Money Wise UK®

Growing together, with integrity and respect

Octopus Inheritance Tax Service (OITS)

Manager Overview

Octopus Investments Limited

- Established in 2000; part of the wider Octopus Group (including Octopus Energy, Octopus Renewables, and Octopus Ventures).
- Authorised and regulated by the FCA.
- Certified B Corporation and UN PRI signatory, reflecting ESG integration across investment activity.
- £9.6 billion in assets under management (as of March 2025), making it the largest manager of Business Relief (BR) investments in the UK.
- Over 31,000 investors and 6,940 estates have successfully claimed BR through Octopus since 2007.
- Scale and service metrics: Octopus supports over 11,000 advisers, with 55 technical specialists and a dedicated Intergenerational Planning Team.
- Customer outcomes: For the last 12 months, Octopus achieved all its Consumer Duty outcome metrics — including liquidity (average 10 days), performance and full BR qualification for all claims to date.
- Complaint record: Fewer than 0.15% of OITS customers express dissatisfaction annually, and no complaints have been upheld by the Financial Ombudsman Service (FOS) since inception.

Investment Category

- Discretionary Business Relief (BR) service designed to mitigate Inheritance Tax (IHT).
- Aims to deliver steady, sustainable growth (target 3% p.a. net of fees) while qualifying for BR after two years.
- Suitable for investors seeking IHT mitigation with flexibility, typically aged 70–85.
- Minimum investment £25,000 (additional top-ups from £10,000).
- Positive social impact: Fern Trading's activities align with the UK's renewable, housing, and digital infrastructure priorities — supporting:
    - UK's net-zero goals (largest commercial solar producer in the UK),
    - 85% gigabit-capable broadband target by 2025,

    - and the development of affordable and retirement housing through Elivia Homes and Rangeford Villages
- Longevity: OITS is now in its 18th year, giving one of the longest continuous BR track records in the market.

Current Offer

- Target return: 3% per annum (net of 0.5% + VAT AMC).
- Growth Shield: Annual management charge accrues but is only taken upon sale if 3% annualised return is achieved.
- Liquidity:
    - Stage 1 – Matched sales and purchases (target 7–10 days).
    - Stage 2 – Buyback facility (up to £21m/month) – only used 4 times in 18 years.
    - Stage 3 – Loan book sell-down (~£20m/month natural liquidity).
    - Stage 4 – Asset sale.

  All of stages 2-4 will be a share buyback mechanism.
- Average payout: 7–10 days; never, yet beyond four weeks. If it goes up to this, it moves from stage 1 to stage 2.
- In line with Octopus' Consumer Duty framework, liquidity has been achieved within 10 days on average (maximum 4 weeks) for the past 15 years. Octopus provided over £1.7 billion of withdrawals since inception without any delays breaching its four-week target.
- Over the past year, BR qualification success rate remained at 100%, with 700 BR claims processed and no known challenges from HMRC.
- Insurance (OITSPlus): Covers 40% of investment if death occurs within two years (eligible deaths only).
- Average client age: 79, average case size £200k.

Downside Protection

Insurance Protection

Eligible investors are covered for 40% of the initial investment if death occurs within two years, mitigating the potential IHT liability. The policy is included and paid for by Octopus for the first two years, subject to health declarations and eligibility criteria. The maximum benefit is £250,000 per individual or £500,000 for joint life second death.

Fees and Structure

Charge Type	Rate	Notes
Initial Charge	1.5%	
Dealing Fee	1%	Applied to both purchase and sale
Annual Management Charge	Up to 0.5% + VAT	Only taken on sale and only if 3% net return is achieved
Company running costs	2.5% + VAT (tiered)	Paid by portfolio companies to Octopus; reviewed by independent directors

Growth Shield: The deferred AMC acts as a buffer—Octopus forfeits AMC if the target is not achieved.

