

# TM Trading overview

## What does TM Trading do?

TM Trading Limited uses its funds to lend money to corporate borrowers on a short-term basis. These borrowers are typically property professionals across both residential and commercial sectors.

Loans are usually secured against the borrower's assets – similar to a mortgage – until the loan is repaid.

In most cases the loans will have first charge over a property. The properties are worth more than the loan, and can be sold if the loan can't be repaid.

The total value of TM Trading as a business is over £130 million. The company has 151 active loans. How these loans are broken down is shown below.

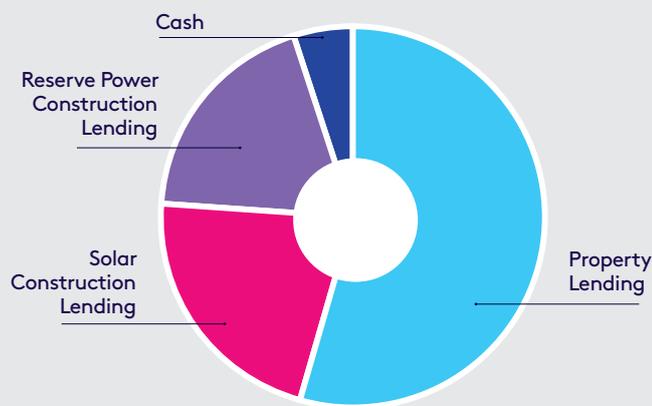
At Octopus we have 150 investment managers, and we have a strong track record of lending. To date we've lent

more than £5 billion across energy and real estate, and have over a decade's experience in asset-backed lending.

## TM Trading has three main aims:

- To provide regular, modest growth, that produces a return to Octopus Enterprise Investment Scheme (OEIS) investors of 3% per annum, net of OEIS Annual Management Charge.
- To make it possible for shareholders to sell their shares in the future if they choose to do so.
- To make it possible for shareholders to retain Business Property Relief from inheritance tax and capital gains tax deferral as long as they continue to hold the shares.

## TM Trading's business is split as follows (as at 31 December 2020):



### Solar Construction Lending 22%

- Loans in this sector have performed well, and we expect them to be redeemed in the coming months. Once repaid, the funds will be redeployed into the property lending side of the business.

### Reserve Power Construction Lending 19%

- Loan finance to construct reserve power stations. These stations provide support to the National Grid in times of high energy demand. The sites are now operational and we expect the borrowers to repay the loans in the spring. Once repaid the funds will be redeployed into the property lending side of the business.

### Property Lending 55%

- Loans in this sector include those to finance property development, short term bridging loans lasting between 6 and 18 months and buy-to-let loans lasting between two and three years. The average loan to value across the property portfolio is 63%.

TM Trading is a trading business and as such the sectors it supports can change and may include sectors not shown here. The property lending sector offers a number of attractive characteristics in meeting the objectives of shareholders. We expect in the short-medium term all new loans will be issued in this space.

## TM Trading performance

The table shows share price growth of TM Trading for the last five years to 31 March 2020 only. It does not take into account any fees or annual management charges associated with OEIS and should not be viewed as performance information for OEIS.

TM Trading aims to deliver a steady rate of growth each year, after running costs and charges. Returns are not capped, however investors should not expect to see returns significantly higher than 3% after fees (and of course it could return less).

Year to 31 March	2016	2017	2018	2019	2020
Annual share price growth	3.8%	3.1%	3.0%	4.0%	3.0%

Note that past performance is not a reliable indicator of future results.

The annual share price growth for TM Trading is calculated from the movement in the share price over the year to 31 March, TM Trading's full reporting period, then divided by the share price at the start of the year.

### Key investment risks

- Please remember that the value of an investment in TM Trading and any income from it, can fall as well as rise and you may not get back the full amount you invested.
- Tax treatment depends on your individual circumstances and may change in the future.

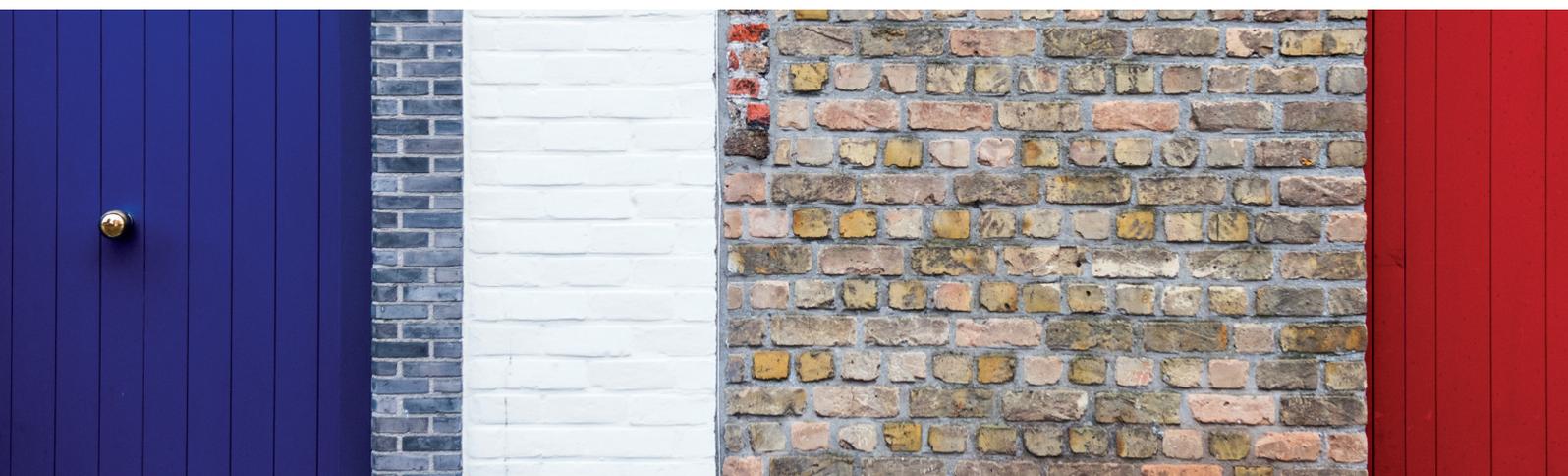
- Tax reliefs available to OEIS investors depend on TM Trading maintaining its qualifying status.
- Please remember that the shares of unlisted companies we invest in could fall or rise in value more than shares listed on the main market of the London Stock Exchange (LSE).
- Investments in unlisted companies such as TM Trading are not as liquid as companies on the main market of the LSE. This means they may be harder to sell.

### Coronavirus update (March – December 2020):

The property market slowed at the end of December when the UK entered its second national lockdown.

Encouragingly, businesses and property professionals have learnt to adapt since the first lockdown - where the sector came to a standstill - enabling them to maintain reasonable levels of activity. This has additionally been lifted by the stamp duty holiday approaching its deadline, which created an urgency to act. The business continues to both make new loans on a conservative basis and receive redemptions of existing loans. There is a substantial amount of pipeline in this sector and we are assured looking forwards that the market offers opportunities with the right risk/reward characteristics.

The business has been able to deploy all of its capital into its trading activities throughout the period.



0800 316 2295  
investorsupport@octopusinvestments.com  
octopusinvestments.com



Octopus Investments  
33 Holborn  
London EC1N 2HT

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