

Introduction

Solar Income & Growth owns and operates over 2,500 rooftop solar systems throughout the UK. The existing portfolio of assets were installed between 2011 and 2015 and are all accredited under the Feed-in Tariff (FiT) scheme. FiT solar systems receive RPI linked government backed payments for the electricity generated. FiT contracts are valid for up to 25 years providing the Company with long term guaranteed income.

Recent activity & outlook

Over the last 12 months the Company has focused on the optimisation of its existing portfolio through a number of initiatives. The Company is seeking new commercial rooftop solar opportunities to build and/or acquire. In addition, the Company is seeking opportunities in energy storage (battery) projects both standalone and co-located with solar systems.

The latest share price valuation has resulted in a small uplift in share price from £1.11 per share at March 2020 to £1.12 per share at June 2020. The Company's portfolio performed ahead of budget in Q2 2020 as a result of high energy yields in the period and continues to be well insulated from movements in global power prices. The Company is expected to continue to perform in line with expectation.

KEY FACTS

AS AT 31 MARCH 2020

Total Asset Value
£43.3m

Income Share Price
£1.12

Growth Share Price
£1.12

Target Total Return
6% per annum

Target Dividend (Income Shares)
4% per annum

Fees
~ 1.0% of NAV (per annum)

Liquidity
Quarterly (subject to liquidity)

Commenced Trading
2014

RETURNS

Solar Income & Growth 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%. Returns are not guaranteed. Capital at risk.

ABOUT ARMSTRONG

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.

SOLAR INCOME & GROWTH CURRENT PORTFOLIO

ASSET TYPE	KW	INSTALLATIONS
Commercial	4,686	37
Social Housing	2,214	701
Domestic	5,871	1,841

The credibility of Solar Income & Growth is underpinned by the following factors...

INSTITUTIONAL BACKING

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, such as Paul Beynon who was previously head of UK power trading at RWE and Barry Green who was former CFO of Man Group and a partner at KPMG.

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

GUARANTEED INCOME

The Company derives over 90% of its income from FiT payments. The FiT payments increase annually with RPI and are backed by the government.

The Company has very limited exposure to merchant power prices making its revenues highly predictable. The Company is also less exposed to any volatility in global events.

VALUING THE PORTFOLIO

- The Company is independently valued annually by Amberside Valuations (“Amberside”). Amberside are a specialist valuer of infrastructure assets, such as solar and wind.
- 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 valuation model against standard industry practice.

“We believe solar assets to be significantly lower risk than general infrastructure assets as solar has lower operational risk and costs.”

Amberside Valuations

GROWING VALUE IN THE PORTFOLIO

The assumptions used in the valuation modelling are conservative and do not factor in potential value uplifts in the existing portfolio. There is scope to enhance 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 for the investors are summarised below. The detailed investor guide of Solar Income & Growth should be referred to for finer details of the investment including the relevant risks.

INHERITANCE TAX & CAPITAL GAINS TAX

Business Property Relief (BPR)

- 100% Inheritance Tax (IHT) 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 taxpayers. Any amount over the higher rate threshold will be taxed at 20%. CGT is not paid on death.

FEES

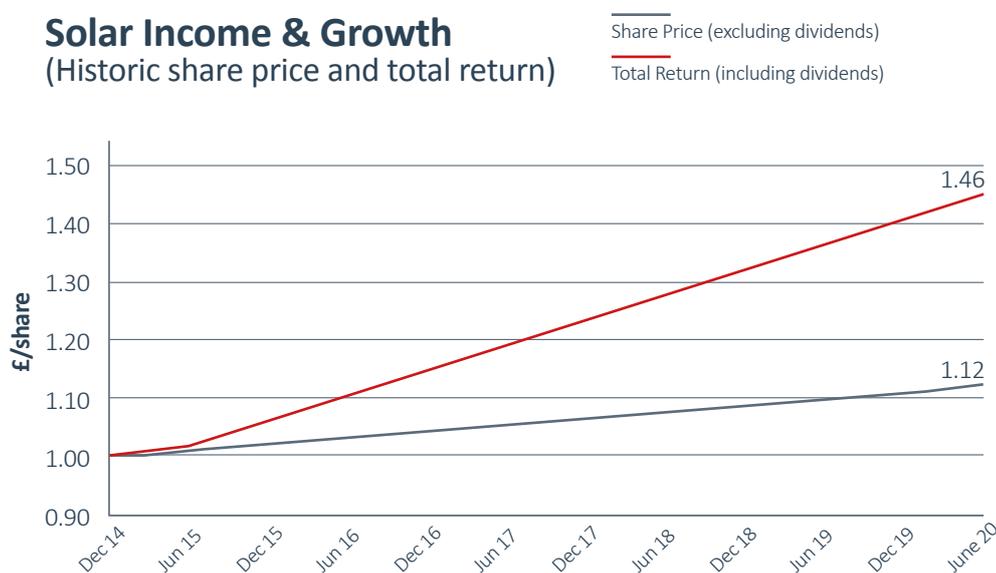
- Investors in the Company will be charged a 4% initial fee. The initial fee will be added to the subscription price and will cover all administration costs of the capital raise and stamp duty, where applicable
- Armstrong will charge an annual management fee equivalent to 1.0% of the aggregate value of the Company's underlying solar businesses.
- 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 returned a total of £1.46 (per £1.00 invested).

Solar Income & Growth (Historic share price and total return)



Indicative Post-Tax Asset Yield

Y 1-5	8.1%
Y 6-10	8.4%
Y 11-15	8.9%
Y16-20	8.0%

- Stable returns modelled using inflation assumptions in line with government forecasts
- Operational costs in line with contracts and industry practises with a solar degradation rate of 0.5% assumed for all forecasts
- **Past performance is not an indicator of future performance**

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 Investor Guide and seek independent financial, legal and tax advice before investing

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