octopus renewables
infrastructure trust

Octopus Renewables Investment Trust (ORIT)

Consumer Duty guide

Target market Information

This document is designed to help investment advisors and distributors to assess whether ORIT is a suitable investment for their clients using a range of factors such as investment objective, knowledge, experience, capacity for loss, and risk appetite. The information provided is of a general nature and does not consider individual circumstances.

This information is also available in a machine-readable format. The EMT can be downloaded here.

Key

✓ Yes

✗ No

••• Neutral

What type of investors can invest in ORIT?

Octopus Energy Generation ("OEGEN") is the co-product manufacturer and investment manager for ORIT. OEGEN is a specialist renewable energy investment manager providing investment solutions for institutional investors such pension funds, sovereign wealth funds, and regulated and unregulated collective investment schemes.

While OEGEN's distribution efforts are focused on institutional investors, various distributors in the wholesale market such as platforms and wealth managers can distribute ORIT to retail investors. Such investors looking to invest in ORIT can gain access through these wholesale channels only.

Target investor type	Is ORIT an appropriate investment?
Retail	✓
Professional	✓
Eligible Counterparty	✓

What knowledge and experience do investors require to understand what an investment in ORIT means?

ORIT's Key Features Document and disclosure information outline the profile of a typical investor to whom ORIT may be suitable. OEGEN does not consider that investors in ORIT require extensive knowledge and experience to understand the investment objective and investment process employed.

Investor's knowledge and experience	Description	Is ORIT an appropriate investment?
Basic investor	• Basic knowledge of relevant financial instruments (a basic investor can make an informed investment decision based on the regulated and authorised offering documentation or with the help of a personal recommendation by a regulated financial adviser • No financial industry experience, i.e. suited to a first time investor	✓
Informed investor	• Average knowledge of relevant financial products (an informed investor can make an informed investment decision based on the	✓

	regulated and authorised offering documentation, together with knowledge and understanding of the specific factors/risks highlighted within them only), or through a personal recommendation by a regulated financial adviser • Some financial industry experience	
Advanced investor	• Good knowledge of relevant financial products and the features of this product • Financial industry experience or accompanied by professional investment advice or included in a discretionary portfolio service	✓

What are an investors investment objectives?

ORIT's investment objective is to provide investors with an attractive and sustainable level of income returns, with an element of capital growth, by investing in a diversified portfolio of Renewable Energy Assets in Europe and Australia.

ORIT will seek to achieve its investment objective through investment in renewable energy assets in Europe and Australia, comprising (i) predominantly assets which generate electricity from renewable energy sources, with a particular focus on onshore and offshore wind farms and photovoltaic solar parks, and (ii) non-generation renewable energy related assets and businesses.

ORIT may be suitable for investors who are looking for an element of capital growth and income through dividends.

Outcome	Investment objective	Is ORIT an appropriate investment?
Preservation of capital	A product which is compatible with investors looking to preserve their capital.	✗
Growth	A product which seeks to grow the capital of investors.	✓
Income	A product which looks to provide an income for investors, for example through dividends.	✓
Hedging	A product which an investor may invest in to hedge their risk exposure	✗
Leverage return	A product which can leverage investor capital and magnify returns and losses.	✗
Other special needs	A product which is focused on making a positive impact on society or the environment through sustainable investments.	✓

What is an investors capacity for loss?

By investing in ORIT, investors will place their capital at risk and there is no guarantee that the strategy will be able to delivery on any of its intended objectives.

How much capital loss can they take?	Description	Is ORIT an appropriate investment?
Can bear no capital loss	Investor is looking to preserve capital and cannot afford to lose any capital	✗
Can bear limited capital loss	Investor seeking to preserve capital or can bear losses to a specified level, or require a capital guarantee	✗
Can bear loss of all capital	Investor can afford to lose all capital	✓

How can investors invest in this product?

