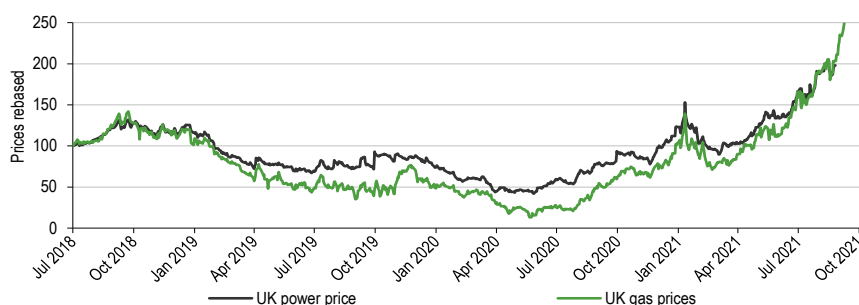


Foresight Solar Fund

Powered by merchant exposure

Foresight Solar Fund (FSFL) is the largest solar investor listed in the UK by installed capacity. With power prices more than tripling in 2021, FSFL's c 25% merchant share of revenues allows the fund to benefit from this increase. While a lower discount rate was the largest contributor to the NAV per share increase to 104.1p in Q321 (98.0p at end-June 2021), power prices were the key external factor affecting the NAV. FSFL provides investors with a covered, sustainable and growing dividend (including in 2020 amid depressed power prices), underpinned by subsidised assets in the UK and high-return growth opportunities globally. Given the solar industry's huge growth potential across the world, National Grid expects the UK's solar capacity to more than double within the next 10 years.

UK power and gas prices



Source: FSFL, Bloomberg, Edison Investment Research

Why invest in FSFL?

FSFL targets a net shareholder total return (TR) of 7–8% per year and distributes consistently growing income (6–7% dividend yield) from operating solar plants, battery storage and selling generated electricity to grids. It is the largest diversified solar operator in its peer group. FSFL's strategy includes consistently maintaining a relatively high proportion of short-term (merchant) energy sales (c 25% for FY21), aiming to benefit from increases in electricity prices. This is higher than the share of peers in FY21 (c 0% for BSIF and c 3% for NESF, see peer group comparison section on pages 7–8 for details). Rising commodity prices during 2021 have led to higher power prices, benefiting FSFL's merchant revenues and NAV.

The analyst's view

We believe OECD climate change policies will remain renewable energy friendly, creating further growth opportunities for FSFL. In February 2021, FSFL amended its investment policy to invest up to 10% of gross asset value (GAV) in battery storage and in May acquired its first battery storage asset (see pages 5–6). The manager expects battery storage systems to be value accretive and become increasingly utilised as further grid stability is required in the UK and internationally. FSFL has a high degree of protection against power price fluctuations, as a high share of expected revenues (75% in FY21 and 74% in FY22) is fixed (either by subsidies or power purchase agreements (PPAs)), reducing long-term revenue volatility. All UK assets (83% of GAV) are subsidised and inflation linked.

Investment trusts
Renewable energy equities

8 November 2021

Price 102.2p
Market cap £623.2m
AUM £623.1m

NAV* 102.4p
Discount to NAV 0.2%
NAV** 104.1p
Discount to NAV 1.8%

*Excluding income. **Including income. At 30 September 2021.

Yield 6.8%
Launch date 29 October 2013
Ordinary shares in issue 609.8m
Benchmark MSCI World High Div Yield Index
Code/ISIN FSFL/JE00BD3QJR55
Primary exchange LSE
AIC sector Renewable Energy Infrastructure
52-week high/low 104.5p 93.5p
NAV* high/low 104.1p 95.6p

*Including income

Total gearing* 43%

*At 30 September 2021, (total long-term debt)/GAV

Fund objective

Foresight Solar Fund's (FSFL) investment objective is to provide investors with a sustainable and progressive quarterly dividend underpinned by investments in a geographically diverse portfolio of assets. FSFL aims to preserve and, where possible, enhance capital value. FSFL acquires large-scale solar power plants, identifying solar opportunities in the UK and overseas markets (to 25% of gross asset value) and can also invest in battery storage systems up to a limit of 10% of the GAV.

Bull points

- Solid track record, as illustrated by fully cash-covered and growing dividends to date.
- Foresight is a 'one-stop shop' with a wealth of expertise in the solar and renewables sector.
- FSFL valuation is below the peer group average, which suggests a buying opportunity.

