

Details of underlying investments

January 2024





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Before you start, please remember

For UK investors only

- It is important to remember that the value of an investment, and any income from it, can fall or rise, and you may not get back the full amount you invest.
- The Octopus Inheritance Tax Service invests in unquoted companies. The shares of unquoted companies could fall or rise in value more than the shares of companies listed on the main market of the London Stock Exchange. They may also be harder to sell.
- The value of tax relief will depend on your personal circumstances and may change in the future. The availability of tax relief depends on the portfolio companies maintaining their qualifying status.

This document does not constitute advice on investments, legal matters, taxation or any other matters. We recommend you seek professional advice before deciding to invest.

All information in this document is correct at 30 September 2023 unless otherwise stated.

Issued by Octopus Investments Limited, which is authorised and regulated by the Financial Conduct Authority. Registered office: 33 Holborn, London EC1N 2HT. Registered in England and Wales No. 03942880. We record telephone calls. Issued: January 2024. CAM010380-2401

Introducing the Octopus Inheritance Tax Service

You don't have to be particularly wealthy to leave behind a large inheritance tax bill when you die. But there are ways to invest that allow you to pass on more of your wealth to your family.

Since its launch in 2007, the Octopus Inheritance Tax Service has helped thousands of people to plan for the future. At the same time, the investments made by the service are also having a positive impact, with the money being put to good use in sustainable and worthwhile sectors across the UK.

Traditional estate-planning solutions can be inflexible. For example, making gifts in your lifetime or settling assets into trust can both result in the loss of access to your hard-earned wealth and take seven years before becoming exempt from inheritance tax.

The Octopus Inheritance Tax Service can deliver a faster route towards inheritance tax exemption that is also flexible enough to adapt to your needs should your circumstances change.

When you invest in the Octopus Inheritance Tax Service, we'll invest your money in one or more unlisted UK companies. These companies meet the requirements to qualify for government-approved relief from inheritance tax after just two years, provided you still hold the investment when you die.

Each company carries out a range of trades in line with the investment objectives of the Octopus Inheritance Tax Service. The Service aims to deliver:

- Steady investment growth of 3% per year on average over the lifetime of an investment.
- Business Relief qualification.
- Access to your investment should your circumstances change in later life.

Talk to Octopus to find out more

If you are considering investing in the Octopus Inheritance Tax Service, you should ensure that you have first read the product brochure and the terms and conditions. You can find these on our website octopusinvestments.com, or call us on **0800 316 2295** and we will send you a copy.

About Fern Trading Limited

Fern Trading Limited (Fern) is an example of one of the portfolio companies that is held in the Octopus Inheritance Tax Service. Fern is managed by Octopus and is wholly owned by investors in the Octopus Inheritance Tax Service.

Fern began trading in 2010 and has grown to become the parent company of a large trading group. This group now comprises more than 330 companies, the majority of which are based in the UK. In recent years, Fern has further diversified its business by entering overseas markets. In 2018, Fern was named as one of the 1,000 companies to inspire Britain by the London Stock Exchange Group.

Fern has a diverse trading strategy but focuses its business activities in areas where Octopus has extensive experience, such as renewable energy, property lending, fibre networks and housebuilding. These areas have been selected for their ability to generate predictable growth over the longer term.

In addition, these sectors make a valuable contribution by:

- Helping the UK to meet its targets for renewable energy production.
- Helping the UK economy to grow by releasing housing stock for redevelopment.
- Helping address the housing and care needs of an ageing population.
- Helping the UK Government meet its target of at least 85% of premises having access to gigabit capable broadband by 2025.

Like any trading company, Fern's business strategy has evolved since it was established. The chart on the right details Fern's current business, although this will change over time and may include sectors not shown here.

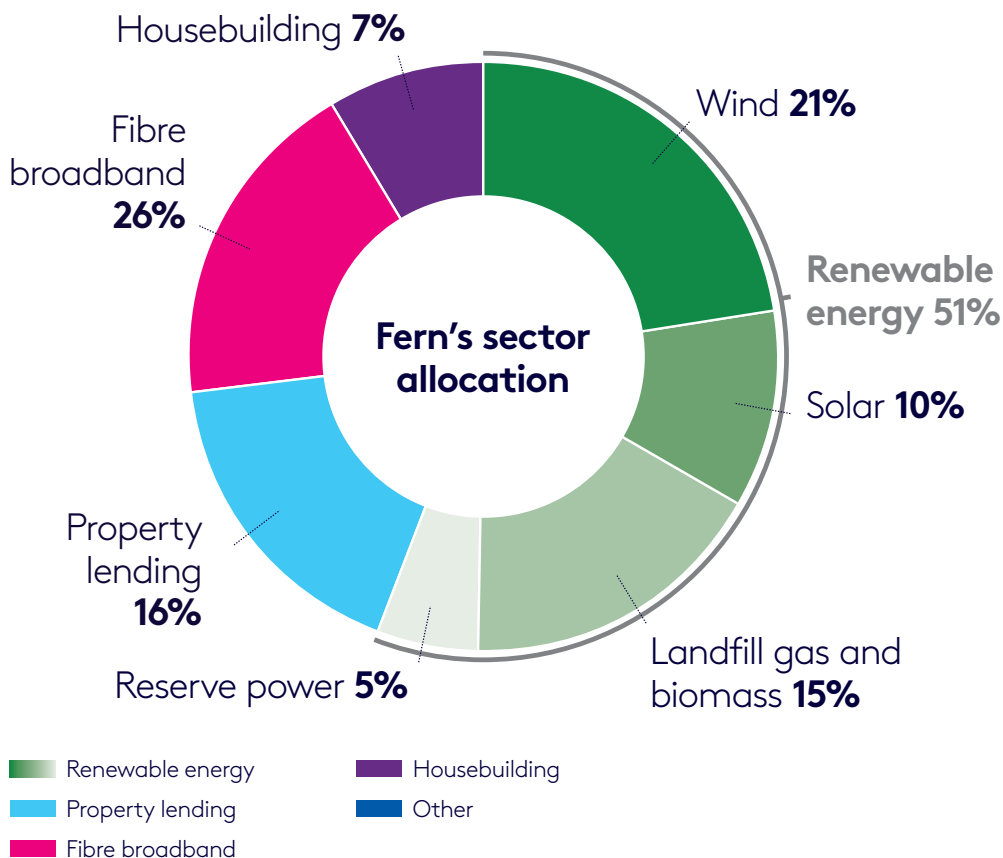
You can find out more about Fern by visiting ferntrading.com.



Fern is the UK's largest producer of solar energy from commercial-scale sites. Fern has built on this expertise, and owns additional renewable energy sites such as wind, biomass and landfill gas.

Fern's business lines

Based on the management accounts for the period ending 30 September 2023.



Owning and operating assets

- Energy:** Fern owns and operates **158** solar energy sites, **19** landfill gas sites, **6** biomass plants, **20** windfarms, **1** energy from waste plant, and **26** reserve power plants.
- Fibre:** Fern owns and operates two fibre broadband companies that are developing fibre networks throughout the UK. Fern also owns and operates a company which provides the technology platform the fibre companies all operate on.
- Housebuilding:** Fern owns a retirement accommodation developer with four sites in use and one under development. Fern also owns a business that develops residential housing across the South East.

Property lending

- Fern has lent more than **£2.6 billion** across almost **2,400** short-term loans. Fern has more than **200** live property loans.

Fern employs around 1,500 people across its businesses, and provides employment for many more people indirectly through the contracts it places.

Fern's performance

Fern targets sustainable growth for shareholders over the long term.

12-month discrete performance

Financial year	Share price growth
Jan 23 – Jan 24	2.49%
Jan 22 – Jan 23	5.54%
Jan 21 – Jan 22	7.86%
Jan 20 – Jan 21	1.92%
Jan 19 – Jan 20	2.97%
Jan 18 – Jan 19	5.94%
Jan 17 – Jan 18	2.88%
Jan 16 – Jan 17	4.11%
Jan 15 – Jan 16	3.09%
Jan 14 – Jan 15	4.44%
Jan 13 – Jan 14	4.09%
Jan 12 – Jan 13	4.03%

Source: Octopus Investments, 2 January 2024

The performance data in the table above and the graph opposite, show Fern's share price only. They do not take account of initial fees, dealing fees or annual management charges associated with investing in the Octopus Inheritance Tax Service. They should not be viewed as performance information for the Octopus Inheritance Tax Service. Performance is calculated based on the share price for Fern's shares at 2 January each year.

Annualised performance based on time held

If you held shares in Fern for	Average annualised growth
1 year	2.49%
2 years	4.00%
3 years	5.27%
4 years	4.42%
5 years	4.13%
6 years	4.43%
7 years	4.21%
8 years	4.19%
9 years	4.07%
10 years	4.11%
11 years	4.11%
12 years	4.10%

Source: Octopus Investments, 2 January 2024

The above table shows the average annualised growth in Fern's share price as at 2 January 2024. For example, if you bought shares in Fern on 2 January 2019 and still held them on the 2 January 2024, then they would have grown at an average of 4.13% a year for five years. It is important to remember that the annual growth rate could have been higher or lower than the 4.13% average at certain points.

Please remember: Fern's past performance is not a reliable indicator of future performance.

About our Annual Management Charge

The Octopus Inheritance Tax Service has an annual management charge of 1% (plus VAT) which is only taken after an investor instructs us to sell shares. Most importantly, we will only deduct this charge from any growth of the Octopus Inheritance Tax Service above 3% a year, calculated over the investment period.

Returns are not capped. However, the target of the Octopus Inheritance Tax Service is to deliver sustainable growth over the long term and investors should not expect to see returns significantly higher than 3% after fees (and of course it could return less).

Growing Fern responsibly

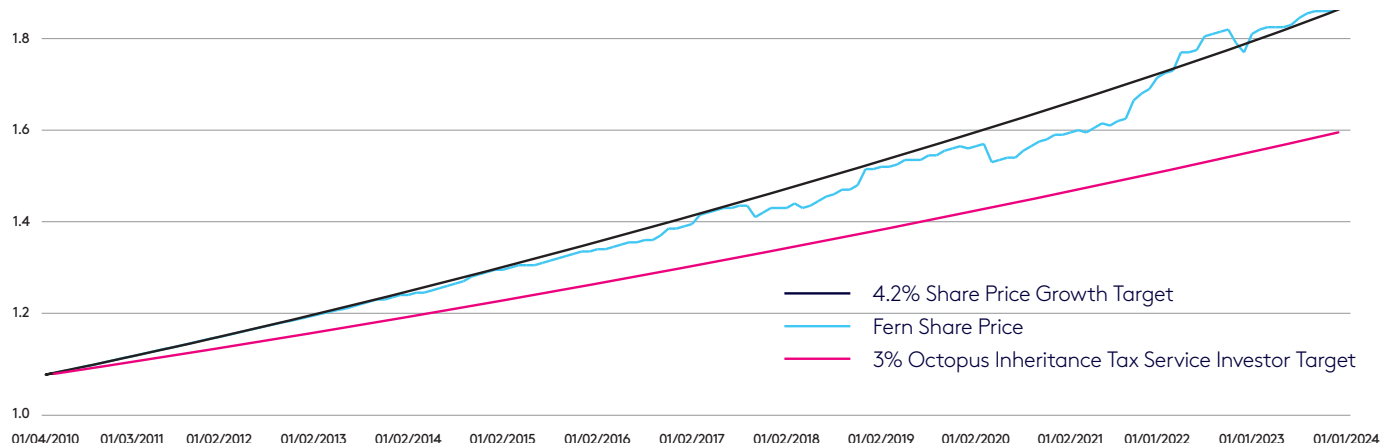
Fern is entirely owned by investors in the Octopus Inheritance Tax Service and is managed by Octopus. We make a point of growing the size of the business steadily. This strategy helps us to target predictable growth for investors.

How does it do this?

- We have a steady consistent level of new capital being invested. This gives our investment teams the time and predictability needed to deploy money in the best opportunities.

- We have been able to match growth in our investment teams with Fern's scale. As a result, Octopus has a >150-strong investment team to deploy money and manage Fern's assets day-to-day.
- Fern operates in sectors where Octopus has extensive experience, and when entering new sectors, it is able to do so cautiously.

Fern's share price growth since inception (£)



Owning and operating renewable energy sites

By owning and operating a range of energy-generating assets, Fern is helping the UK meet its target for renewable energy production.

Energy-generating assets

Many forms of renewable energy assets generate some of their income from government incentives, as well as from the sale of the energy they produce either directly to customers or via intermediaries. Government incentives for renewable energy are 'locked in' for the expected life of each site once it is operational and accreditation has been granted. This means that any changes to subsidies that are announced after incentives have been accredited would not be expected to alter the revenues generated by each site.

The long-term predictability of the income offered by the government incentives, and the increase in consumer demand for energy supply, make renewable energy an attractive investment. In recent years, improved technology has made renewable energy sites cheaper to build and more reliable. This has made the construction and operation of renewable energy sites more attractive, even without government incentives.

Fern's strategy

Fern owns more than 200 renewable energy sites, ranging from commercial scale solar installations, windfarms, biomass plants and landfill gas sites. Sites are either acquired when they are operational or when they are 'shovel ready', meaning they have been granted planning permission and construction can begin. Fern earns revenues from the sale of energy direct to end users or via intermediaries. Sites will also generate revenues from government incentives where they have qualified for them.

Fern has chosen to raise external project finance from banks and institutions, which is secured (like a mortgage) against its operational sites. Raising finance in this way enables Fern to acquire more sites, diversifying its business. This strategy magnifies gains or losses on individual assets when they occur, however as investors hold shares in a better diversified trading group, the purpose of the strategy is to better target predictable growth over the long term. Mainstream banks have provided more than £900 million of this project finance, a clear indication of the quality of Fern's renewable energy sites and Fern's financial stability in general. The borrowing represents 16% of the value of the group's assets.

Fern only acquires commercial scale, institutional grade renewable energy assets. These are highly sought after assets by investors such as pension schemes due to the predictability of their income, so in the event that Fern would need to provide liquidity to investors, it should be able to sell the sites quickly.

Fern also owns 26 reserve power plants. These plants generally run during periods of high demand for electricity and at short notice, playing an important role in balancing the grid whilst we transition to net zero. They can also command a much higher price per unit of energy generated.

Case study: Beinneun wind farm

Beinneun wind farm is a 108.8MW wind farm consisting of 32 wind turbines located in the Scottish Highlands. It produces c. 278,000 MWh of power each year.



As part of the community benefit scheme agreed during the planning permission process, Beinneun wind farm helps fund local social and environmental initiatives.

The latest project, the Glengarry Community Woodlands Eco-Tourist Development Project, constructed holiday accommodation for visitors to the community owned woodland in Invergarry. Tourism is a key source of revenue for Glengarry Community Woodlands.

This project will sustain existing jobs, create new jobs, and help continue to deliver the benefits that the community purchased the woodland for. It will also attract more visitors to the area, which will benefit other local businesses.

The site is also supported by the government-backed Renewable Obligation Certificate (ROC) subsidy.

If laid end to end, our solar panels would stretch from London to Mexico City.



Through Fern, Octopus is one of the UK's largest investors in commercial-scale renewable energy installations. The expert renewable energy team at Octopus comprises 80 sector specialist investment managers. The team are also responsible for a number of institutional and listed renewable energy funds, and they apply exactly the same method and investment approach to the sites Fern owns.



An aerial photograph showing a large solar farm with rows of photovoltaic panels installed in a green field. The panels are arranged in neat, parallel rows, extending from the bottom left towards the center of the frame. Beyond the solar farm, the landscape transitions into a lush green field with visible furrows, likely from agricultural machinery. In the background, there is a dense line of trees and a small building, possibly a farm or maintenance structure. The horizon is visible under a clear blue sky with a few wispy clouds.

Why does Fern operate in this sector?

Predictability: Fern's renewable energy sites have clear upfront costs and many of them benefit from long-term inflation-linked government incentives.

High-quality assets: Fern owns commercial scale sites that are all constructed to the highest technical standards.

Diversification: Fern owns and operates more than 200 separate sites. These generate energy from different sources, including solar, wind, biomass plants and landfill gas.

Short-term property finance

Helping the UK economy grow by releasing housing stock for redevelopment.

Bridging finance is a type of short-term loan, pending the arrangement of a larger loan or a loan with a longer term. It allows an owner or developer to acquire a new property before having sold one they currently own. It was traditionally provided by banks, but in recent years other lenders, like Fern, have entered the market to access the profitable and predictable returns available.

Fern lends directly to experienced property professionals and receives all of the revenues generated from each of its loans, including arrangement fees, interest and early repayment fees. A typical property loan made by Fern will be between 3 and 36 months in duration, against a residential property and secured via a first legal charge. This means Fern will be the first lender to be repaid by the developer when the property is sold or remortgaged.

Loans are only made after an independent valuation from a Royal Institution of Chartered Surveyors (RICS) member has been commissioned. This means that Fern can be confident that the property against which each loan is secured is worth significantly more than the value of the loan. So, if one of its loans cannot be repaid by the borrower, it can apply to have the property sold, which should generate sufficient sale proceeds to recover the loaned amount.

Case study: Development of 30 net zero carbon homes near Bristol - a £10.7 million development loan

The finance

Through our Greener Homes Alliance initiative, we provided a £10.7 million fixed rate development facility in conjunction with Homes England. The Greener Homes Alliance offers interest rate discounts for developments where all homes are delivered with a SAP score of 85 and higher, with the highest discount set at 2% for homes delivered with a SAP score of 92 or higher (EPC – A rating). Developers funded through the initiative also benefit from free expert advice from McBains and Octopus Energy.

The result

30 new net zero carbon homes, including 8 affordable, that will help lower energy bills for their owners. All units will be delivered to an EPC rating of A or A+, including high levels of insulation and a precision built timber frame that minimises heat loss and delivers outstanding airtightness. Oversized, thermally insulated windows flood the properties with daylight, without compromising on energy efficiency.

All homes will be fitted with high output photovoltaic panels, underfloor heating, air source heat pumps, and electric vehicle charging points. The development will also foster a strong community spirit, with a flowering meadow, community allotment, and children's activity area.

Why does Fern operate in this sector?¹

Asset-backed: Loans are secured against a property, and Fern lends at conservative loan-to-value (LTV) ratios. The current average LTV is 61.7%.

Liquidity: The average loan length when issued is 20 months, giving Fern a healthy level of regular cash flow.

Diversification: The loan book comprises around 239 loans, issued to independent borrowers

1. Octopus Investments, 30 September 2023.

An established and award-winning property lending business

Our property finance team specialises in short-term lending to professional property developers and experienced landlords. The team have lent more than £6.6 billion across almost 4,800 loans. Capital losses across this loan book have been 0.16% with over £5.5 billion of loans repaid.

The property team work with brokers and property investors to provide bespoke, customer focused financing solutions across the residential, commercial and development sectors. Loans typically range from £500,000 to £10 million.



The property finance team at Octopus was established in 2009. The team of more than 75 specialists has lent over £6.6 billion to date.



Housebuilding

Helping address housing and care needs.

As life expectancy in the UK increases, so does the need for suitable accommodation and services to support our ageing population. This means that there's a large and rapidly growing market in the UK for high-quality healthcare property, as well as a need for investment to make sure this growth continues.

Octopus is an award winning specialist investor in UK healthcare real estate, with a team of 20 sector specialists in our healthcare team. They provide finance for UK property investment and development.

The Octopus healthcare team aims to deliver a better healthcare experience by investing in carefully designed care homes, retirement villages and other healthcare facilities. The healthcare team works closely with operators and developers to create inspired surroundings that transform the lives of the growing population.

Fern owns Rangeford Villages Limited (Rangeford), which specialises in creating high quality residential environments for people aged over 60. It builds contemporary retirement communities in which people can live in attractive surroundings with a wide range of amenities and leisure activities on their doorstep.

Unlike the traditional care home concept, where people live in a home for just 18 months on average, Rangeford expects residents to move in much earlier in their lives, benefiting from progressive levels of care as their needs change over time. Each village has central amenities that offers levels of service equivalent to an upscale hotel. Amenities vary depending on location but generally each community will include a central facility which typically includes a spa, salon, gym, swimming pool, restaurant and bar/lounge.

Residents can also access onsite healthcare services by subscribing to 'wellbeing' packages that can be tailored to their particular needs. Once a site is complete, Rangeford sells units to residents to live in and continues to manage the day-to-day activities of the retirement village. Rangeford currently has four retirement villages in use and one under development: Wadswick Green (near Bath), Mickle Hill (Pickering), Siddington Park (in the Cotswolds), Homewood Grove (Chertsey), and Strawberry Fields (Cambridgeshire).

Fern also owns a housebuilder called Elivia Homes. It creates family homes in areas of south east England with high housing demand. There is a structural shortage of homes in the UK and every development typically has to contain a portion of affordable homes which are often sold to specialist operators, giving a certain level of revenue visibility for each site in addition to contributing vital housing stock.

Case study: Wadswick Green, Wiltshire

Wadswick Green is a beautiful contemporary village created in the heart of the Wiltshire countryside, just eight miles from Bath and under three miles from Corsham's pretty town centre. Set among 25 acres of landscaped, beautiful grounds with mature trees and wildlife ponds, Wadswick Green village is designed with enjoyment and wellbeing in mind.

Facilities include a coffee shop, restaurant, bar and private dining room; spa with indoor swimming pool, sauna and steam room, foot spa, gym and hair salon. In addition, it includes a beautiful village green with a croquet lawn and boules pitch.





Owning and operating ultra-fast fibre networks

Fern entered the fibre sector in 2018 as a platform for growth for the group. Fern has established itself as a key player in the UK, growing its presence in the market over the last few years. Fibre now makes up around 25% of Fern's business.

Fern has recently combined four of its fibre companies (Jurassic, Swish, Giganet [including Cuckoo] and AllPoints Fibre). The consolidated business is continuing to build out its network to accelerate full fibre delivery in the UK, while also focusing on sales and marketing activity selling fibre broadband products directly to customers. The coming together of the four fibre businesses enables them to combine their resources, knowledge, and expertise to hasten and grow full fibre network access across the UK.

The combined company will use its existing substantial fibre infrastructure as a springboard to transform it from being four separate local alternative networks ("altnets"), into a more significant business with

potential to challenge larger incumbents. The vision of the newly combined company is to deliver 'fast and fair' full fibre to all retail and business customers across its enlarged network.

In addition to the economies of scale that can be achieved by combining these businesses, it also positions Fern fantastically to take advantage of the best opportunities in the market which support its existing growth plans.

Fern is already seeing attractive acquisition opportunities including other altnets operating with third-party debt funding but struggling with the increasing cost of this debt.



Case study: Vitrifi

Our revolutionary software business, Vitrifi, is building the orchestration systems that the next generation of fibre broadband companies need to run their networks efficiently. In doing so, they are both supporting our own fibre to the premises (FTTP) business in achieving its strategic goals and also enabling external customers to eliminate legacy constraints with autonomous connectivity and workflow management services.

Mobile is our newest area of strategic development. Last year, Vitrifi Digital expanded into the mobile network market, becoming a Mobile Virtual Network Aggregator ("MVNA"). This will enable Fern to launch an innovative mobile platform to business and consumer facing companies to operate their own Mobile Virtual Network Operations in the UK.



Fern's board of directors

Fern's experienced Board of Directors is responsible for determining the strategy of the business. It is also responsible for accounting for the company's business activities to shareholders.

Sarah Grant – Director



Sarah has worked at Octopus Investments since 2013, she has a particular focus on debt raising and relationships with banks and other lenders, which she coordinates across

the Octopus group. She also chairs the Octopus Investments Investment Committee and is a director of Octopus AIF Management Ltd. Octopus Investments is a key supplier of resource and expertise to Fern.

Sarah's dual role ensures that the relationship between Octopus and Fern works well and always operates in the best interests of Fern's shareholders. She has over 25 years' experience and previously held roles at SocGen and Rothschild.

Paul Latham – Non-Executive Director



Paul has had various general management and internal consulting roles across a number of sectors and brings with him a wealth of industry and business experience, including

building key elements of the infrastructure for Capital One Bank (Europe) plc as it grew from a start-up business to a company with 2,000 employees. Paul has worked at Octopus Investments since 2005.

Peter Barlow – Non-Executive Director



Peter has over 30 years' experience in international financing of infrastructure and energy, as the director of finance/corporate finance treasury activities.

He has spent over 20 years working in Europe, the US, Australia and Asia for HSBC, Bank of America and Nomura, financing acquisitions and greenfield projects in the energy and infrastructure sectors. He is also a non-executive director of InfraCo Africa, a donor-funded infrastructure development company.

Keith Willey – Non-Executive Chairman



Keith is an associate professor of strategic and international management and entrepreneurship at London Business School as well as a senior lecturer at University College

London. He also holds various non-executive directorships and advisory roles.

His career has spanned academia, consulting, investing and hands-on operational roles within industry and the venture capital world.

Tim Arthur – Non-Executive Director



Tim is a chartered accountant with more than 25 years' international experience as a finance director of both public and private companies. He successfully completed two IPOs on the

London Stock Exchange and one major MBO. Initially he worked for Price Waterhouse in Birmingham and Chicago. More recently he was Chief Financial Officer of Lightsource Renewable Energy Ltd, a global leader in the funding, development and long-term operation of solar photovoltaic projects. He has also held board positions with ip.access Limited, INCAT International plc and Abekas Video Systems Ltd.

Like all companies, the Board are responsible for agreeing a fair price at which to issue new shares. As the Board expect Fern to continue to trade over the coming years, they will only agree to issue new shares based on what they think Fern is worth as a trading group. This typically means that Fern's shares are issued at a small premium to what Fern would be worth if it sold all its assets today.

How to invest

Fern is managed by Octopus on behalf of investors in the Octopus Inheritance Tax Service. The only way to buy shares in Fern is through the service.

The Octopus Inheritance Tax Service

Full details of the risks and benefits of the Octopus Inheritance Tax Service are contained in the product brochure, which we recommend you read in full before making any investment decisions. You can view a copy online at octopusinvestments.com. Alternatively, call our Investor Support team on **0800 316 2295** and they can send you a copy in the post.

Speak with your financial adviser

We recommend you take financial advice before making or adding to your investment. Your financial adviser will be able to help you decide whether the investment is suitable for you, and they can also help you to complete an application. If your adviser has any questions, they can visit our website or call our Business Development Managers on **0800 316 2067**.

"At Octopus, we try to communicate information as clearly and simply as possible, but our clients can always call us if they have any questions and we'll happily talk things through with them. We don't offer financial advice but we'll do whatever we can to help." – **Hazel Gross, Investor Support**



0800 316 2295
investorsupport@octopusinvestments.com
octopusinvestments.com



Octopus Investments
33 Holborn
London EC1N 2HT