The Consumer Duty and other regulations place a strong focus on consumer protection, particularly around ensuring that investors are sold the right product for their needs. This means that before OEGEN, or a distributor enables an investor to buy a product, it requires an assessment of the complexity and appropriateness of the product. Such assessments are necessary when providing execution or transmission of orders services on execution only basis. ORIT is a non-complex product.

Suitability assessments are required when undertaking portfolio management business or when providing a personal recommendation to an investor.

Distribution method	Type of investor	Is ORIT an appropriate investment?
Non-advised (execution only)	ORIT may be offered to Retail and Professional investors	✓
With investment advice	ORIT may be offered to Retail and Professional investors	✓
Portfolio management	ORIT may be offered to Retail and Professional investors	✓

Value assessment

The reporting period for this report is 12 months ending 31 December. The period covered by our analysis has been a turbulent one for investment and energy markets. Against the backdrop of war, inflation, and a cost-of-living crises OEGEN has maintained its rigorous investment approach, and with the same rigour reviewed whether this has delivered value for money for ORIT investors.

As part of The Consumer Duty, the Financial Conduct Authority outlines its expectations on the criteria that product manufacturers should use to perform value for money assessments. The criteria is to assess:

1. Quality of service
2. Fund performance
3. Fund management costs
4. Economies of scale
5. Comparable market rates
6. Comparable services
7. Classes of units.

Key

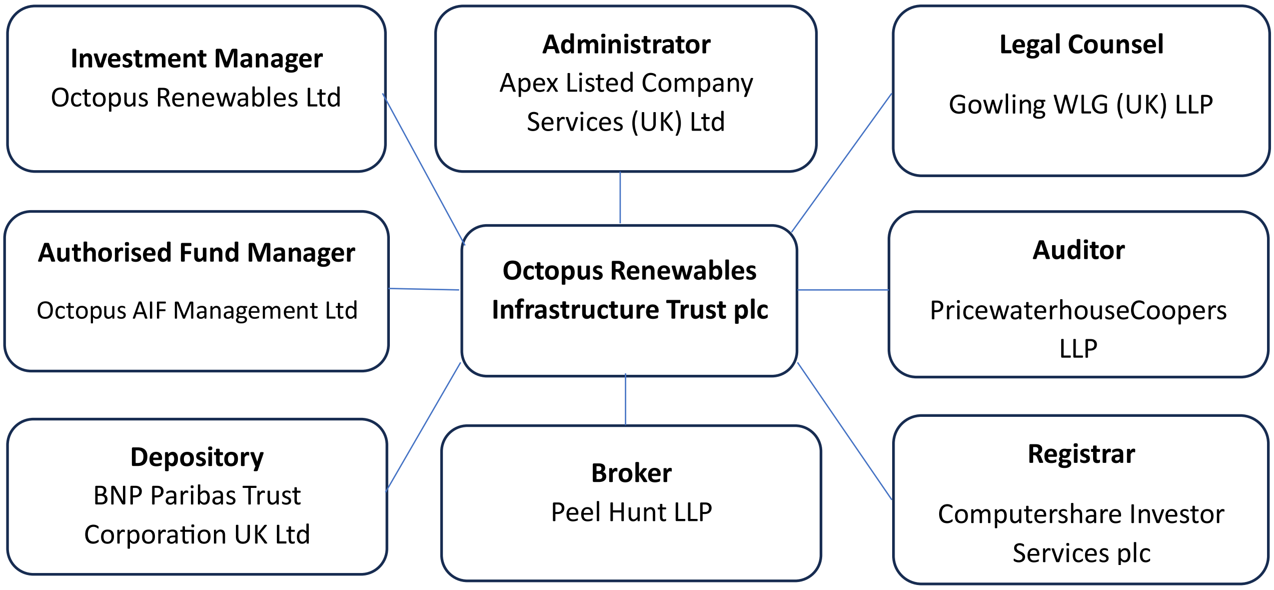
★★★ Represents **Good** value.

★★ Represents **Moderate** value.

★ Represents **Poor** value.