Bear points

- Power price volatility.
- High NAV sensitivity to power price, inflation and discount rates.
- Share price performance has lagged the increase in NAV.

Analysts

Victoria Chernykh +44(0)20 3077 5700
James Magness +44(0)20 3077 5700
Elaine Reynolds +44(0)20 3077 5713

investmenttrusts@edisongroup.com

[Edison profile page](#)

**Foresight Solar Fund is a research client
of Edison Investment Research Limited**

Fund profile: A solar fund adds battery energy storage

Foresight Solar Fund (FSFL) is a London Stock Exchange-listed investment trust focused on solar investments, launched on 29 October 2013. Its investment objective is to pay sustainable and progressive quarterly dividends. FSFL aims to preserve and, where possible, grow capital through reinvesting excess cash flows not required for paying dividends.

FSFL's investment strategy is to acquire large-scale solar power plants, principally in the UK. Up to 25% of the GAV of FSFL and its subsidiaries can be invested outside the UK. The current portfolio consists of 59 assets of 1.02GW total generation capacity. 51 solar assets are in the UK (73% of generation capacity), with four solar assets in Spain (12%) and Australia (15%), respectively, and also one battery storage asset (representing 25MW).

Up to 25% of GAV can be invested in construction assets (no development risk, payment in stages on completion). In February 2021, the company amended its investment policy, allowing up to 10% of GAV to be invested in utility-scale battery storage systems (BSS) and it made its first investment in May 2021, with the acquisition of a 50% stake in the 50MW Sandridge battery storage project for c £12.7m.

The company targets a TR to investors equivalent to an unlevered internal rate of return of 7–8% after accounting for fees and expenses. It seeks to achieve these returns through active management of its solar power plants in accordance with its investment policy and will look to grow its investment portfolio through additional asset acquisitions.

FSFL does not use an investment performance benchmark and has a total return focus.

The manager's view: Operating amid higher power prices

As renewable energy sources replace carbons, power prices are likely to continue to fluctuate, depending on whether this process is slower or faster than the market expects. The manager expects the rapid power price recovery during 2021 to date (based on surging commodity prices) to further support investment in subsidy-free assets. The FSFL team actively manages its exposure to power prices as part of its strategy. During 2021, this contributed materially to the trust's strong performance (see performance section on page 8 for details).

According to FSFL, climate change initiatives and the UK government's net-zero targets are expected to benefit the solar and other renewable energy infrastructure markets, creating further investment opportunities. Key stimulus initiatives are expected in November, as the UK hosts COP26, the 26th UN Climate Change Conference. FSFL develops a number of clean energy generation and other sustainability-driven initiatives at portfolio level, in order to contribute to a worldwide effort to reduce the impact of climate change.

While the team remains focused on UK acquisitions, FSFL is diversifying both geographically, investing in solar assets in Australia and Spain, and segmentally, currently into battery storage. Solar photovoltaic (PV) technology only generates energy at certain times and requires solar irradiation. Hence renewable infrastructure companies are introducing battery storage to achieve grid stability for the time periods when energy is not generated. The FSFL team believes geographical diversification benefits shareholders over the longer term, and the pipeline of solar and battery growth opportunities in the UK and internationally, which the team is currently reviewing, remains strong.

UK solar market in H121

Power prices

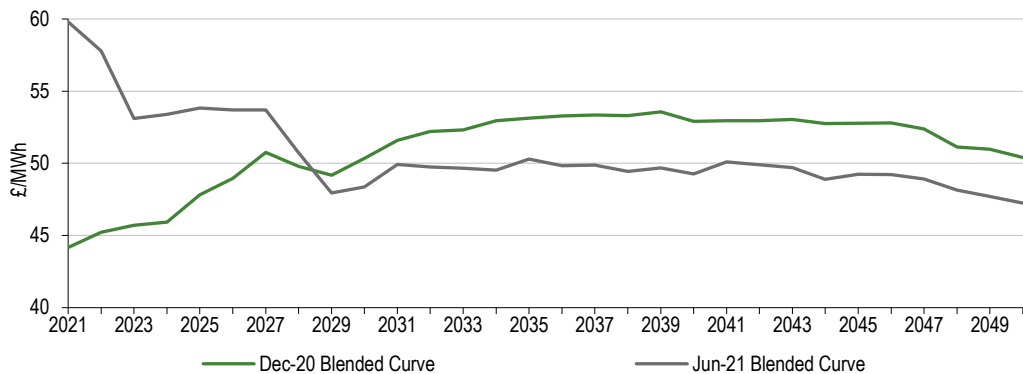
We believe that in a subsidy-free world, as long as power prices remain above solar operators' costs with a gradually widening margin over the long term, solar businesses could continue to distribute growing income to investors, and be able to sustain cash covered, progressively growing dividends. Power price forecasts feed into the FSFL team's discounted cash flow (DCF) assumptions for solar assets; higher forecasts increase solar valuations.

