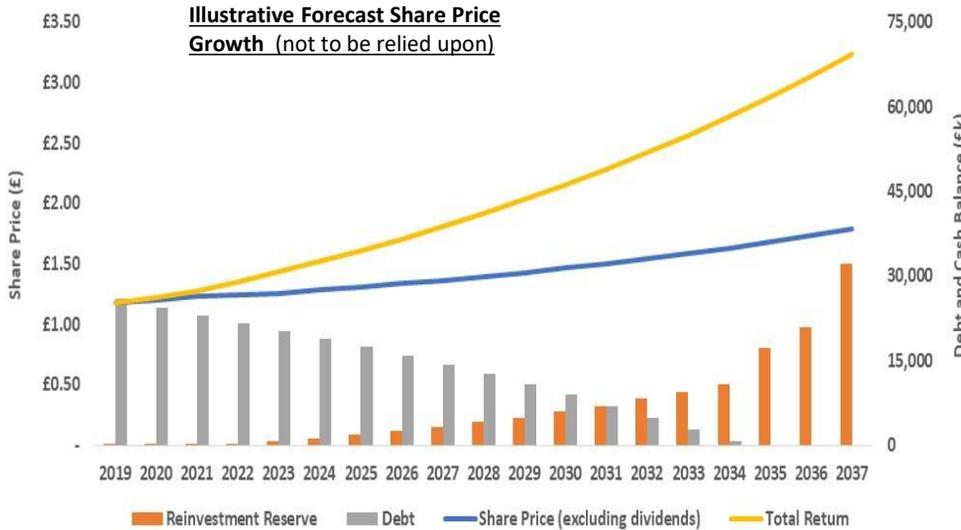
- Investors in the Company will be charged a 4% initial fee. The initial fee will be added to the subscription price and will cover all administration costs of the capital raise.
- Armstrong will charge an annual management higher of £35/kWp (based on 13MWp of capacity) indexed to inflation, and 0.9% of the gross asset value of the Company
- Further details on fees are outlined in the fees section of the detailed Investor Guide.

**Liquidity**

- It is the intention that the Company will offer shareholders regular liquidity to allow shareholders to redeem their investment in full or in part. The Company will seek to facilitate liquidity on a quarterly basis, subject to the availability of funds to do so.

Since being established in 2014, shareholders have received returns in excess of the target return. The Company has distributed stable dividends of 6.5% per annum combined with growth in share price.

**Illustrative Forecast Share Price Growth** (not to be relied upon)



**Indicative Post-Tax Asset Yield**

Y 1-5	8.5%
Y 6-10	9.1%
Y 11-15	9.6%
Y 16-20	3.6%

- Returns modelled using inflation assumptions in line with government forecasts
- Reinvestment rate of 6.5% based on established investment mandate
- Operational costs in line with industry practice, including solar degradation at 0.5% per annum.

Armstrong Energy Income Limited - Registration number – 08430843 - Registered office - 141-145 Curtain Road, Floor 3, London, England, EC2A 3BX

**Important Notice**

Your capital is at risk, and past performance and projected performance is not an indication of future performance and you may lose some, all or part of your original capital invested. Tax treatment depends on the individual circumstances of each investor and may be subject to change. The availability of tax reliefs depends on the company maintaining its qualifying status. Investments in smaller companies will normally involve greater risk or volatility than investments in larger, more established companies. Please refer to the investment memorandum and seek independent financial, legal and tax advice before investing.

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