

Key Information Document

Purpose: This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

Alert: You are about to purchase a product that is not simple and may be difficult to understand.

Product: NextEnergy Solar Fund Limited (the “Company”) – Ordinary shares

PRIIP manufacturer: NextEnergy Capital IM Limited
 ISIN: GG00BJOJVY01
 Listing: London Stock Exchange
 Ticker: NESF.L
 Website: nextenergysolarfund.com

Contact for more information: +44 1481 713 843
Competent Authority: Guernsey Financial Services Commission
Date of production: 31 December 2023

What is this product?

Type

Closed-ended investment company incorporated in Guernsey and whose shares are listed on the London Stock Exchange. The Company has an unlimited life and there is no maturity date for the Ordinary shares.

Objectives

The Company’s investment objective to provide ordinary shareholders with attractive risk-adjusted returns, principally in the form of regular dividends, through a diversified portfolio of solar energy infrastructure assets and complementary technologies, such as energy storage.

The Company invests in solar photovoltaic (“PV”) assets located primarily in the UK and up to 30% of gross asset value outside the UK in OECD countries. The sale of electricity and incentives for generation, from solar PV assets are the main factors on which the returns depend.

Intended retail investor

This product has been designed to form part of a broader portfolio of investments and should be purchased with advice or on an execution only basis by an informed investor. Investors must be able to bear loss of capital as they may not get back the cost of their investment on its realisation.

Gearing

The Company’s subsidiaries have borrowed to purchase assets for the Company. Gearing is limited to 50% of gross asset value at the time of acquisition.

What are the risks and what could I get in return?

Risk indicator



The risk indicator assumes you keep the product for 5 years. The actual risk can vary significantly if you cash in at an early stage and you may get back less.

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because the Company is not able to pay you.

The Company has classified this product as 4 out of 7 which is a medium to low risk class. This rates the potential losses from future performance at a medium-low level, and poor market conditions are unlikely to impact the capacity to pay you. The Company is in this category because it is fully invested in tangible assets in the renewable energy sector and specialises in solar assets, which have low operational risks.

The Company holds no capital protection against market risk and no capital guarantee against credit risk. The Company has foreign currency and interest rate hedges to protect its investments against currency and interest rate risk.

The risk category was calculated using historical performance data and may not be a reliable indicator of the Company’s future risk profile.

The Company’s risk category is not guaranteed to remain fixed and may change over time. This product does not include any protection from future market performance so you could lose some or all of your investment.

Performance Information

The Company is targeting a range of 7%- 9% equity return for investors based on the IPO price. These are targets only, there can be no assurance that these targets can or will be met and they should not be seen as an indication of the Company's expected or actual results or returns. Accordingly, no person should place any reliance on these targets in deciding whether to invest in the Company. The Company has achieved a total shareholder return of 5.1% on an annualised basis since IPO on 25 April 2014 to 30 September 2023 compared to the FTSE All-Share Index Total Return of 5.3% over the same time period.

The below details the main factors that are likely to affect future returns for the investor and could have a material impact on performance.

What could affect my return positively?

Specific factors that affect returns positively are high electricity generation of the solar assets the Company owns and the ability to sell the electricity produced at high prices via Power Purchase Agreements ("PPA"). General factors that affect positive returns are good performance of the UK equity markets where the Company is listed.

If the key risks outlined below relating to NextEnergy Solar Fund and subsidiaries are effectively monitored, managed and mitigated by the Investment Adviser and the Asset Manager then it is expected that the Company could generate returns for the Investors inline with the 7%- 9% equity target return for investors based on the IPO price.

What could affect my return negatively?

There are multiple factors that impact the Fund's performance. These risks are outlined below:

- 1. Electricity price risk:** The Company and its subsidiaries are exposed to changes in the price of electricity. The Company has power purchase agreements and an active hedging strategy in place to mitigate this risk
- 2. Currency risk:** The Company and its subsidiaries are exposed to foreign currency risk but has foreign exchange hedges in place on a portion of expected cash flows to mitigate this risk.
- 3. Construction risk:** The Company and its subsidiaries assume the risk of potential non-completion of a construction project, creating partial or total loss for the Company's subsidiaries.
- 4. Operational risk:** Failures of service providers to the Company and its subsidiaries could lead to disruptions of operations or losses. Distribution Network Operators taking solar assets offline for an unspecified amount of time would result in a loss of revenue.
- 5. Financing risk:** The Company's subsidiaries have various financial debt instruments in place with contractual debt covenants that could be breached in adverse market conditions. The Company and its subsidiaries may not be able to secure future debt facilities to enhance project returns
- 6. Interest rate risk:** The Company's subsidiaries assume the risk of adverse movements in interest rates in relation to debt instruments which do not have fixed interest rate agreements
- 7. Counterparty risk:** The Company and its subsidiaries are at risk of counterparties to contractual agreements becoming unable to honour their commitments, potentially creating a partial or total loss for the Company and its subsidiaries
- 8. Market risk:** Poor performance of UK equity markets where the Company is listed could affect returns negatively
- 9. Regulatory risk:** The Company and its subsidiaries are exposed to a risk of current and future governments changing the regulatory framework for solar photovoltaic plants

What could happen in severely adverse market conditions?

Under severely adverse market conditions, an investor may lose some or all of their investment.

What happens if the Company is unable to pay out?

The Company aims to pay a quarterly dividend. It does not guarantee a dividend but aims to provide a pay-out provided there are no external events which would necessitate a reduction or cessation of dividends. There is no compensation or guarantee scheme applicable to the Company and investors should be prepared to assume the risk that they could lose all of their investment. In particular, a shareholder in the Company would not be able to make a claim to the Financial Services Compensation Scheme about the Company in the event that the Company is unable to pay out.

What are the costs?

Cost over time

The Reduction in Yield ("RIY") shows what impact the total costs you pay will have on the investment return you might get. The total costs take into account one-off, ongoing and incidental costs. The amounts shown here are the cumulative costs of the product itself, for three different holding periods. They include potential early exit penalties. The figures assume you invest £10,000. The figures are estimates and may change in the future.

The person selling you or advising you about this product may charge you other costs. If so, this person should provide you with information about these costs, and show you the impact that all costs will have on your investment over time.

The Company is required to use the cost calculations based on NAV not on share price.

Investment (£10,000)	If you cash in after 1 year	If you cash in after 3 years	If you cash in after 5 years (recommended holding period)
Scenarios			
Total costs	£191	£584	£993
Impact on return (RIY) per year	1.91%	1.91%	1.91%

Composition of costs

The table shows the impact each year of the different types of costs on the investment return you might get at the end of the recommended holding period and the meaning of the different cost categories.

This table shows the impact on return per year			
One-off costs	Entry costs	n/a	This product does not have any entry costs.
	Exit costs	n/a	This product does not have any exit costs.
Recurring costs	Portfolio transaction costs	0.73%	The impact of the upfront costs of us buying and selling underlying investments for the product.
	Ongoing costs	1.08%	The impact of the costs taken each year for managing your investments. In addition to these costs, there were fund level preference share costs.
Incidental costs	Performance fees	n/a	This product does not have any performance fees.
	Carried interests	n/a	This product does not have any carried interests.

How long should I hold it and can I take money out early?

Recommended minimum holding period: 5 years

This product has no required minimum holding period (although for the purposes of these calculations five years have been used).

The shares are traded on the London Stock Exchange and can be traded at any time that the market is open for business.

How can I complain?

As a shareholder of the Company you do not have the right to complain to the Financial Ombudsman Service (FOS) about the management of the Company. Complaints about the Company or the key information document should be sent to:

Address: Company Secretary
NextEnergy Solar Fund Limited
Floor 2, Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 4LY

Email: ir@nextenergysolarfund.com
Website: nextenergysolarfund.com
Telephone: +44 1481 713 843

Other relevant information

This documentation is available in accordance with the Alternative Investment Fund Managers Directive (2011/61/EU). The disclosures in this KID, including the cost, performance and risk calculations follow the methodology prescribed by U.K. Financial Conduct Authority that came into force on 25 March 2022.

The costs above are not the maximum fees that you will pay as your broker, bank or financial institution may charge you fees for trading the Company's shares. The interest on the preference shares issued by the Company have not been included in the recurring costs as preference shares are classified as a liability for accounting purposes, but are legally share capital with no par value. The cost of non-recourse project finance debt within the Company's investments has not been included in the cost calculations.

You can obtain further information about the Company, such as details of the Company's net asset value, its shares and copies of the financial reports, investor reports and other documents published by the Company, as well as information on the Directors and governance arrangements, from the Company's website: nextenergysolarfund.com