Investment Strategy

- Capital invested in unquoted UK trading companies expected to qualify for BR.
- Core underlying business: Fern Trading Limited – diversified across multiple real asset sectors:
  - Renewable Energy (≈38–40%) – solar, wind, biomass, landfill gas, reserve power.
  - Fibre Broadband (≈36%) – B2B (Vorboss) and residential FTTP via Cuckoo.
  - Real Estate (≈25%) – housebuilding (Elivia Homes), retirement living (Rangeford Villages), and property lending.
- Diversified across ~340 subsidiaries and 450+ assets. Fern now owns 146 solar sites, 19 landfill gas plants, 6 biomass facilities, 19 wind farms, 1 energy-from-waste plant, and 26 reserve power sites, providing geographically and technologically diversified energy production.
- Borrowing: ~20% of gross asset value (secured, first-charge basis).
- Loan book: ~250 loans with average LTV of 60% and 98% first-charge security, while the fibre portfolio (Vorboss and Cuckoo) has completed network build and entered the commercialisation phase.
- Fern employs 1,500 people and operates more than 330 subsidiaries, positioning it as one of the UK's largest privately held infrastructure trading groups.

Loan Book

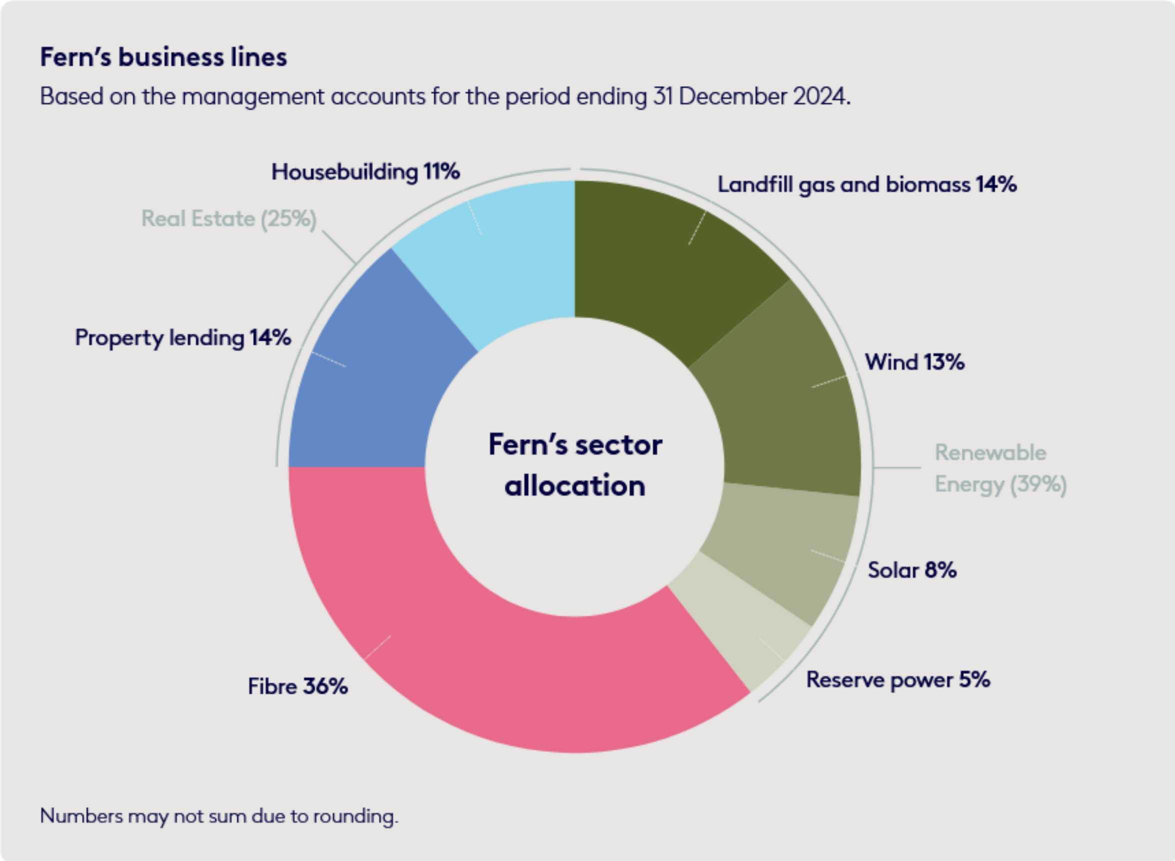
Table 8: **Tax Efficient Review Loan Comparison Table**

