

Quarterly update

5 October 2022

Energy price forecasts continue to support growth ahead of target



Ed Fellows is the Head of the Octopus Inheritance Tax Service

Fern has seen growth ahead of target for more than a year, a pattern that continues this quarter resulting from ongoing increases in the value of Fern's energy division.

Fern's share price has increased by 9.31% over the 12 months to 5 October 2022.

Long term energy price forecasts predict that demand will continue to outstrip supply for a prolonged period. The value of Fern's energy assets reflect this, along with higher levels of inflation which increase the amount of revenue that Fern expects to receive from various government subsidies.

Fern's share price also reflects some government policy decisions that have been announced during the period. First, the decision not to increase corporation tax to 25% as previously planned which has a positive impact on value. Second, the market's response to the UK and European governments' plans to mitigate consumer energy price increases. This is reflected by increasing the risk premium we apply to our energy assets, which reduces their value - we have seen similar movements in the valuations of listed renewable energy funds. More details about these policies are expected to be worked through with the industry over the coming months. Please note that following the period end, Fern's share price reduced slightly to reflect the Government's change in policy for Corporation Tax.

In order to target predictable growth for shareholders, Fern has built a business that is spread across several sectors, each carefully selected for its potential to perform consistently in periods of economic uncertainty.

By focusing on sectors where demand is robust and creating the flexibility to support growth in specific

sectors depending on outlook and opportunity, Fern is well positioned for the current climate. As a result, annualised share price growth over 5 years or more is only slightly ahead of our target - we expect fluctuations in performance (both up and down) to be short term in nature as a result of this strategy.

Fern has intentionally focused its property lending business on short-term secured loans which enables Fern to adapt to changes in outlook swiftly. It has also always operated at conservative loan to value levels intentionally set below 70%, in order that it has access to valuable security if there is a reduction in property values. This strategy has served Fern well since inception 12 years ago, and it has operated through periods of change several times. The credit team are being naturally cautious in their assessment of new opportunities in light of the changing economic outlook. Fern has reduced its risk appetite for new loans and anticipates slightly lower returns from its lending business as a result.

Fern's retirement village developments and housebuilding business continue to achieve their sales targets and support existing residents well.

The outlook for Fern remains positive. You can read more about Fern's business at [ferntrading.com](https://www.ferntrading.com).

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 £2.9 billion trading group that operates in sectors where Octopus has extensive experience. The group comprises nearly 300 subsidiary companies with its business split across four core sectors and 420 assets. By carefully selecting a blend of businesses that work together, Fern can target long-term predictable growth and offer increased diversification for investors.

Owning and operating assets (84%)

23% Wind



18% Solar



14% Landfill/Biomass



14% Fibre



8% Reserve Power



4% Healthcare

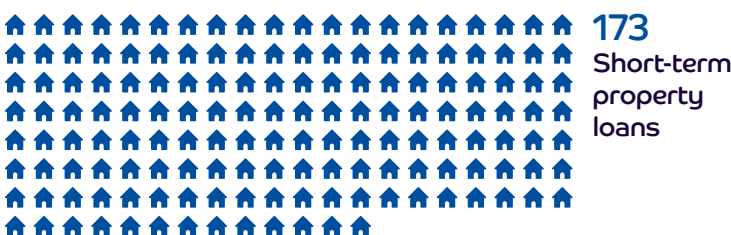


3% Housebuilding



Lending (16%)

16% Property



*Graphic shows number of wind turbines.

Data on this page is as at 5 July 2022.



