

Details of underlying investments

March 2020





Best Tax and Estate Planning
Solutions Provider

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.

We do not offer investment or tax advice. We recommend you seek professional advice before deciding to invest.

All information in this document is correct at 5 January 2020 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: March 2020. CAM009125-2003

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. Companies are expected to:

- Target sustainable growth of 3% a year over the long term for investors.
- Qualify for Business Property Relief.

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](https://www.octopusinvestments.com), or call us on **0800 316 2295** and we will send you a copy.

About Fern

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 250 companies, the majority of which are based in the UK. In recent years, Fern has further diversified its business by entering overseas markets in countries with stable economic conditions. In 2018, Fern was named as one of the 1000 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, healthcare and property. 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.

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.

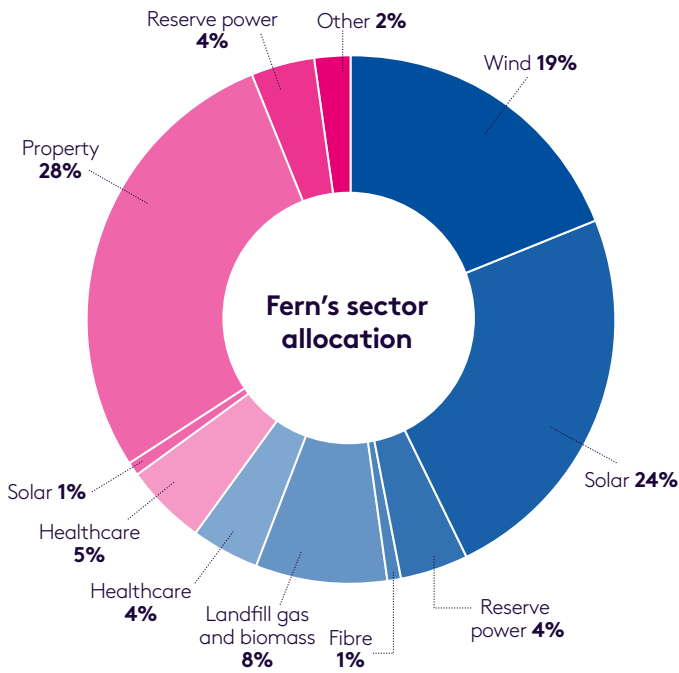
You can find out more about Fern by visiting [ferntrading.com](https://www.ferntrading.com).



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 energy, biomass and landfill gas.

Fern's business lines

Based on the management accounts for the period ending 31 December 2019.



■ ■ Owning and operating assets	60%
■ ■ Lending	40%

Owning and operating assets

Energy

Fern owns and operates **164** solar energy sites, **22** landfill gas sites, **5** biomass plants, **9** windfarms, and **9** reserve power plants.

Healthcare

Fern owns a retirement accommodation developer called Rangeford Retirement Villages, which currently has three sites either in use or under development. Fern also owns a private hospital developer called One Healthcare, which has two sites in use.

Lending

Property

Fern has lent more than **£1.8b** across more than **1,800** short-term loans. Fern has **197** live property loans.

Construction Finance

Fern has provided more than **£900m** of construction finance to build energy sites and has provided more than **£250m** of construction finance to build retirement living communities, care homes and hospitals.

Fern employs more than 350 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
Feb 19–Feb 20	2.96%
Feb 18–Feb 19	6.29%
Feb 17–Feb 18	2.51%
Feb 16–Feb 17	4.09%
Feb 15–Feb 16	3.47%
Feb 14–Feb 15	4.44%
Feb 13–Feb 14	3.76%
Feb 12–Feb 13	4.09%
Feb 11–Feb 12	4.08%

Source: Octopus Investments, 2 February 2020

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 February each year.

Annualised performance based on time held

If you held shares in Fern for	Average annualised growth
1 year	2.96%
2 years	4.61%
3 years	3.91%
4 years	3.95%
5 years	3.86%
6 years	3.95%
7 years	3.93%
8 years	3.95%
9 years	3.96%

Source: Octopus Investments, 2 February 2020

The above table shows the average annualised growth in Fern's share price as at 2 February 2020. For example, if you bought shares in Fern on 2 February 2016 and still held them on the 2 February 2020, then they would have grown at an average of 3.95% a year for four years. It is important to remember that the annual growth rate could have been higher or lower than the 3.95% average at certain points.

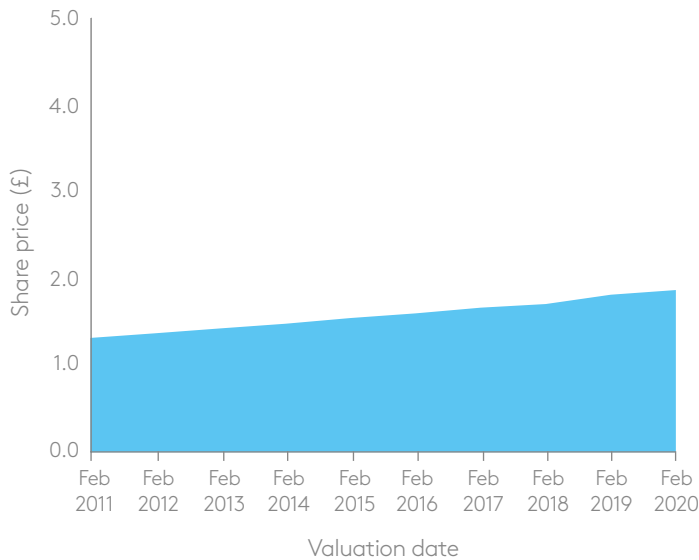
Please remember: Fern's past performance is not a reliable indicator of future performance.

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).

Fern's share price growth since inception



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. When entering new sectors, it is able to do so cautiously.



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 expected increase in consumer demand for energy supply into the future, 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.

Owning and operating energy sites

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. Mainstream banks have provided more than £900 million of this project finance, a clear indication of the quality of our renewable energy sites and Fern's stability in general.

Fern only acquires commercial scale institutional grade renewable energy assets. These are highly sought after assets, so in the event that Fern would need to provide liquidity to investors, it would be able to sell the sites quickly.

Fern also owns nine reserve power plants. These plants generally run during periods of high demand for electricity and therefore command a much higher price per unit of energy generated.

Case study: Abbots Ripton Solar Farm

Abbots Ripton Solar Farm is a large scale 25-megawatt solar site based 20 miles south of Peterborough in the east of England. Abbots Ripton was connected to the grid in March 2014 and is comprised of 93,734 solar panels, laid end to end they would stretch from London to Brighton one and a half times.

The site is capable of producing 23.3 Gigawatt hours of electricity each year, which is enough electricity to power 6,000 UK homes and saves burning five and a half Olympic sized swimming pools worth of coal each year. The electricity produced is sold to energy suppliers who then distribute it to their customers. The site is also supported for a 20-year period by the government-backed Renewable Obligation Certificate (ROC) subsidy. The large solar site is of a commercial quality and is very attractive to institutional investors. Should Fern ever need to sell the site, it expects to be able to do so quickly.

The renewable energy sites owned and operated by Fern have the annual capacity to power every home in Northern Ireland.



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 55 sector specialist investment managers.

Why does Fern operate in this sector?

Predictability: Fern's renewable energy sites have known 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 three and 36 months in duration, against a residential property based in London and the South East 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: Bristol development

In May 2017, property developers approached the property finance team at Octopus to discuss their plans to redevelop a vacant, derelict site in the centre of Bristol into purpose built student accommodation. Bristol has a significant shortage of available properties for students to rent, with less than one bed available for every two students.

Firstly the developer needed to complete the loan quickly in order for the construction to complete in time for the beginning of the 2020 academic year; and secondly, a key Bristol sewer ran through the site and the developer was planning to build above this structure. The developer had held conversations with traditional funders, however they were unable to meet their timing requirements.

Through their flexible approach, Octopus' property finance team were able to satisfy themselves that the risk of building over a city sewer had been fully mitigated. The transaction was completed in time to enable the development to be ready ahead of the 2020 academic year. The team was able to issue an £18 million loan over a 25-month term, releasing the loan in tranches once the developer had met certain construction milestones and approved by the property finance team's quantity surveyor. The initial tranche was at an extremely conservative loan to value (LTV) of 15%, increasing throughout the project. At time of completion the total loan amount was a conservative 63% of the market value of the property.

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 64%.

Liquidity: The average loan length is 19 months, giving Fern a healthy level of regular cash flow.

Diversification: There are currently 197 live property loans issued to independent borrowers.

¹Data as at 5 January 2020.

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 over £4.5 billion across more than 3,600 loans. Capital losses across this loan book have been less than 0.02% with £3.4 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 65 specialists has lent more than £4.5 billion to date.



Healthcare lending and operating

Helping address the housing and care needs of an ageing population.

Healthcare

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 award-winning 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 developer to create inspired surroundings that transform the lives of the growing population.

Case study: Rangeford Villages Limited

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 three retirement villages either in use or under development: Wadswick Green (near Bath), Pickering (Yorkshire) and Cirencester (in the Cotswolds).

An established and award-winning healthcare team

The healthcare team manages over £1 billion of investments, with a focus on care homes and retirement communities – sectors requiring significant investment given the UK's aging population. The team also creates strategic partnerships with leading healthcare operators, creating exceptional healthcare facilities you'd choose for your loved ones.



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.



Paul Latham
Chief Executive

Paul is chief executive of Fern Trading. He is also a managing director of Octopus Investments, where he has worked since 2005. Octopus Investments is a key supplier of resource and expertise to Fern. Paul's dual role ensures that this relationship works well and always operates in the best interests of Fern's shareholders.

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.



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.



Peter Barlow
Non-Executive Director

Peter has almost 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.

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