	Blackfinch	Downing	Foresight	Ingenious	Octopus	Puma	Proven Legacy	Seneca Income	Seneca Growth	Time	Triple Point Navigator
Data as at	31/12/2024	31/12/24	31/12/24	31/12/24	31/12/24	31/12/24	31/12/24	31/12/24	31/12/24	31/12/24	31/12/24
Loan Book Size (m)	£209.25	£220.63	£294.41	£296.60	£456.23	£345.60	£2.51	£2.45	£37.70	£305.11	£166.98
Number of Loans	55	82	7	25	243	59	11	68	952	29	92
Average Duration (days)	589	959	850	771	582	930	1226	688	759	1204	713
Average Interest Rate (%)	9.22%	10.69%	7.77%	8.90%	8.60%	9.14%	10.40%	9.41%	9.37%	8.96%	10.12%
Average Loan Size (m)	£3.80	£2.69	£42.06	£11.86	£1.88	£5.86	£0.23	£0.04	£0.04	£10.52	£1.81
Weighted Gross LTV % (total capital and fees advanced + Accrued Interest)	59%		44%	67%		62%	21%			44%	66%
Fees accruing to investors and other parties											
Average Arrangement Fees (%)	1.55%	1.00%	-	4.00%	2.01%	1.42%	0.91%	-	-	1.00%	1.00%
Average Exit Fees (%)	0.61%	-	-	1.00%	1.41%	1.17%	0.55%	-	-	1.00%	1.00%
Average Total Fees (%)	3%	1%	0%	4%	5%	3%	1%	0%	0%	2%	2%
Average Total Annualised Fees and Interest (%)	10.88%	11.07%	7.77%	10.79%	11.48%	10.16%	10.83%	9.41%	9.37%	9.57%	11.14%
Security quality											
We describe third party lending as involving making large loans to lenders. In the event of default, we see the potential to enforce any remedies as being more problematic in the case of third party lending (where any claim would involve a floating charge at a company level) versus direct lending (which should involve direct access to the underlying property), we asked providers the further following questions (further details can be found in reach review)											
What % of your loan book by value is third party lending	0%	4% of the DEPS portfolio is wholesale lending and 22% of the lending portfolio	100%	Nil	Nil	0%	Nil	40%	38%	0%	29%
What % of your loan book by value has security ringfenced on individual properties by direct security charge	100%	100%	See review	100%	100%	100%	N/A as assets do not include property	60%	62%	100%	32%
On your third party lending, are there any other parties or lenders with prior recoupment positions	N/A	No	None	None	N/A	N/A	N/A	No	No	N/A	None

Source Providers Report created October 1, 2025 7:53 AM

Portfolio Overview

- Fern Trading Limited (est. 2010) is wholly owned by OITS and OITSPlus investors.
- Employs 1,500 people; generates predictable income from real assets.
- Sectoral allocation (as of July 2025):
    - Renewable energy – 39%
    - Fibre broadband – 36%
    - Real estate – 25%
- Diversified income streams (rent, energy sales, loan interest).
- Acts as a long-term trading entity rather than a fund — maintains BR qualification through continuous active trading.