Performance



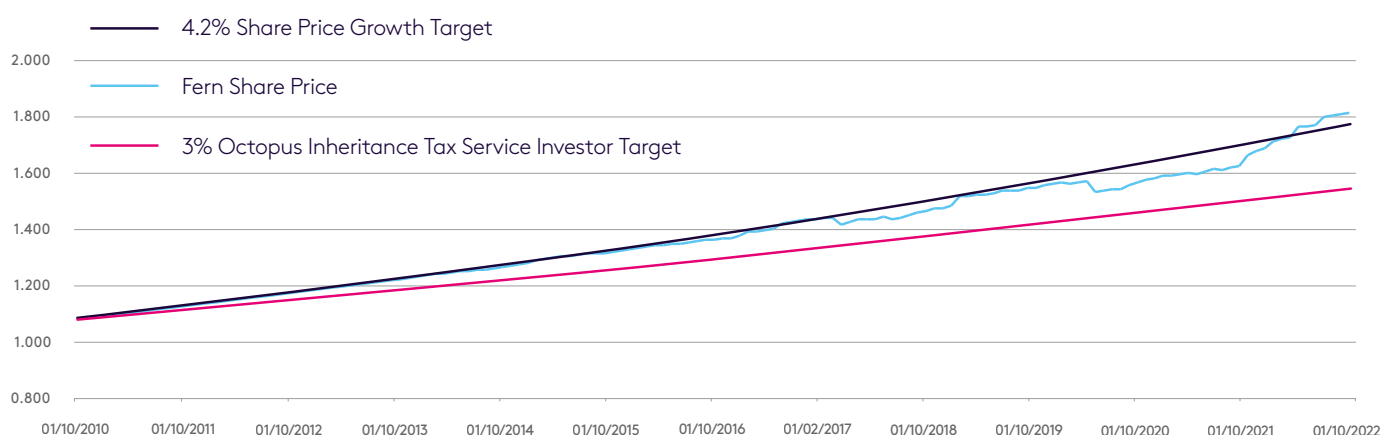
The mandate of the Octopus Inheritance Tax Service is to invest in companies that qualify for Business Relief (BR), generate 3% annual growth for investors, and provide liquidity, should investors request to sell their investment.

	Since inception
Length of Service	15 years
Investor withdrawals facilitated	£1,206m
Longest time taken to provide liquidity	4 weeks
Number of estates that have been entitled to claim BR	4,871
Number of investors	21,661

1 week
Longest time taken to provide liquidity this quarter

£48m
Liquidity provided this quarter

Fern share price since inception (£)



Fern discrete annual performance

Oct-22	Oct-21	Oct-20	Oct-19	Oct-18	Oct-17	Oct-16	Oct-15	Oct-14	Oct-13	Oct-12	Oct-11
9.31%	5.71%	1.28%	5.78%	4.26%	2.92%	3.39%	3.52%	4.07%	4.28%	4.09%	4.23%

Fern average annualised performance

Since inception: **4.39%**

1 year	2 year	3 year	4 year	5 year	6 year	7 year	8 year	9 year	10 year	11 year	12 year
9.31%	7.50%	5.38%	5.48%	5.23%	4.85%	4.64%	4.49%	4.45%	4.43%	4.40%	4.39%

Performance is calculated based on the share price for Fern's shares at 2 October 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.

Fern has been trading for twelve years and has over 1,000 employees.

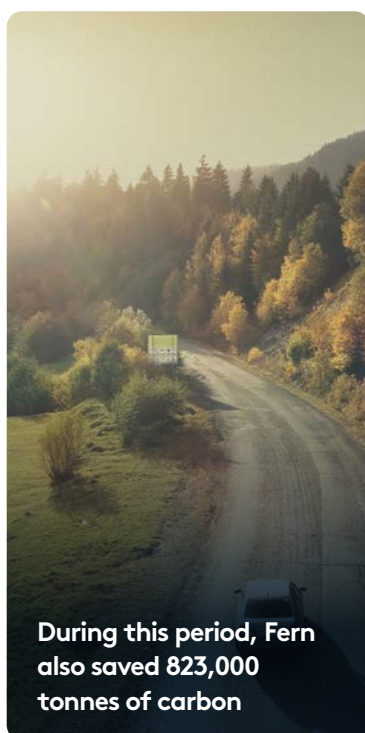
Spotlight on Fern's business: a renewable energy case study

Thetford Power Station is a renewable energy generator specialising in converting poultry litter into electricity through combustion. Its operated and maintained by our in-house team of 38 professionals.

As the largest power station fuelled by poultry litter in Europe, it's an integral part of the local economy generating jobs and investment through the local supply chain.

The station has been generating green energy for over 15 years, providing an invaluable service to the local poultry industry. It offers a secure year-round outlet for the disposal and recovery of biomass. And its combustion ash is sold as fertiliser to the British agricultural industry, making this a truly sustainable business model.

If you compare its output to an equivalent gas fired plant, Thetford Power Station reduces CO2 emissions by some 85,000 tonnes every year. This equates to taking more than 33,000 cars off the UK's roads.



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



Octopus Investments,
33 Holborn,
London EC1N 2HT