Quality of service ★★★

ORIT's Board of Directors perform an annual review of all service providers to ensure that all activities performed are operating in line with industry best practice and key controls operate as intended. The last review concluded with a positive assessment on the ongoing auditability of each service provider to perform delegated activities on behalf of ORIT.



The following service providers are instrumental in contributing to the service we offer our investors:

Octopus AIF Management Ltd: The authorised fund manager of ORIT who is responsible for portfolio management, risk management and valuations. Octopus AIF Management Limited sub-delegates the portfolio management to Octopus Renewables Limited.

Octopus Renewables Ltd (trading as Octopus Energy Generation): Portfolio management including investment management, investment appraisals, marketing, investor reporting, performance reporting, ESG reporting

Apex Listed Company Services (UK) Limited: Company administration and company secretarial services.

Computershare: Shareholder servicing and administration.

All ORIT service providers are subject to regular independent external audits of the financial position, regulatory and internal control structure. No material deficiencies have been identified in these assessments.

No investor complaints have been received from investors from any of the services providers covering ORIT.

We have concluded that ORIT's service providers represented good value overall.

Fund performance

ORIT's investment performance is measured against its investment objectives, which are:

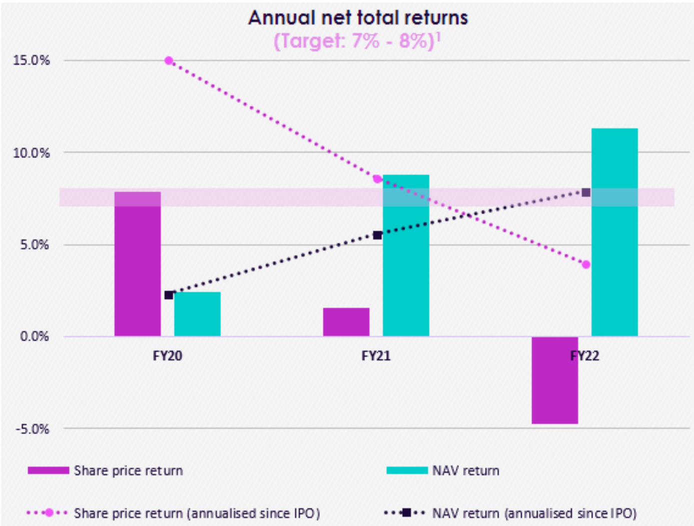
1. Provide investors with an attractive and sustainable level of income
2. Provide an element of capital growth

ORIT's first full financial year ended in 2020 and there is insufficient track record information available to assess performance over the suggested minimum holding period of 5 years.

Looking back since inception, ORIT has delivered on its 1st investment objective, consistently delivering dividends generated from cashflow from the operational portfolio, and growing the level of dividends each period. On this aspect ORIT has delivered value to investors.

Dividends

	FY20 Actual	FY21 Actual	FY22 Actual	FY23[2 3 4] Expected
Dividend per share	3.00p	5.00p	5.24p	5.79p[4]
Increase YoY %	- IPO target	66.7% IPO Target	4.8% In line with CPIH	10.5% In line with CPI
Dividend cover	-	1.0x	1.8x	~1.7x



On the 2nd objective, ORIT delivered a positive NAV total return since inception, in line with its target. However, due to the volatility seen in financial markets in 2022 ORIT has a negative total shareholder return in FY 2022. This has resulted in the share price trading at a discount to the net asset value of the company, meaning that investors have not experienced capital growth since inception on a share price basis.

ORIT has invested in a diversified portfolio of renewable energy assets (across a number of European jurisdictions and range of technologies, principally wind and solar) in line with its investment objective, and benefitted from power price hedging and gains in net asset value from successful de-risking of construction assets. On a relative basis, ORIT has performed in line with its AIC peer group (Renewable Energy Infrastructure).

We have concluded that ORIT's investment performance represents partial value to investors on the basis that it has achieved 1 of its 2 objectives.

