

Quarterly update

5 July 2024



Ed Fellows is the Head of the Octopus Inheritance Tax Service

Fern's share price has fallen by 2.16% over the 12 months to 5 July 2024. This recent performance is disappointing and is behind Fern's average annual growth target of 4.20% (to deliver 3% for investors after the annual management charge).

However, our strategy is designed to target predictable performance over longer periods. Fern's annualised share price growth over the last five years is 3.39%. Octopus' deferred and contingent annual management charge is at risk and would not have been collected in full over the period, to deliver 3% to investors in priority.

Fern's strategy is designed to avoid significant drops in value over the medium and long term.

To deliver this strategy, Fern's business is focused on three key sectors underpinned by infrastructure-like features. The businesses in these sectors are operating in areas where demand is consistent: generating renewable energy, building and managing super-fast fibre broadband infrastructure, and real estate.

The reduction in the value of Fern over the last 12 months can be primarily attributed to decreasing wholesale energy price forecasts and slower growth than expected across the fibre business.

Energy: Fern intentionally owns assets that are large scale and institutional grade with proven technology. These assets are expected to deliver a low but predictable return for Fern over the medium term. These assets also have a healthy resale market, which gives good valuation confidence and is important if Fern wants to sell assets in the future.

Fibre: We have grown this sector, with the objectives of diversifying Fern and reaching sufficient scale to be a key player in the UK market. There have been some drags on this sector, including it taking longer than initially anticipated to build the network due to Covid. The network build phase for the residential fibre to the premises (FTTP) business is now around 85% complete and customer numbers are growing. We are taking a cautious approach to the valuation of this division as it moves from the build phase to focus on customer acquisition and increasing recurring revenues.

Real estate: Fern is a well-established property lender. Its loan book currently has an average LTV of 60% and has been performing in line with expectations. Fern's housebuilding businesses, Rangeford and Elivia, also continue to perform well. With Elivia increasing in value over the period, reflecting improved market sentiment in the housebuilding sector.

You can read more about Fern's business at ferntrading.com.

Data as at 5 July 2024

In this quarterly update, you'll find information on the Octopus Inheritance Tax Service and Fern Trading Limited (Fern), a company selected by the Service that the majority of investors hold in their portfolios. Please note that Fern's performance should not be viewed as performance information for the Octopus Inheritance Tax Service. The Octopus Inheritance Tax Service will place investors' capital at risk, and the tax benefits associated with Business Relief investing are contingent on personal circumstances and qualifying criteria. Please see [page 4](#) for the key risks associated with the Service.

Fern's business strategy

Fern is a £3.5 billion trading group that operates in sectors where Octopus has extensive experience. Fern has been trading for over 14 years. The group comprises over 330 subsidiary companies with its business split across three key sectors and more than 460 assets. By carefully selecting a blend of businesses that work together, Fern can target long-term predictable growth and offer genuine diversification for investors.

Renewable energy (42%)

14% Wind



19
Wind farms*
(212 wind turbines)

9% Solar



146
Solar sites
worldwide

14% Landfill/Biomass



5% Reserve Power



Fibre (33%)



Real Estate (25%)

11% Housebuilding



14% Property lending



243
Short-term
property
loans

*Graphic shows number of wind turbines. Data on this page is as at 30 June 2024.

Performance



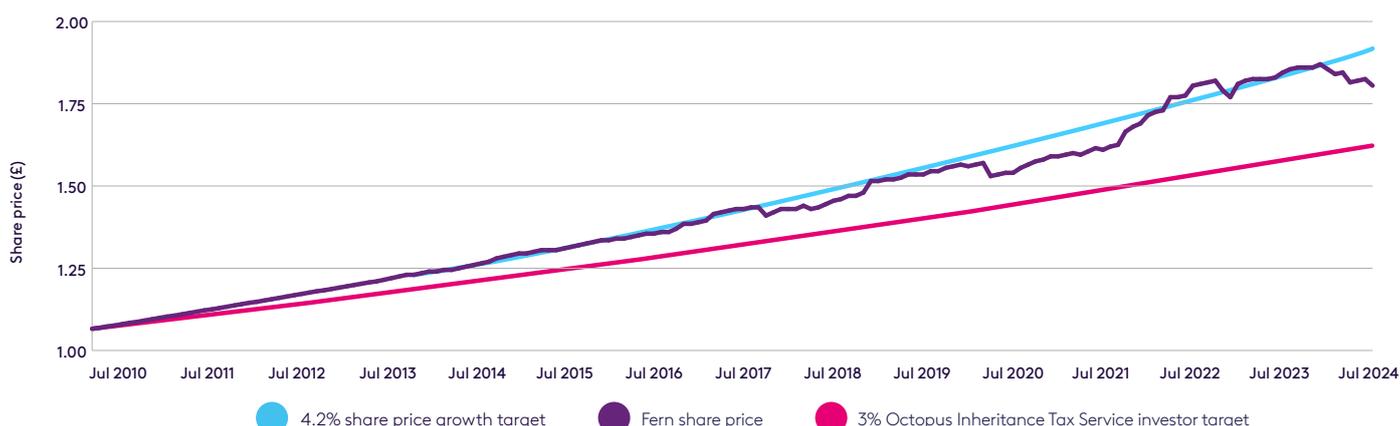
The mandate of the Octopus Inheritance Tax Service is to invest in companies that qualify for Business Relief (BR), generate 3% annual growth for investors, and provide liquidity, should investors request to sell their investment.

	Since inception
Length of Service	16 years
Investor withdrawals facilitated	£1,605m
Longest time taken to provide liquidity	4 weeks
Number of estates that have been entitled to claim BR	6,154
Number of investors	28,117

4 weeks
Longest time taken to provide liquidity this quarter

£89m
Liquidity provided this quarter

Fern share price since inception (£)



Fern discrete annual performance

Jul 24	Jul 23	Jul 22	Jul 21	Jul 20	Jul 19	Jul 18	Jul 17	Jul 16	Jul 15	Jul 14	Jul 13
-2.16%	2.22%	12.11%	4.55%	0.32%	5.50%	1.75%	5.54%	3.43%	3.97%	3.70%	4.05%

Fern average annualised performance

Since inception: **3.83%**

1 year	2 year	3 year	4 year	5 year	6 year	7 year	8 year	9 year	10 year	11 year	12 year
-2.16%	0.00%	3.88%	4.05%	3.29%	3.65%	3.38%	3.65%	3.62%	3.66%	3.66%	3.69%

Performance is calculated based on the share price for Fern's shares at 1 July each year. The performance data in the table and graph here 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. For more shareholder information please [visit Fern's website](#).

Past performance is not a reliable indicator of future results.

Impact

Spotlight on property lending: Care home development, Shripney, Bognor Regis

Fern agreed a framework loan of £11 million to LNT Care Developments, funding the construction of four sustainable care homes around the UK. LNT is a leading specialist care home provider, having developed over £3.7 billion of real estate assets, including over 200 care homes across the UK — providing more than 12,500 beds to the UK's ageing population.

One of the homes currently under construction is a 66-bed development in an area called Shripney, in Bognor Regis. Like all other developments by LNT, the home will be finished to the highest quality, use carbon-free energy, have a range of facilities, and be an affordable and enjoyable place to live, work and visit.

Nick White, Head of Development Origination at Octopus Real Estate, commented, "We are



committed to funding a diverse development portfolio within the later living sector. The development aligns well with our sustainability mission and focus on delivering high-quality, sustainable homes that are built for the future."

Fern's tallest wind asset stands at **163.5m** almost reaching the tip of **London's Gherkin**



Fern's renewable energy assets produce sufficient energy to power more than **1.2 million UK homes annually**

Key risks of the Octopus Inheritance Tax Service

- The value of an investment, and any income from it, can fall as well as rise. Investors may not get back the full amount they invest.
- Tax treatment depends on individual circumstances and tax rules could change in the future.
- Tax relief depends on portfolio companies maintaining their qualifying status.
- The shares of unquoted companies could fall or rise in value more than shares listed on the main market of the London Stock Exchange. They may also be harder to sell.



0800 316 2067
support@octopusinvestments.com
[octopusinvestments.com](https://www.octopusinvestments.com)



Octopus Investments,
33 Holborn,
London EC1N 2HT