Over the last six months, all UK solar investors have seen positive impacts on the value of their assets as these forecasts have risen. Short- to medium-term power price forecasts (by three major industry consultants, whose forecasts are used by UK solar businesses) for 2021 and beyond have increased. FSFL applies a blended average, with adjustments for expected price discounts for solar generation and fixed-price contracts. The increased consultant forecasts have enabled FSFL to secure higher fixed contract prices for 2021 compared to 2020. The average power price achieved across FSFL's UK portfolio during H121 was £56.40/MWh versus £45.38/MWh in H120. Commodity prices have sharply increased this year, driving higher electricity price forecasts.

A strong recovery in power price forecasts in the short and medium term was the main external driver of FSFL's increased NAV to £635.0m at 30 September 2021 (£596.4m at 30 June 2021) and the 6.2% (6.1p) increase in NAV per share to 104.1p (30 June 2021: 98.0p). The September 2021 forecast was on average 10% higher than September 2020 and the June 2021 forecast was on average 4% higher than June 2020.

Historically, within the developed world, power prices have been set by the marginal cost of natural gas, the form of generation typically used to plug the gap between demand and supply once renewable and nuclear supply is accounted for. Despite higher carbon prices, the price of gas (driven by oversupply of liquified natural gas (LNG) in particular) has been under pressure for several years until recently. Nevertheless, during 2021, rising commodity prices (gas prices in particular) and higher CO₂ emission costs have led to higher power prices. The price of gas has increased to around five times the average price of c 35p per therm in 2019 to c 175p per therm at the start of November.

Exhibit 1: UK wholesale power price forecasts



Source: FSFL at end-September 2021

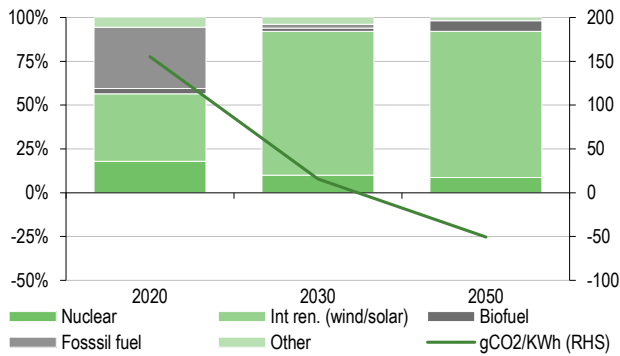
At the same time, increasingly cheap, intermittent renewables (wind is also an important factor, particularly in the UK) running at zero marginal cost, as well as the impact of COVID-19, have continued to exacerbate pressure on long-term power prices. For the UK, FSFL's power price forecasts reflect an average decrease in long-term power prices in real terms of 1.3% pa (see Exhibit 1).

FSFL’s management team values the company and its forecast cash flow revenue streams using a DCF model. NAV is derived from DCF and is based on a wide range of assumptions and current operational metrics (see our [initiation note](#) for details). The company’s assumptions are revised quarterly, based on a blended average of forecasts provided by three third-party consultants (undisclosed) and updated on a quarterly basis for each market. FSFL publishes power price curves in its reports twice a year.

Battery storage: Key to system flexibility

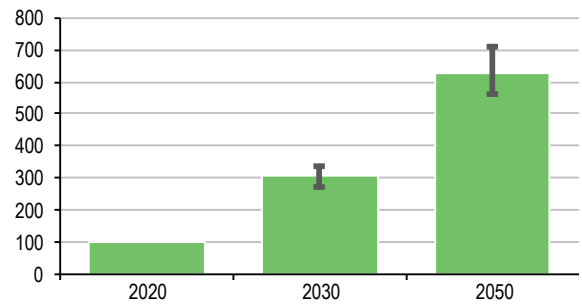
To meet the UK’s net-zero commitment, the electricity sector will need to be decarbonised rapidly. Exhibit 2 illustrates that c 31% (grey shaded area in the bar chart) of the UK’s total electricity generation came from fossil fuel (mainly from gas) in 2020, with a small contribution of c 2% from coal and, as this is phased out, will need to be replaced by renewable sources, including from wind and solar generation. In 2020, solar energy delivered 4% of electricity output in the UK, with onshore and offshore wind contributing 14% and 15% respectively.