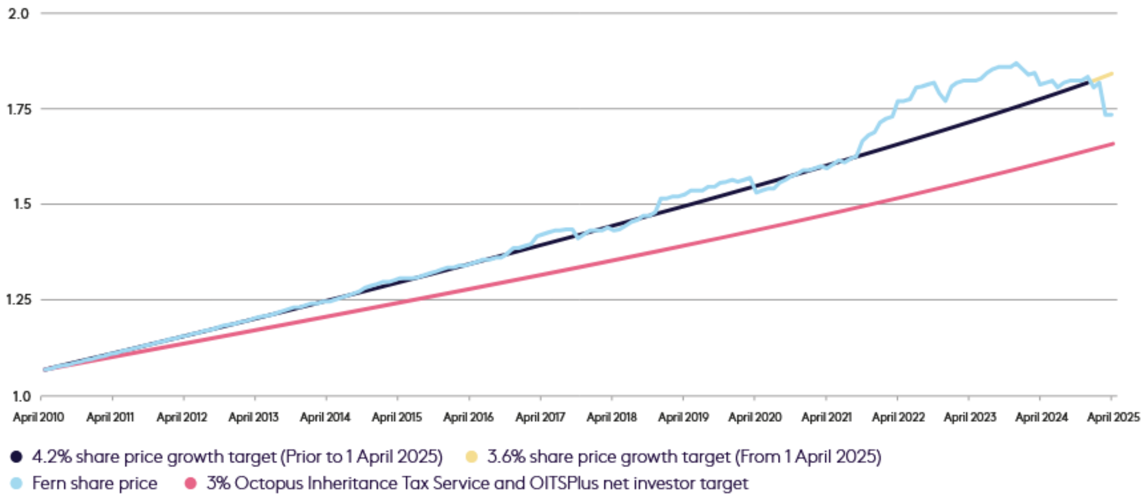
Performance and Track Record

Fern's 2024–2025 valuation declined -4.41%. The biggest part of that came from recent transactions in the fibre sector – two distressed companies not belonging to Fern were sold at a reduced price – which, as a private company valuing under the IPEV rules, Fern needed to reflect in its own Fibre holdings. It does not reflect a material reduction in the underlying company's performance.

Despite this, the portfolio has maintained average annualised growth of 3.13% since inception (2010) and continues to target sustainable returns through steady reinvestment and cautious gearing (~20% GAV).

Period (to Jul 2025)	**Fern Share Price Growth**
1 year	-4.99%
3 years	-1.69% p.a.
5 years	2.17% p.a.
10 years	2.73% p.a.
Since inception (2010)	3.13% p.a.

Fern's share price since inception (£)



- Returns have been slightly below target recently due to renewable energy valuation adjustments from lower long-term power price forecasts, and Fibre industry impact as above.
- Despite near-term valuation falls, Fern continues to generate consistent revenue and maintain liquidity (average withdrawal 6 days, £91m liquidity provided last quarter).
- Over 6,900 estates successfully claimed BR — strong operational and compliance record.
- No outright "failures", though small write-downs have occurred in renewables where the equity element was written down to zero (but didn't impact the BR as equity held by EIS and BR only held the loan element), the renewable part of the portfolio took on the assets.

Key Strengths

- Proven 18-year track record and largest BR manager.
- Strong diversification across sectors and assets, unlike single-sector BR schemes.
- Liquidity management framework with a four-stage process and strong historical delivery.
- Growth Shield aligns interests—AMC contingent on performance.
- Dedicated Intergenerational Planning Team and Octopus Legacy partnership for probate and estate administration.
- Robust ESG credentials (B Corp, PRI, sustainable assets).
- Low operational risk — long-established governance, independent directors, and transparent valuation methodology.
- Rights issues are only issued where there is a business case, the last one in 2021

Risks and Considerations

- Unquoted company risk: Shares not listed, potentially illiquid in stressed markets.
- Valuation risk: Prices based on discounted cash flow and trading assumptions; can fluctuate materially.
- Sector concentration: Heavy exposure to renewables and property; sensitive to interest rates and energy pricing.
- Borrowing risk: Moderate leverage (20% GAV) magnifies volatility.
- Policy risk: Future IHT/BR reforms (notably April 2026 IHT allowance changes).
- Tax qualification: HMRC assessment occurs post-death; cannot be guaranteed.
- Client vulnerability: Average age 79 — need for clear explanation of liquidity timelines and potential delays. Total portfolio liquidation is currently estimated at 18 months – if there is a "potential worst case" to be quoted in a suitability report, it should be 18 months.