Fund management costs ★★★

ORIT's Board of Directors perform an annual review of all components of the Ongoing Charges Ratio which include the costs of all service providers to the company including the Investment Manager, Depository, and Administrator. Fees paid to Octopus Renewables Ltd for investment management are the largest component of the OCR and cover the following:

- Construction management
- Ongoing asset management
- Power sales and hedging
- Treasury management including payments, FX, rates
- Risk management
- Valuations
- Debt management (managing revolving credit facilities and underlying project debt)

- Raising debt
- External reporting
- Marketing of the company

Note, in some instances there may be additional costs incurred by external specialist service providers to assist Investment Manager in carrying out the above tasks. Where these costs are charged directly to ORIT, they are included in its total OCR.

We have concluded that the fees and expenses paid for the range of services to ORIT represent good value.

Economies of scale ★★★

It is generally accepted that the pooling of assets should result in economies of scale that are reflected in lower charges for investors. The primary cost component of ORIT's OCF is the investment management fee which is a variable charge with a sliding fee schedule of 95bps on NAV up to £500m and 85bps thereafter. All other components are agreed on a rate card and generally remain fixed. We believe the cost structure is appropriate for sharing any economies of scale and we do not anticipate an increase in costs over the next 12 months.

Comparable market rates ★★★

For this section we compare ORIT's OCF against its peer group. A peer group composite is constructed by identifying funds within the same AIC Renewable Energy Infrastructure sector and the list is then further narrowed by base currency.

Company	AIC Sector	Currency	Ongoing Charges ex. Perf
Atrato Onsite Energy	Renewable Energy Infrastructure	GBX	1.4
Bluefield Solar Income Fund	Renewable Energy Infrastructure	GBX	1.02
Downing Renewables & Infrastructure	Renewable Energy Infrastructure	GBX	1.5
Foresight Solar Fund	Renewable Energy Infrastructure	GBX	1.14
Gore Street Energy Storage	Renewable Energy Infrastructure	GBX	1.37
Greencoat UK Wind	Renewable Energy Infrastructure	GBX	0.93
Gresham House Energy Storage	Renewable Energy Infrastructure	GBX	1.18
HydrogenOne Capital Growth	Renewable Energy Infrastructure	GBX	2.51
JLEN Environmental Assets Group	Renewable Energy Infrastructure	GBX	1.18
NextEnergy Solar Fund	Renewable Energy Infrastructure	GBX	1.06
Octopus Renewables Infrastructure	Renewable Energy Infrastructure	GBX	1.12
Renewables Infrastructure Group	Renewable Energy Infrastructure	GBX	0.93
SDCL Energy Efficiency Income	Renewable Energy Infrastructure	GBX	1.02
Triple Point Energy Transition	Renewable Energy Infrastructure	GBX	1.94
VH Global Sustainable Energy Opportunities	Renewable Energy Infrastructure	GBX	1.3

While there are a handful of OCF's around the median mark, we don't see evidence of price clustering and conclude that ORIT's OCF represents good value relative when compared with market rates.

Comparable services ★★★

OEGEN manages assets for a diverse group of investors ranging pension schemes, sovereign wealth funds, and closed and open-ended collective investment schemes. For this assessment we consider the different types of clients invested in an OEGEN strategy, the service they receive and the fees they pay.

ORIT is the only listed fund managed by OEGEN, and therefore the fees paid for different strategies do not reflect the significant additional complexity in Board and public reporting, investor relations and compliance with Listing Rules associated with managing a listed fund.

Many of the other vehicles managed by OEGEN are not actively investing, and as such a lower level of fees is justified as OEGEN is not required to provide ongoing origination and execution of investments, or the more complex oversight which is associated with managing assets at the construction and development stage. In addition, other vehicles managed by OEGEN which are actively investing charge both annual management fees and performance fees, so the level of management fees is not directly comparable with those paid by ORIT.

We have concluded that ORIT delivers value in terms of comparable services offered by the investment manager.

Classes of units

ORIT ordinary shares are listed on the main market of the London Stock Exchange. There is no other financial instrument issued by the company.