Exhibit 2: UK generation mix (LHS, %) and carbon intensity (gCO₂/kWh) under National Grid’s FES



Source: National Grid, Future Energy Scenarios. Note: Based on an average of Consumer Transformation, System Transformation and Leading the Way scenarios, all of which are consistent with 1.5°C.

Exhibit 3: Power generation from wind and solar under National Grid’s Future Energy Scenarios (TWh)



Source: National Grid, Future Energy Scenarios. Note: Based on an average of Consumer Transformation, System Transformation and Leading the Way scenarios, all of which are consistent with 1.5°C.

The UK’s National Grid aims to operate the electricity system largely carbon free by 2025, with gas-based generation reducing rapidly, but still used to support the security of supply. It estimates that UK wind and solar generation must triple by 2030, rising from 37% of domestic generation in 2020 (see Exhibit 2) to c 80%.

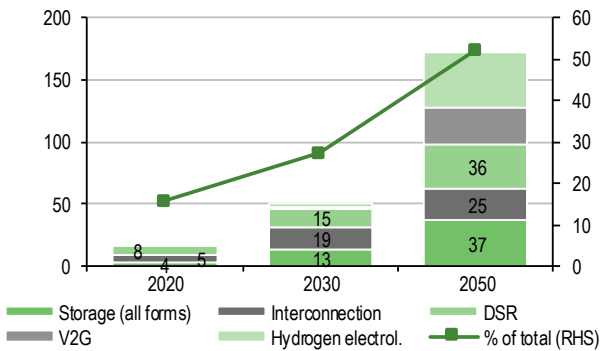
This shift away from fossil fuels towards more intermittent sources of electricity generation will require more flexibility to balance needs consistently and meet electricity system demand. Solar electricity generation cannot occur at night or during periods of cloud cover, and over the last five years the load factor for solar PV in the UK has averaged 11%. This compares to 27% for onshore wind and 40% for offshore wind, although the latest technology wind turbines could see this rise to 35–40% for onshore wind and up to 50% for offshore wind. The load factor is a reflection of the electricity generated as a proportion of the maximum potential generation over the available period, and these low load factors mean that a significant increase in installed renewable capacity will be required to match the energy currently coming from fossil fuels.

System flexibility is currently met through the gas system (and on occasions coal, albeit at 1.8% of power generation in 2020 and due to be phased out by 2025), which can respond to changes in the supply demand balance at short notice and cope with the wide spread between peak and trough net demand in a way that intermittent renewables cannot. Also, peak generating times (typically the middle of the day) do not necessarily match peak demand (eg early mornings or evenings). To manage these imbalances, electricity storage will become increasingly important in the future to

allow the system to operate without interruption, and the National Grid expects battery storage to make up the largest share of this capacity. In 2020, electricity storage capacity in the UK was 3.5GW, with 1.2GW from battery storage and the remainder from pumped hydro storage. The National Grid forecasts that this total capacity will grow to between 20GW and 43GW by 2050, depending on which of its scenarios play out. For power generators, the utilisation of battery storage will allow for higher utilisation of their power system assets and translate into higher average revenues, through the ability to deliver energy when prices are higher during peak demand periods.

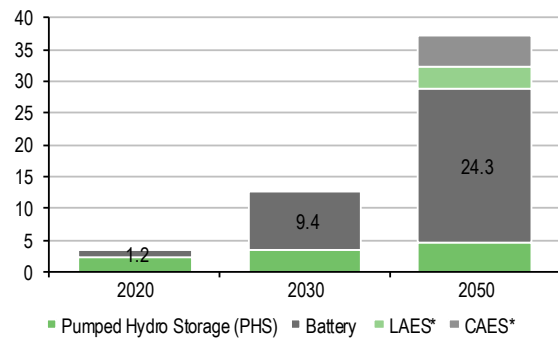
Activity in the energy storage market in the UK has been growing since 2015, with 20GW of utility-scale battery storage projects currently in the pipeline across 800 projects. Typically, submitted project applications were with capacity to generate 0.5-1.5GW per quarter until Q221, when 3.2GW was submitted (across 59 sites). The capacity size of projects has also been increasing, with the average size in Q221 greater than c 50MW. This increase in size has been facilitated by the government removing the requirement to apply to the minister for business, energy and clean growth for a development consent order for projects above 50MW.