Principal Risks and Uncertainties

Energy Division		
Risk	**Mitigations**	**Change**
Market risk: The energy sector has returned to normalised market conditions, after experiencing significant turbulence, however there is a risk that forecast levels of income are not achieved due to further drops in wholesale energy prices, and changes in off-take contracts or government scheme. Changes in Government policy may result in reduced income streams within the Group due to additional levies.	• Contracts are entered into which fix the income for a portion of the energy generated by our sites, with 19% of our revenue is generated from fixed contracts. • Long-term government backed offtake agreements are in place, such as the Renewable Obligation Certification ("ROC") and Feed-in Tariff (FIT) schemes. 46% of our energy income was generated from such revenue schemes • The Group ensures engagement with the Government and the Office of Gas and Electricity Markets ("OFGEM") to contribute to an industry voice with policy makers who set future regulatory requirements.	No change
Operational risk: Levels of energy produced may be lower than anticipated due to sub-optimal weather conditions or performance issues with equipment, which may result in significant unplanned downtime.	• Unpredictability of the weather is mitigated through diversification of technologies and location of sites. • Regular servicing of assets is undertaken to ensure assets are kept in good condition and minimise the risk that assets are unavailable for a longer period.	No change
Financial risk: Revenues (from energy generation) or sale proceeds (from the sale of sites) generated from overseas sites are lower than expected due to fluctuations in foreign exchange rates.	• Management ensures only a small portion of the Group's assets and revenues are expected to be derived from overseas sites.	No change
Construction risk: Construction of the sites takes longer or is more costly than anticipated due to resource availability or increased cost of raw materials.	• The Group enters fixed price contracts with contractors where appropriate to reduce exposure to increasing costs.	No change

Fibre Division		
Risk	**Mitigations**	**Change**
Market risk: Expected sales from customers are lower than anticipated due to increased competition from other providers. A change in policy by the regulators in favour of larger operators could impact our ability to deliver planned development, reducing revenues and efficiencies gained from a larger presence in a particular area.	• Following the consolidation of our FTTP businesses, we are pursuing a wholesale network strategy, increasing our network commercialisation opportunity of our own regional network assets. We also have national reach via our partners like Cityfibre and BT Openreach allowing access to customers in a wider array of locations. • Management engages proactively with the Office of Communications and the Government ("Ofcom") to ensure the benefits of smaller operators are well understood and their interests are appropriately represented. • We are an active participant in relevant industry bodies, particularly those representing alternative network operators.	= No change
Construction risk: Construction of the network takes longer or is more costly than anticipated due to resource availability or increased cost of raw materials.	• In the year we moved past our peak FTTP build phase and closer to completion of our Vorboss London build. The strategic focus has shifted to commercialisation of our fibre networks.	↓ Decreased (due to construction largely finalised)
Operational risk: Network service is interrupted or unreliable leading to potential loss of customers and reputational damage.	• Our networks are built in a resilient way with diverse route options should a failure occur in one route. • This, combined with an ability to identify and resolve connectivity issues quickly, minimises downtime of the networks.	= No change

Lending Division		
Risk	**Mitigations**	**Change**
Market risk: Increasing inflation and interest rates lead to a market-wide affordability issue, resulting in a drop in property values across all sectors of real estate. This may impact our ability to recover a loan in full through a refinance or sale.	• The teams pro-actively manage our position in the marketplace and are prepared to enforce where needed if a loan moves into default. • Our loans are made at conservative loan-to-value ("LTV") ratios with a maximum LTV of 70%.	No change
Counterparty risk: Loans may be made to unsuitable counterparties, impacting our ability to recover the loan balance in full.	• Loans are secured against physical underlying security, such as a charge over the property or other assets of the borrower. These are typically on a first charge basis to ensure maximum chance of recovery should enforcement action be needed. • Thorough due diligence is performed prior to writing loans, including property or land valuations and credit checks done on borrowers. • Where loans are written for assets under construction, milestones and covenants are put in place to ensure stages are complete prior to releasing further drawdowns.	No change

Housebuilding Division		
Risk	**Mitigations**	**Change**
Market risk: A fall in house prices could impact our ability to generate expected revenue from the sale of apartments in our retirement villages and housing developments built by Elivia. An increase in interest rates could lead to delays in the purchase process, resulting into completion and revenue not being realised as planned.	• Planning consents on undeveloped land are optimised to maximise revenues and reduce the risk of losses on sale. • During the underwriting process for each site, the proposed pricing is reviewed against current sales in the area. Minimal HPI is used and price movement/sales speed sensitivities are included and reviewed	Increased (due to consistently high interest rates)
Construction risk: Construction takes longer or is more costly than anticipated due to resource availability or increased cost of raw materials. Inability to engage with suitable contractors, who are financially stable and can honour fixed-price contract in the current environment.	• The Group enters fixed price contracts where appropriate to reduce exposure to increasing material costs. • The Group only works with reputable third parties with a strong track record of delivering similar projects. • The assessment of all potential projects include conservative building cost assumptions with material contingency levels and a healthy allowance for inflation which is benchmarked against other comparable projects.	No change

Group		
Risk	**Mitigations**	**Change**
Market risk: An increase in base rates may increase costs on debt facilities, impacting the Group's ability to service debt as it falls due.	• Where floating rate debt is in place (where interest varies in line with an underlying benchmark rate), the Group typically enters into hedging arrangements to fix a portion of these payments throughout the term of the facility. Hedging arrangements are outlined in Note 21 of the financial statements.	No change
Liquidity risk: Poor management of cash within the Group could impact the Group's ability to meet obligations as they fall due.	• A detailed cash flow forecast is prepared and reviewed by management on a monthly basis, incorporating cash availability and cash requirements across the Group. On at least a quarterly basis this is shared with the Board. • The Group monitors bank covenants on an ongoing basis to ensure continued adherence to covenants. Where covenants can't be met, forecasts are updated for the lower cash available as a result of the restriction. • The Group has a flexible finance facility which can be drawn on at short notice to meet immediate business needs.	No change
Health and Safety risk: The safety of our employees and those employed through contracts are of paramount importance. There is a risk that accidents in the workplace could result in serious injury or death.	• We have developed robust health and safety policies in compliance with ISO45001 across the Group to ensure the well-being of our staff. • Health and safety training is provided to our staff and contractors on a regular basis.	No change
Cyber Security risk: An attack on our IT systems and data could lead to disruption of our operations and loss of customer data. Loss or misuse of data may result in reputational damage, regulatory action under GDPR and potential fines.	• We employ a Chief Information Security Officer ("CISO") who is responsible for data security across the Group and reports quarterly to the Board. • The CISO works closely with our businesses to ensure adequate standards of security and information management are met. • Each of our businesses that hold customer data has their own dedicated resource for IT and security.	No change

The strategic report was approved by the Board of Directors on 24 December 2024 and signed on its behalf by:

Vulnerability and Governance

- The Annual Report lists input risks, including concentration, energy price sensitivity, and refinancing (see principal risks for more details).
- Octopus adopts strong oversight via its Investment and Conflicts Committees, and each portfolio company board includes a majority of independent directors.
- Rights issues only undertaken with a strong business case (last in 2021).
- Fern's board includes five non-executive directors with deep experience in infrastructure, corporate finance, and academia, including Keith Willey (Chair) and Sarah Grant (Director and Chair of Octopus Investment Committee), providing strong independence and oversight.
- Octopus' internal Investment and Conflicts Committees ensure independence between Octopus as manager and Fern as trading entity.
- Octopus formally assesses its Consumer Duty outcomes annually. As of the latest report (Oct 2025), all four outcomes — product & services, price & value, consumer understanding, and consumer support — achieved a 'good outcome' designation.

- Vulnerable client processes are embedded throughout the service, including MI monitoring, intergenerational planning support, and <3% abandoned call rates.

Market Position

With £3.5 billion in assets under management within OITS and OITSPlus, Octopus remains the largest and most diversified Business Relief provider in the UK, with scale and governance unmatched by smaller peers. Its combination of strong liquidity, deferred fees, and robust governance makes it a benchmark product within the BR sector.

Summary

The Octopus Inheritance Tax Service (OITS and OITSPlus) is a long-established, large-scale BR investment designed to offer predictable growth, flexible access, and rapid IHT mitigation.

Despite short-term valuation pressure from lower power price forecasts and macroeconomic pressures in the fibre industry, the portfolio remains fundamentally diversified and cash-generative. Liquidity management, risk governance, and alignment through the Growth Shield set Octopus apart from its smaller peers.

It remains one of the most robust BR services in the market for clients seeking steady, low-volatility exposure to real assets with proven inheritance tax benefits.

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