Bluefield Solar Income Fund exceeds returns targets

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Bluefield Solar Income Fund (BSIF) has reported a rise in net asset value (NAV), earnings per share, and dividend distribution in its most recent full-year report, which covers a period where the listed solar fund made few acquisitions.

The results were published today (27 September 2018) and mark five years of performance since the fund's IPO in July 2013. Since then the fund has achieved a shareholder total return and NAV total return of over 50% – 54.2% and 50.5%, respectively.

BSIF chairman John Rennocks said that this performance was "commendable" for a "defensive product in a very low interest rate environment.

The fund made just four acquisitions during the period 1 July 2017 to 30 June 2018, adding 18.8MWp to the portfolio, despite bidding on roughly 500MWp. The fund restricts itself to only making acquisitions which are accretive to NAV, meaning it prioritises returns over expanding its portfolio.

Its most recent acquisition was in April (2018) when it bought three solar farms in Dorset for £19.9 million ($27.9 million). The three plants, which all benefit from 1.2 Renewable Obligation Certificates (ROCs) per MW, are:

- East Farm – 5MW
- Holly Farm – 5MW
- Galton Manor – 3.9MW

The fund also acquired the 5MW Clapton solar farm in Somerset for £6.3 million in December 2017. This project also benefits from 1.2 ROCs.

Rennocks said that the fund had "remained disciplined with regard to our acquisition activity due to the present high transaction values evident in the secondary market for solar assets".

The ability to acquire assets has also been reduced by a decision to not invest outside the UK and limited supply in that market. Since the end of the ROC regime, capacity additions to UK solar market have declined rapidly over the last three years.

Despite this lull in acquisition activity, James Armstrong, managing partner for the fund's investment adviser Bluefield Partners, told *IJGlobal* that there are exciting opportunities on the horizon for investments in new-build subsidy-free projects. This is due to the falling levelised cost of energy for UK solar and rising power prices.

These two prices have converged quicker than BSIF had previously forecast, and the fund expects them to continue travelling in opposite directions in its latest forecasts up to 2030. Significantly the lifting of restrictions by the European Union on the sale of solar panels from China earlier this month (September 2018) is expected to depress panel prices by as much as 30%.

Though opportunities backed by corporate PPAs have been limited, Armstrong anticipates growing opportunities for long-term PPAs selling to the grid if power prices continue to rise and solar LCOE continues to fall.

Portfolio optimisation is emphasised a number of times in the full-year report. BSIF began an assessment 12 months ago to assess strategies to increase the value of its existing assets. Though none of these plans have been baked into its projections, the fund is assessing various initiatives including extending lease lengths and incorporating battery storage units at its sites.

The BSIF annual general meeting will take place at the end of November (2018), at which shareholders will undertake a mandatory discontinuation vote.

Financial highlights for the year ending 30 June 2018 include:

- earnings per share – 9.41p
- NAV – £419 million
- total portfolio size – 45 large solar, 39 micro solar and two roof top assets (460.3MW total capacity)
- total declared dividends per share for year – £0.0743