Exhibit 4: Flexibility capacity (GW, left-hand side) versus % generation capacity (right-hand side)



Source: National Grid, Future Energy Scenarios. Note: Based on an average of Consumer Transformation, System Transformation and Leading the Way scenarios, all consistent with 1.5°C.

Exhibit 5: Storage capacity by type (GW)



Source: National Grid, Future Energy Scenarios. Note: Batteries are expected to be lithium based. *Compressed/liquid air energy storage (CAES/LAES) are expected to play a role beyond 2030.

Increasing market price volatility

As in most of the developed countries, the UK's dominant price-setting power generation is currently based on gas, and is expected to continue as such into the 2030s. However, the increase in wind and solar output over the next decade will result in an increase in supply fluctuations, with National Grid estimating intraday swing ranges of 17GW for wind and 14GW for solar by 2030. This increased volatility and frequency of output swing is expected to result in market prices fluctuating from negative prices to more than £100/MWh. In September 2021, day-ahead peak prices registered above £700/MWh, with prices spiking at c £5,000/MWh, and the baseload power price hit a record high of £230/MWh. In this context, the cost of PV plus storage becomes more economic, with the costs continuing to come down and within a range of \$81–124/MWh (equating to £60–92/MWh based on an exchange rate of \$1.35/£) in 2020.

Portfolio

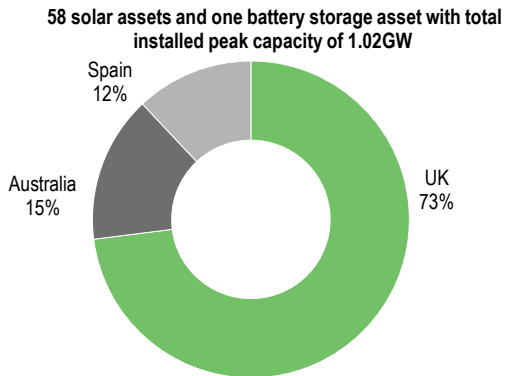
Current portfolio positioning

Exhibits 6 presents FSFL's portfolio comprising 59 assets (58 solar and one battery storage asset).

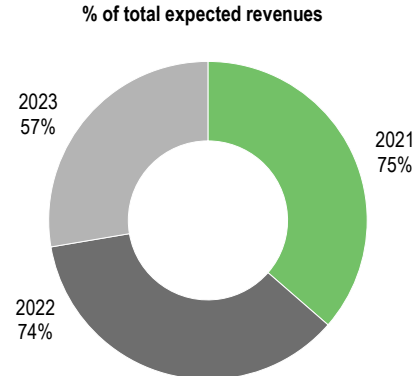
Portfolio assets at end-June 2021 are based in the UK, Australia and Spain, with an installed capacity of 1.02GW, once fully operational.

Exhibit 6: FSFL portfolio

Portfolio geographic split



Contracted revenues across the portfolio



Source: FSFL, Edison Investment Research at 30 June 2021

The company's investments outside the UK represent c 17% of GAV. Around 60% of each UK asset's annual total revenues are fixed by subsidies and 14% are fixed by PPAs.

FSFL seeks to fix revenues via binding contracts, in addition to the subsidised revenues. Implementing a policy of subsidised revenues and rolling contracts for each financial year, FSFL's team has fixed projected FY21–23 revenue at 75%, 74% and 57%, respectively. This was a result of the new fixed electricity price arrangements entered into by some of the UK portfolio assets (at 30 June 2021). During the nine months to end-September, FSFL's global portfolio generation was 3.2% below the base case, primarily due to low solar irradiation and negative power pricing events in Australia. Performance of the portfolio assets in Queensland was affected by ongoing network upgrades (see below). Despite some issues during H121, which the operational team has addressed, the technical performance of the Australian assets has improved compared to H120. The majority of the assets are now meeting operational expectations, excluding the network issues.

Three of the four assets in the Australian portfolio benefit from long-term PPAs (17 and 20 years), which provide protection against power price volatility for the next few years. The average power price achieved across the portfolio during the period, including fixed-price arrangements, was A\$45/MWh (down from A\$56 in H120). The decrease was due to provisions (marginal loss provisions (MLPs)), representing the transmission losses affecting annual revenues for generators based on the location of the grid connection. These were released for FY22 in July 2021, and were up 4–7% compared to the loss factor assigned last year.

First battery storage asset acquisition

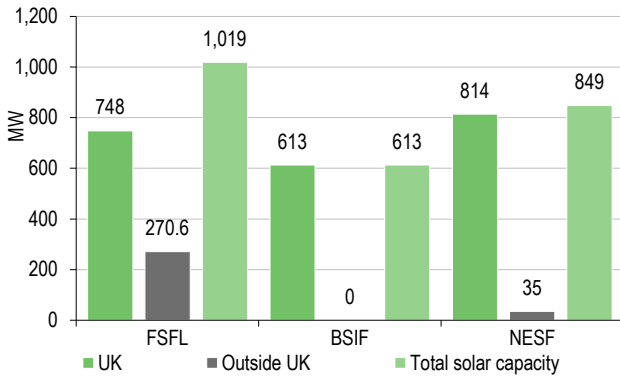
Following the change in investment policy in February 2021, FSFL acquired a 50% stake in the 50MW Sandridge battery storage project in May 2021 for c £12.7m. The asset is adjacent to the company's Sandridge solar park, offering operational savings without affecting solar operations. FSFL believes that battery storage assets diversify the portfolio and provide grid stability.

Peer group comparison

Portfolio

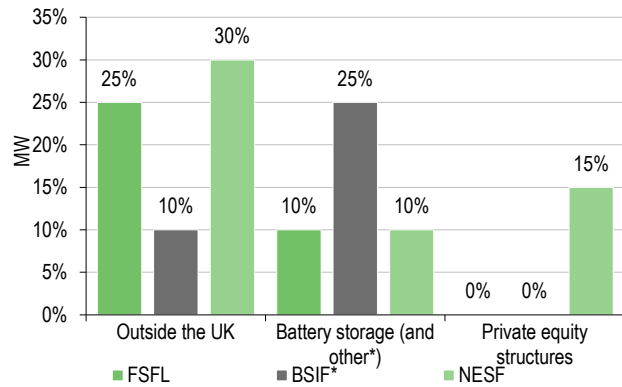
FSFL has the largest portfolio of solar assets by capacity in its peer group, both in the UK and internationally (Exhibit 7). It has diversified its business model, which allows it to invest up to 25% of GAV (since launch) outside the UK and up to 10% (since February 2021) in battery storage (see Exhibit 8).

Exhibit 7: Installed solar capacity of FSFL versus nearest UK peers



Source: Company reports, Edison Investment Research

Exhibit 8: Investment policy limits, % of GAV



Source: Company reports, Edison Investment Research. *BSIF includes other renewable energy assets in its 25% limit, including battery storage and wind assets.

Merchant revenue share

FSFL's strategy includes maintaining a relatively high proportion of short-term energy sales (c 25% for FY21) uncontracted, aiming to benefit from the increases in electricity prices. Average realised merchant (and PPA) prices for FY20 for all three companies were below £50/MWh. According to FSFL, during Q321 and continuing into Q421, contracts prices for 2022–25 have materially increased, reflecting the current well documented upsurge in commodity prices.

Exhibit 9 below shows that FSFL's merchant share is higher than the share of its peers. This differentiation has been consistent throughout 2020–21 and the booked revenues for 2022–23, disclosed by all three companies, continue the differentiation trend. Bluefield Solar Income Fund (BSIF) and NextEnergy Solar Fund (NESF) had 100% and c 97% of their total revenues, respectively, fixed by subsidised contracts in FY20 and in FY21. FSFL had 22% and 25% of merchant revenues (78% and 75% fixed by subsidised contracts) in FY20 and priced in for FY21, respectively. The nearly fourfold increase in the merchant price will materially boost FSFL's revenues for FY22 and beyond, until markets normalise.

Exhibit 9: Fixed contracted revenues as a proportion of total revenues by financial year, %

Year	FSFL	BSIF	NESF
FY20	78	100	c 97
FY21*	75	100	c 97
FY22**	74	88	87
FY23**	57	c 80	63
Financial year end	December	June	March

Source: Company reports. Note: *Forecast for 2021. **Booked so far.

Relative performance and fund characteristics

Exhibit 10 illustrates the competitive performance and fund characteristics of FSFL relative to its two UK peers listed on the London Stock Exchange.

FSFL has a similar yield to its solar peers, and trades at a slight discount, while both NESF and BSIF trade at a premium. Over a one-year period to end-October 2021, FSFL ranks first, ahead of peers (BSIF and NESF) with a one-year NAV TR of 10.3%, by c 1.8pp and 3.9pp, respectively. FSFL lags peers over three and five years, but, on an NAV TR basis, only lags BSIF since FSFL's launch.

We believe that FSFL's last 12-month NAV performance has considerably improved due to benefiting from its relatively high share of contracted revenues (c 25% of GAV).

With 43% gearing, FSFL is on a par with peers BSIF (44%) and NESF (44%). Gearing fluctuates between reporting periods, as companies use their revolving credit facilities (RCFs).

Exhibit 10: Solar funds peer group at 31 October 2021*

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR SI FSFL**	Discount (cum-fair)***	Ongoing charge	Perf. fee	Gearing	Dividend yield
Foresight Solar Fund	622.0	10.3	13.2	32.4	58.6	-1.8	1.2	No	43.0	7.2
Bluefield Solar Income Fund	608.2	8.5	25.3	51.4	96.9	6.2	1.1	No	44.0	7.0
NextEnergy Solar Fund	591.8	6.4	14.5	33.4		1.9	1.1	No	44.0	7.3
Simple average	607.3	8.4	17.6	39.1	77.7	2.1	1.1		43.7	7.2
FSFL rank in peer group	1	1	3	3	2	3	1		3	2

Source: Morningstar, Edison Investment Research. Note: TR = total return. Gearing is total long-term debt including all revolving credit facilities and subsidiaries' debt as a percentage of gross assets. *Performance at 31 October 2021 based on ex-par NAV. **SI = since inception, 29 October 2013. *** Discount as at 8 November 2021.

Performance: Strong long-term performance

As illustrated in Exhibits 11 and 12, FSFL has performed very competitively with the MSCI World High Dividend Yield Index. Its NAV has outperformed the index over three and five years and since launch, by 1.6%, 14.0% and 5.8%, respectively (to end-October 2021). Its more recent relative performance is also strong, with FSFL's NAV underperforming the index by 6.2% over just one year and outperforming over one, three and six months. One-year performance suffered principally due to reported NAV numbers being negatively affected by the reduction in power price forecasts, although the trend has reversed since the start of 2021.

During Q321, the 6.2pp NAV increase to 104.1p per share was primarily driven by the reduction in discount rates applied to the UK operational portfolio from 6.5% to 6.0%, which added 3.3p per share. Power price related movements also contributed positively to NAV, including a further increase in power price forecasts (which added 1.5p per share), actual cash generation during the period due to high power prices being above budget (added 0.7p per share) and fixed price offtake agreements for the UK portfolio above price forecasts (added c 0.5p per share). Total revenue for FSFL's portfolio for Q321 was 14% ahead of budget, supported by the significant increase in UK merchant power prices during the period.

Arguably, power prices are the key external, highly fluctuating factor affecting the company's NAV. With the consequent higher NAV, the trust has outperformed the index by 1.7% (see Exhibit 12) over the past three months on an NAV TR basis. The higher reported NAV also lifted FSFL's recent performance relative to the MSCI AC World Index, with the trust's NAV outperforming over the last six months by 4.7%.

Exhibit 11: Five-year discrete performance data

12 months ending	Share price (%)	NAV (%)	Benchmark* (%)	MSCI AC World (%)
31/10/17	9.7	6.8	5.1	10.5
31/10/18	8.5	11.1	0.5	(10.9)
31/10/19	12.2	9.4	7.8	34.5
31/10/20	(7.7)	(6.1)	(12.0)	135.2
31/10/21	7.5	10.1	17.4	45.1

Source: Refinitiv. Note: All % on a TR basis in pounds sterling. *Benchmark is MSCI World High Dividend Yield Index.

Exhibit 12: Share price and NAV TR performance, relative to indices (%)

	One month	Three months	Six months	One year	Three years	Five years	Since launch
Price relative to MSCI World High Div Yield Index	4.5	3.5	6.7	(8.4)	(0.0)	12.6	6.9
NAV relative to MSCI World High Div Yield Index	1.0	1.7	8.2	(6.2)	1.6	14.0	5.8
Price relative to MSCI AC World	3.8	0.9	3.2	(21.2)	(5.2)	2.6	8.7
NAV relative to MSCI AC World	0.4	(0.8)	4.7	(19.3)	(3.7)	3.9	7.6

Source: Refinitiv, Edison Investment Research. Note: Data to end-October 2021. Geometric calculation.

Dividends and dividend cover

FSFL follows a progressive dividend policy, which aims to grow its dividend over time. It has met all dividend targets since IPO. From FY14 to FY20 the compound annual growth rate (CAGR) of the dividend payments was 2.4%. During H121, FSFL announced two interim dividends for FY21 of 3.49p in total. The first, 1.745p per ordinary share, was paid in August. FSFL has also confirmed its dividend target of 6.98p per ordinary share for 2021, representing a 1.0% increase against the dividend declared for FY20 (6.91p per share).

FSFL also offers a scrip dividend alternative, effective for three years from 25 June 2019, when the resolution granting authority for the board to offer a scrip dividend alternative was approved. The scrip share price is calculated using the average of the middle market ordinary share quotations for the five dealing days from and including the ex-dividend date of the relevant dividend.

As highlighted in FSFL's H121 results, it expects dividend cover for FY21 to be a minimum of 1.10x (in line with FY20 cover). This is despite the impact of COVID-19 on the company's 12-month cash flows to 30 June 2021. FSFL's reported dividend cover remained above 1.0x, even as power prices dived to a multi-year low in FY20. Given the ongoing sharp surge in power prices, which started in H221, FSFL's dividend cover is likely to improve within the next 12 months. The manager targets a dividend cover of 1.2x for the UK portfolio.

Capital structure and discount

FSFL has an annually renewed resolution authorising it to buy back up to 14.99% of its ordinary shares in issue per year. At 30 June 2021, FSFL had 609.8m ordinary shares in issue. During H121, it issued 2.1m shares for a total consideration of £2.1m (FY20: 2.5m for £2.6m). No shares were bought back in H121.

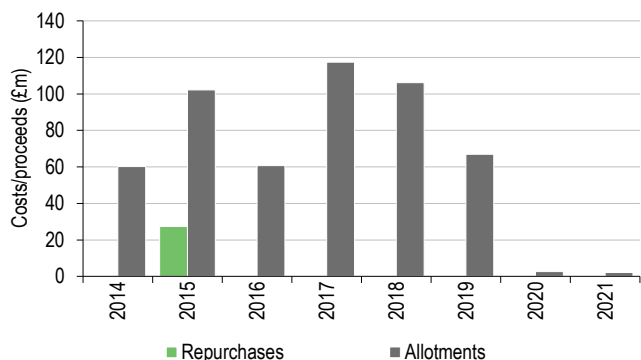
The trust currently trades at a 1.8% discount to cum-income NAV, below its three-year average of 7.5%. During FY21 to date, the trust has traded mostly at a premium.

Exhibit 13: Premium/discount over three years



Source: Refinitiv, Edison Investment Research

Exhibit 14: Buybacks and issuance



Source: Morningstar, Edison Investment Research

There is no continuation vote. There is a discount control mechanism, whereby a shareholders' vote is triggered if the average discount to NAV (published by the company) is wider than 10% during any financial year (see our [initiation note](#) for details).

There is no difference between the weighted average ordinary or diluted number of shares.

Leverage

At 30 September 2021, the total outstanding debt of the company and its subsidiaries, including RCFs, amounted to £471.3m (December 2020: £472.4m), with long-term debt of £371.3m (December 2020: £391.5m). Total debt represented 42.6% of GAV (December 2020: 44.8%). Long-term structural debt represented 33.6% of GAV (December 2020: 37.1%), within the target of 40% of GAV long-term debt set by the board (the board has set a hard gearing limit of 50%). All long-term debt is secured by solar assets and has agreed covenants on its operation and financial position.

Fees and charges

The investment manager receives an annual fee of 1% of FSFL's NAV up to £500m and NAV in excess of this is charged at 0.9% pa. This is payable quarterly in arrears and is calculated based on the published quarterly NAV. The ongoing charges ratio (OCR) for FY20 was 1.18%.

The board

Exhibit 15: FSFL's board of directors

Board member	Date of appointment	Remuneration in FY20	Shareholdings at end-FY20
Alex Ohlsson (chairman)	16 August 2013	£70,000	25,000
Chris Ambler	16 August 2013	£55,000	36,162
Peter Dicks	16 August 2013	£45,000	73,184
Monique O'Keefe	1 June 2019	£45,000	0
Ann Markey	4 September 2020	£14,522	0

Source: Company reports.

During 2020, Ann Markey was appointed to join the board as a fifth non-executive director, with her appointment effective from 4 September 2020.

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Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia