

# Backing Britain's brightest businesses

Octopus Titan VCT brochure  
September 2019



## Key investment risks

### For UK investors only

- Octopus Titan venture capital trust (VCT) is an investment that places your money at risk. This means the value of an investment, and any income from it, can fall as well as rise and you may not get back the full amount invested.
- VCT shares could fall or rise in value more than other shares listed on the main market of the London Stock Exchange. They may also be harder to sell.
- Please note that tax reliefs available on VCT investments depend on individual circumstances and may change in the future. Tax reliefs also depend on the VCT maintaining its VCT-qualifying status.
- Past performance is not a reliable indicator of future results. For the past performance of Octopus Titan VCT, see **page 19**.
- Where we refer to a specific company, this is for illustrative purposes only and is not an investment recommendation.

It is important that you read and fully understand the key risks involved before deciding whether this investment is right for you. To help, we have a dedicated section outlining the key risks on **page 24**.

**This document is an advertisement and not a prospectus. Any decision to invest should only be made on the basis of the information contained in the prospectus and the Key Information Document (KID) available at [octopusinvestments.com/titan](https://octopusinvestments.com/titan).**

You can also request print copies by calling our Investor Support team on **0800 316 2295** or by sending an email to [investorsupport@octopusinvestments.com](mailto:investorsupport@octopusinvestments.com). Octopus does not give advice on investments, legal matters, taxation or anything else. We always recommend you talk to a qualified financial adviser before making any investment decisions. All data and factual information provided within this document is sourced to Octopus and is correct at 31 August 2019, unless otherwise stated.

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**Octopus Titan VCT gives investors the opportunity to participate in the growth of some of the UK's most exciting entrepreneurial businesses. This new share offer will provide further funding to a number of existing portfolio companies, as well as add some exciting new investments.**

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# About Octopus

When we launched Octopus in 2000, we wanted to create an investment company that put its customers first. We started by looking at what didn't work very well, and found ways to do things differently.

Today we have more than **750 employees** and **£8.6bn<sup>1</sup>** in assets under management. We work with tens of thousands of clients and we've built market-leading positions in tax-efficient investment, smaller company financing, renewable energy and healthcare. But no matter how big we get, we'll keep doing the simple things well and we'll keep looking after each of our customers, day in, day out.



Our head office is at 33 Holborn, London.

We want what we do to matter, and for the money we invest to make a big difference to people's lives. That's why, for example, we invest in:

- UK smaller companies that create thousands of jobs and generate economic growth.
- Companies that address the needs of older people, by building GP surgeries, retirement villages, care homes and hospitals.
- Renewable energy facilities that are changing the shape of the UK energy market.

We see a strong business case for each of these sectors, whether that's providing for an ageing population in need of lifelong care, or the long-term trend towards renewable energy as a viable alternative to fossil fuels, or investing in dynamic, entrepreneurial companies that have a positive effect on the economy, and the people, around them.

- We've helped several companies grow to become household names, including Zoopla Property Group, graze.com and Secret Escapes.
- We currently have £1.7 billion invested in companies listed on the Alternative Investment Market (AIM).

## Five promises from Octopus

Being different means putting our customers first, every time. Our relationship with our customers is more important than anything else. So, here are five promises we are determined to keep.

### 1 We'll always remember that it's your money

This means we work for you, so if you want to talk to the fund managers who invest your money, you can. Just call us on **0800 316 2295** or pop in for a visit.

### 2 We'll never treat you like just another customer

We don't use call centres and we don't have recorded messages telling you "how important your call is". Our Investor Support team is frequently praised by our customers for the help and attention they give.

### 3 We'll always keep trying to improve

Having the courage to do things differently lets us create innovative solutions to the real problems people face.

### 4 We'll keep putting customers first

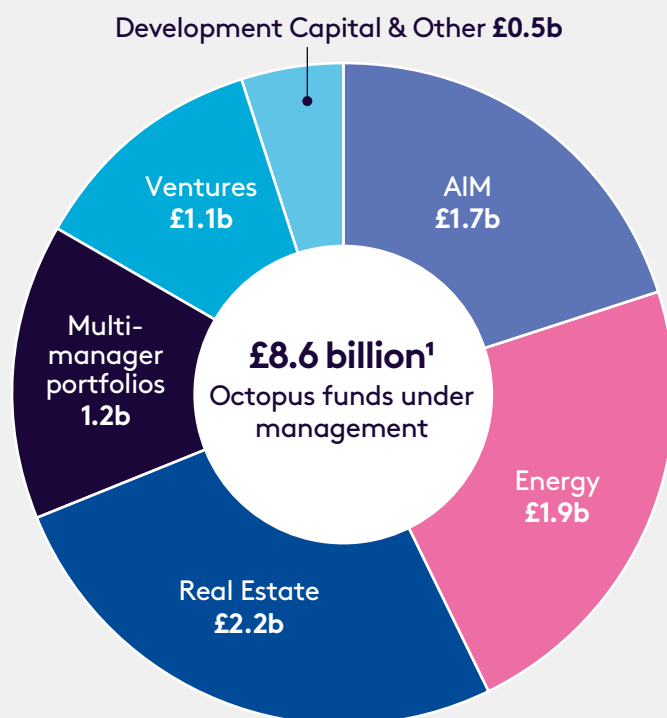
Octopus is not listed on a stock exchange, and is mostly owned by the people who work here. That means we're not accountable to public shareholders demanding short-term profits, so we don't have to cut corners or lower our standards.

### 5 We'll never let complexity win

The best companies and products make your life simpler, not harder. Why should financial services be any different? Although we have to include some fairly complicated information in this brochure, we've done our best to avoid small print and tried to remove any unhelpful jargon. If we haven't got it right, please let us know.

## There's more to Octopus than you might think...

We manage assets on behalf of retail investors, institutions and charities across a range of specialist sectors.



### Talk to Octopus to find out more

We can't give you financial or tax advice, but we can answer any questions you have about us, or about this investment. So, if you have any questions after reading this brochure, please give us a call on **0800 316 2295** or visit [octopusinvestments.com](https://www.octopusinvestments.com).

<sup>1</sup>Octopus Investments, 30 June 2019. The figure shown includes funds under management as well as advisory arrangement.

# The home-grown success story of VCTs

The UK has become one of the world's most successful markets for entrepreneurial small companies. Venture capital trusts (VCTs) have played an important part in this.

Smaller companies are often hailed as the backbone of the British economy. They create jobs, innovate and are an important source of revenue for the government.

But many of these companies need investment to flourish. Without investment, they wouldn't have the same positive impact on the British economy.

## Broad and deep support for growing businesses

VCTs were set up to encourage investment into Britain's exciting, entrepreneurial businesses.

Recognising that investing in smaller, younger companies typically involves taking more risk than investing in larger companies (for example, BP or Vodafone), the government introduced VCTs in 1995.

They have since helped establish fertile grounds for growing businesses. VCTs are an important source of capital and specialist support for businesses looking to grow. At the same time, they've given investors the opportunity to share in the success of these companies.

## VCTs offer tax reliefs

As well as providing an easy way for investors to gain exposure to these small companies, VCTs offer a number of useful tax reliefs. These exist to incentivise investment into growing UK businesses. They compensate an investor for taking the risk of investing in smaller, less established companies.

Investors can claim 30% upfront income tax relief, receive tax-free dividends and, when the time comes to sell the shares, they don't have to pay any capital gains tax if they've risen in value.

## The biggest name in VCTs

Octopus is the UK's largest VCT manager.<sup>1</sup> We launched our first VCT in 2002 and today we manage over £1 billion across our VCTs on behalf of more than 30,000 investors.

We think VCTs offer great investment potential, with some exciting tax benefits attached.

But VCTs are not suitable for everyone, which is why we always recommend talking to a qualified financial adviser before deciding to invest.

If you have any questions after reading this brochure, visit [octopusinvestments.com](https://www.octopusinvestments.com) or call us on **0800 316 2295**. We're always happy to hear from you.

VCTs are high-risk investments. It is important to understand that smaller companies can struggle, and many will not be successful. The tax incentives are there to help compensate investors for the risk they take with their money. **For more information on the key risks, please see page 24.**

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**£731 million was invested into VCTs in the 2018/19 tax year, the largest amount in over a decade.<sup>1</sup>**

<sup>1</sup>The Association of Investment Companies, April 2019

# Weighing up a VCT investment

## Key benefits

### Growth potential

VCTs invest in smaller, younger companies in the UK. These have the potential to grow faster than larger companies.

### Tax incentives

New VCT shares attract tax reliefs for investments up to £200,000 each year:

- 30% upfront income tax relief, provided your investment is held for at least five years. So if you invest £10,000 in a VCT, £3,000 can be taken off your income tax bill. Note though, that the amount of income tax claimed cannot exceed the amount of income tax due.
- Tax-free capital gains if you sell your VCT shares and make a profit.
- Tax-free dividends (you won't need to declare them on your return).

### Additional income

Tax-free dividends offer the potential of supplementary income, which may be especially useful in retirement.

### Complementing other investments

While they have a higher risk profile, VCTs can complement other long-term investments that have allowances, such as pension plans and Individual Savings Accounts (ISAs).

### Diversification

Through a VCT you gain access to unquoted smaller companies in the UK. These have a unique profile and can diversify an investment portfolio.

## Key risks

### Your capital is at risk

The value of a VCT investment, and any income from it, can fall as well as rise. You may not get back the full amount that you invest.

### Tax rules can change

Tax treatment depends on individual circumstances and may change in the future.

### The VCT's qualifying status could end

Tax reliefs depend on the VCT maintaining its VCT-qualifying status.

### Investments in smaller companies can be volatile

VCT shares can fall and rise in value more sharply than the shares of other companies listed on the main market of the London Stock Exchange.

### VCT shares may be difficult to sell

There isn't an active secondary market for VCT shares in the way there is for most other listed companies' shares. This means that if you decide to sell your VCT shares you may have to accept a price lower than the net asset value (NAV) of the investment.



**We go into more detail about the risks of a VCT investment on page 24.**

# Introducing Octopus Titan VCT

Since 2007, Octopus Titan VCT has earned a reputation for backing pioneering entrepreneurs. We invest in companies that are using technology to shape the future.

Octopus Titan VCT is the largest VCT in the market, with over £825 million of funds under management and a diverse portfolio of around 75 companies.<sup>1</sup> Titan has a proud history of backing some of the UK's most successful entrepreneurs, having made early investments in Zoopla Property Group, Secret Escapes and graze.com among many others, and continues to provide backing to promising companies with the potential to become household names.

## The investment team

Octopus Ventures is the team that manages the investments in Titan, investing mainly in UK-based tech-enabled companies with global ambitions and the potential to grow quickly. The team is one of the largest in Europe, and has offices in London and New York, as well as Operating Partners (previously known as Venture Partners) across the world, in San Francisco, Singapore and Shanghai. More on those later.

Octopus Ventures looks to back pioneering entrepreneurs who are changing the world, and is refining its approach to focus predominantly on three key areas – the future of health, the future of money and deep tech.

**Future of Health** looks to work with pioneers who are improving lives through digital health, tackling taboo health issues and creating software that helps existing health systems achieve better outcomes.

**Future of Money** explores novel finance and insurance products, and aims to find entrepreneurs who want to change the face of money globally.

**Deep Tech** focuses on tools and innovations that will power the next industrial revolution, including human-computer interface, edge and quantum computing, robotics and synthetic biology.

This sharpening of focus helps attract the best entrepreneurs, who tend to have a preference for investors who specialise in their sector. It also allows us to find the best opportunities in each area more efficiently while continuing to build specialist skills and expertise.

## The opportunity

Back in 2010, there were only two European technology companies formed since 2000 valued at more than a billion dollars. By 2014, it had risen to 30, and in 2019, there are over 80, with more than 25 of them based in the UK. With second and third places held by Germany (with 11 such companies) and Israel (with nine), this makes the UK the largest producer of billion dollar companies in Europe by some margin.<sup>2</sup> Titan provides VCT investors with access to this exciting area.

For those willing to accept the risks of investing in small VCT-qualifying companies, Octopus Titan VCT offers an easy way to access this part of the market with instant diversification through a broad portfolio of around 75 companies. For more information on the key risks, please see **page 24**.

<sup>1</sup>Octopus Investments, 30 June 2019 <sup>2</sup>GP Bullhound, Tech Titans report, June 2019



# elvie

Elvie are transforming the way women think and feel about themselves with its products. Octopus Titan VCT first invested in Elvie in November 2016.



# What makes Titan successful

## Titan's success is down to three things

- 1 Octopus Ventures has access to a wide range of high quality investment opportunities.
- 2 The team is in a strong position to back winners through multiple investment rounds.
- 3 Octopus has the resources to provide practical support and guidance to the entrepreneurs we back to increase the chances of success.

## We can access the best investment opportunities

The best entrepreneurs are selective about accepting investment, so it's important for us to have a good reputation for adding value beyond the finance we provide.

Many entrepreneurs make the first move and come to us, because they know we offer great practical support. They sometimes include entrepreneurs we've backed in earlier ventures, who come back to us with a new idea. This is a strong endorsement of our reputation. For example, the founder of Zoopla Property Group came back to us when he started Cazoo, through which customers will be able to buy or finance a used car online and have it delivered to their door within 48 hours (see [page 12](#)).

The team are highly selective, choosing the best of the best. They meet with thousands of companies seeking investment every year, but typically select as few as 10-15 new investments.

Over the years, the team has built an established portfolio of more than 75 early-stage companies operating in a diverse range of sectors.

Investors in Octopus Titan VCT are getting access to some of the very best ideas the UK's vibrant entrepreneurial scene has to offer.

## We're in a strong position to provide further investment to the companies we back

Creating a brand-new market or disrupting an existing one doesn't happen overnight. Our typical investment horizon is five to seven years, and an early stage company will often need several rounds of funding as it grows. So entrepreneurs want to partner with investors who can support them throughout their journey. Thanks to its investors, Titan has the funds available to do this, which is a powerful factor in attracting new deals.

As a result, the majority of the investments we make are follow-on investments. We get to know the companies we work with inside out, so we know which ones will want follow-on investments and when, as well as how they're performing against their goals.

One important feature of investing in early-stage companies is that there's no guarantee they will prove to be successful, or will deliver a return on the investment. The team recognises that smaller companies, on average, have a higher failure rate than companies listed on the main market of the London Stock Exchange.

The team typically starts cautiously, making modest initial investments in companies. They then build up larger investments in those companies that continue to prove successful, with milestones put in place for each investment. This approach helps the team to reduce the impact of failures by typically making repeat investments in the potential winners.

The typical industry failure rate for early-stage companies is around 55%.<sup>1</sup> Since Titan launched in 2007, we have only exited 21% of the companies we've invested in at a loss. However, this accounts for less than 15.5% of the money customers have invested since launch. This shows the benefit of investing in a broad range of companies and making only small initial investments. However, it's worth remembering that past performance is no guide to future performance. For the past performance of Octopus Titan VCT, see **page 19**.

### **We help founders be better, faster**

Backing entrepreneurs and helping them reach their ambitions goes well beyond just providing finance. We help elevate them to success, providing practical support to the companies we back, helping them find the right people to hire and introducing them to valuable contacts.

Since Titan launched, the Octopus Ventures team has grown with it, from five people to more than 40, including the Operating Partners. In 2018, Octopus increased its resource commitment to manage Titan by expanding the investment team by nearly 50% to 17 people, as well as adding further portfolio and operational support. Great entrepreneurs come from a diverse range of backgrounds. We want to reflect that in our team, which brings together a mix of people with a wide variety of skills and experience. Many have co-founded businesses themselves before joining Octopus, and over a third of the team are women. One of the reasons entrepreneurs love working with us is we offer a variety of different viewpoints, based on knowledge gained from beyond the world of finance.

Early-stage companies need nurturing. So, we don't just make an investment, we also actively participate in the company's growth plans.

Usually someone from Octopus Ventures sits on the board of the companies we invest into, which allows them to play a prominent role in the company's ongoing development. Beyond that, we provide practical mentoring to the entrepreneurs that we invest in.

We're in a great position to help companies grow internationally. We work with the entrepreneurs we back by holding workshops on strategy, advising on sales and marketing plans, as well as providing connections to other companies who could help. We know that, as with many companies, the quality of the team can make or break a young business, so we've hired an expert on start-up talent. They're solely focused on partnering and supporting our portfolio company leaders to help them be better, faster. The team is also spread between offices in London and New York, so we can help companies understand the opportunities and challenges of expanding globally to make their expansion more fruitful.

The team is bolstered by the Operating Partners, a select group of entrepreneurs and business experts who offer best-in-class expertise in areas such as CEO leadership, sales and international expansion that makes a significant difference for companies. They are based globally in London, San Francisco, Shanghai and Singapore and their purpose is to help Titan portfolio companies reach their full potential and achieve their global ambitions.

It's worth bearing in mind that investing in VCTs involves risk. For more details of the risks please see **page 24**.

<sup>1</sup>Office for National Statistics, Business demography, UK: 2017, November 2018

# Ingredients for a great early stage company

The UK is the best place in Europe to find pioneers changing the world with bold new business ideas. So how do you zero in on the very best ones? As a rule of thumb, there are three criteria we want to see before we consider adding a company to the portfolio.

## We invest in businesses changing the world

The entrepreneurs we back are pioneers changing the world. WaveOptics, for example, is the world's leading designer and manufacturer of the key optical component in wearable augmented reality devices. Big Health's apps are helping millions reduce anxiety and get a better night's sleep using revolutionary techniques. Bought By Many is helping people tailor their insurance to their lives, bringing together groups of people with very specific insurance needs. OLIO connects neighbours and local cafés so they can share surplus food that would otherwise be thrown away. All are companies working to have a positive impact on the world.

Three things we look for in the companies we back:

### 1 Talented entrepreneurs and management team

We need to see there's a deep-seated passion for the idea, knowledge of the relevant industry and an appreciation of how big the opportunity is. The management team needs to be adaptable, while keeping everyone focused on the overriding goal.

### 2 A world-changing idea

We look for those ideas that can turn an established industry upside down or create something that didn't exist before. The pioneers we back dare to reimagine the future of health, the future of money and deep tech.

It's crucial that these companies have the ingredients to grow quickly, which is why we focus on tech-enabled companies, which can scale-up without a big increase in costs. When you have a great product or service, you want to get it to as many customers as you can as quickly and efficiently as possible.

### 3 Enormous market opportunity

We're not interested in niche ideas that will only ever stay niche. We look for those companies that could grow to be much, much bigger than they are today. So the potential market for what they do needs to be large, to give them plenty of room for future growth.

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We focus on tech-enabled companies, which can scale-up without a big increase in cost.



# PATCH

Patch is gardening for city dwellers, helping people find plants suited to the urban environment. Octopus Titan VCT first invested in Patch in June 2018.



# World-changing businesses

CAZOO

## Cazoo

Alex Chesterman OBE is a proven entrepreneur. Back in 2002 he co-founded the business which became LOVEFiLM, basing the business model on what Netflix was doing in the US. That business was acquired by Amazon in 2011. In 2007, he founded Zoopla Property Group (ZPG), to do in the UK what US start-up Zillow was doing across the Atlantic. In 2014, it listed on the London Stock Exchange at an initial price of £919m, and went on to become the first company backed by a VCT to reach a billion pound valuation. It was bought by a US private equity firm for over £2.2 billion last year.

Chesterman's latest venture aims to change the way people buy used cars in the UK. Once again, he's taking his inspiration from the US. Arizona-based Carvana has grown rapidly since it was founded in 2015, and Chesterman plans to replicate that success in the UK with Cazoo.

The idea behind Cazoo is to make car buying no different to buying any other product online today, where consumers can simply and seamlessly purchase a used car entirely online and have it delivered to their door in as little as 48 hours.

Octopus Ventures has known Chesterman for over 15 years, having backed his previous successful ventures LOVEFiLM (prior to Titan VCT) and ZPG. We believe Cazoo has the potential to be another great success, which is why we invested in December 2018. The used car market in the UK is currently fragmented, with high levels of customer dissatisfaction, and is yet to experience the kind of digital transformation seen in other industries. Cazoo is aiming to do just this.

There have been earlier attempts to offer UK drivers a way to buy their car online, but so far none has emerged as a strong consumer brand. With ZPG, Chesterman proved he can create a trusted voice in a fragmented market. We believe Cazoo could have a similar impact on the way people buy cars.



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**The idea behind Cazoo is to make the way people buy a used car no different to buying any other product online today.**

## inrupt

Three decades ago, Sir Tim Berners-Lee invented the world wide web.

Now he is on a mission to transform it so it fulfills his original vision of a web for everyone.

Today, web apps and services require users to hand over personal data. This creates privacy concerns. For businesses, the resulting data storage and compliance requirements have become both a burden and a distraction. Meanwhile, developers' creativity is limited by current app development frameworks. This state of affairs has driven calls for data regulations, created uneven power dynamics on the web, and compromised innovation and business potential.

Sir Tim and his co-founder, seasoned entrepreneur John Bruce, want to solve this situation with inrupt. By fuelling the adoption of Solid, the technology Tim created several years ago to decentralise the web, inrupt aims to bring Tim's vision for the web to life. For businesses, this means an end to the burdens of data compliance. Solid will also give companies the opportunity to pursue ideas for new products and services that simply weren't possible before. Software developers will have new paths to innovation and creativity. Web users will benefit from these new apps and services while having control of who accesses their data.

inrupt's leadership combines a proven technical disruptor (Berners-Lee) and an entrepreneur with a history of successfully selling to large businesses (Bruce). We invested in inrupt in September 2019, and we're excited to support its mission to reimagine the web and restore control of our data to every one of us who uses it.




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The vision is to forge a new era of innovation on the web.

# World-changing businesses

elvie

## Elvie

Elvie made history in 2019 when the company successfully completed the largest ever femtech fundraising. Femtech is the umbrella-term for apps, services, and devices that use technology to improve women's health and wellbeing.

For decades, healthcare products were designed with little attention paid to the physiological needs of women. Femtech has emerged to change that, and Elvie's co-founder, Tania Boler, is at the forefront of the trend.

We first met Tania and her co-founder Alexander Asseily in 2015 before investing the following year. Tania's background with the United Nations and Marie Stopes, a leading reproductive health charity, was a good fit with Alex's experience in consumer products and wearable technology.

Elvie is looking to develop a range of products to improve women's lives and provide support through different life stages such as pregnancy, motherhood and menopause. In so doing, the company aims to build a strong brand that consumers associate with well-designed, beautiful devices that improve women's health.

Elvie launched its second product, the world's first silent, wearable, fit-in-your-bra breast pump, in late 2018. The first batch sold out within minutes, a phenomenon that has repeated itself several times on both sides of the Atlantic. This follows the success of the company's first product, Elvie Trainer, an award-winning device which helps women train their pelvic floor more successfully, which has a number of health benefits.

The market for health wearables is a multi-billion-pound opportunity, and we believe Elvie could be on course to be a go-to brand for 50% of the population.



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Elvie is looking to develop a range of products to improve women's health.



## WaveOptics

If you've not yet heard of Augmented Reality, or AR, you will do.

AR is a technology that overlays the real world with computer-generated images. For example, showing a potential customer what a sofa would look like in their living room before they buy it. Or displaying real-time information to a surgeon performing surgery. WaveOptics designs and manufactures the see-through displays, called waveguides, that are an integral part of wearable AR devices.

The AR market is expected to be huge, with some estimates putting it at \$75 billion globally by 2023.<sup>1</sup> For that market to develop, wearable devices will need to become sleeker and less bulky.

The technology WaveOptics has developed is designed specifically to be used in more lightweight devices, putting the company at the heart of solving that problem. Their technology is also much easier to manufacture at scale than many rival designs, a big factor in our decision to invest in December 2015.

AR is relatively new to many of the industries that are starting to use it. The one big exception is the defence sector. The founding team at WaveOptics used to work at BAE Systems, where they gained strong experience designing head-up displays for use by pilots. This should give WaveOptics another significant advantage, since it's not easy to source this kind of engineering talent.

Just as every smartphone needs a screen, every AR wearable will need a waveguide. We believe WaveOptics produces the best waveguides on the market, and is positioned to become a critical supplier to this fast-growing industry.



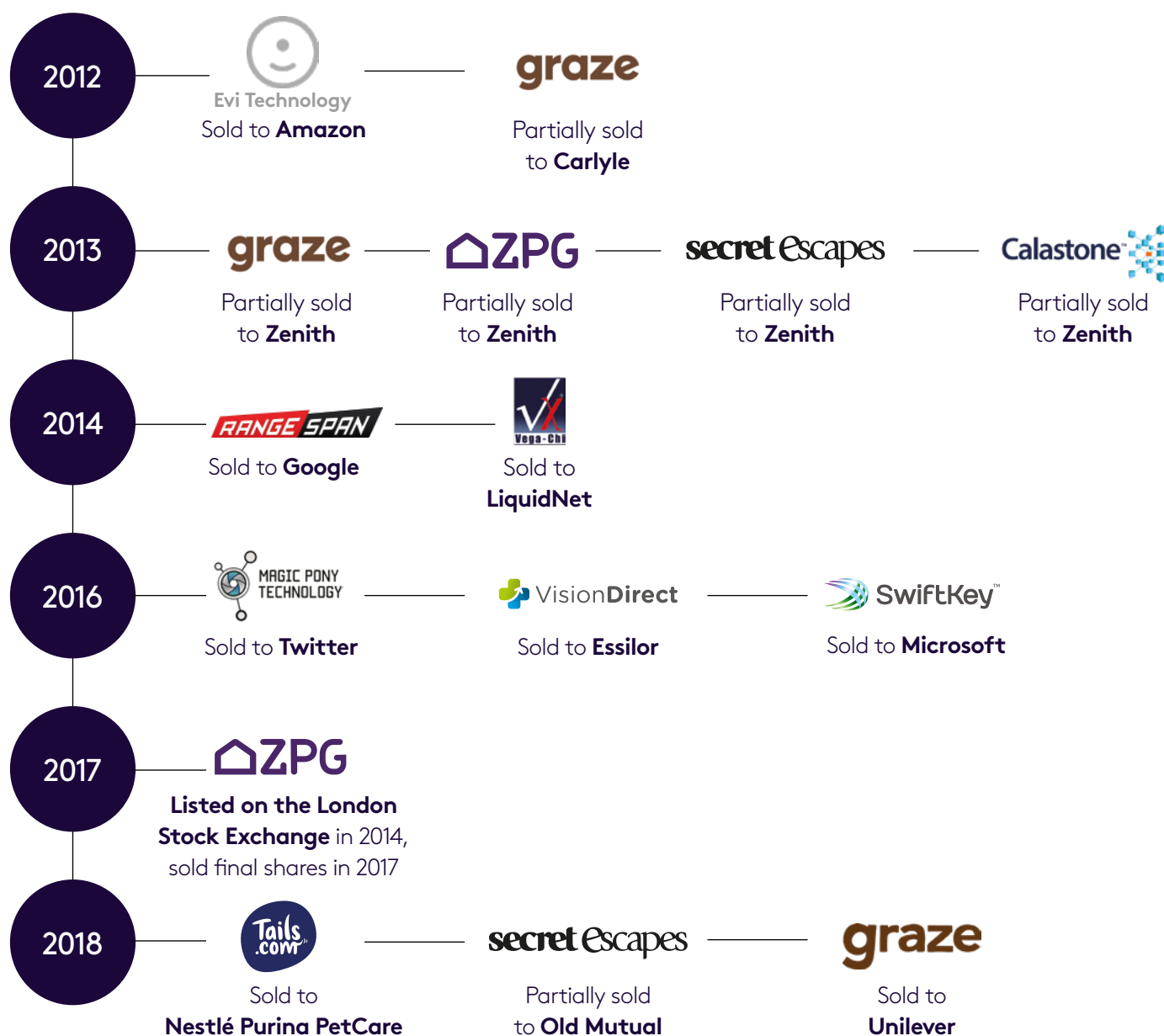
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**WaveOptics designs and manufactures the see-through displays which are an integral part of wearable AR devices.**

<sup>1</sup>Digi-Capital AR/VR Analytics Platform and Augmented/Virtual Reality Report, May 2019

# Exit history

As well as backing the right businesses, it's essential we're able to sell our stake when the time comes, so we can realise returns for our investors. Here are some examples of successful exits from the portfolio.



This is not an exhaustive history of exits.

Investing in small, VCT-qualifying companies is high risk and many will go on to fail. Company examples are for illustrative purposes only. They should not be considered as an investment recommendation. For more information on the key risks, please see **page 24**.

# Backing Britain's brightest businesses

Octopus Ventures looks for companies with talented entrepreneurs and management teams, world-changing ideas and enormous market opportunities.

We're always looking for businesses which we think could make a return of ten times our initial investment, including companies with the potential to be worth billions of pounds in the future. Here are some examples of businesses that we think can grow strongly over the coming years:

## secret Escapes

Secret Escapes is a free-to-join members-only travel website, which offers luxury hotel stays and holidays at up to 60% off by selling hotel rooms that would otherwise lie empty.

## WaveOptics

WaveOptics designs and manufactures 'waveguides', the see-through displays for augmented reality wearable devices, which overlay the real world with computer-generated images.

## BOUGHT BYMANY

Bought By Many is a free, members-only service that helps users find insurance for the things they care about, from pets or gadgets to travel, health and home insurance.

## CAZOO

Cazoo's aim is to deliver the best selection, value and experience for used car buyers, giving them a no-pressure environment where they can buy and finance a used car entirely online.

## depop

Depop is the social marketplace where people buy, sell and discover unique fashion. Users can open their own Depop shop and sell items via their phone by taking a photo or video.

It's worth remembering that Octopus Titan VCT invests in smaller unlisted companies, and puts your capital at risk. The value of an investment, and any income from it, can fall as well as rise and you may not get back the full amount that you invested.

**Note:** Any company examples are for illustrative purposes only. They should not be considered as an investment recommendation. Forecast performance is not a reliable indicator of future results.

# Performance record

Launched over a decade ago, Octopus Titan VCT now features a number of established companies, such as Secret Escapes, Amplience and Bought By Many, along with its more recent investments into early stage businesses.

## Dividend history

Octopus Titan VCT targets high levels of capital growth from a portfolio of early stage UK companies. However, like most VCTs, rather than increasing the value of its shares, it aims to return this investment performance back to shareholders in the form of tax-free dividends. The potential for paying tax-free dividends to investors is one of the main benefits of VCTs, although it is not guaranteed.

### Targeting a 5p annual dividend

Octopus Titan VCT aims to pay regular tax-free dividends of at least 5p per share annually. If portfolio companies are realised for a significant profit, there may also be the potential for the payment of a special dividend. Since its launch in 2007, Titan has paid total cumulative dividends of 74p per share to investors (as at 30 April 2019). While profits are usually paid out to investors as tax-free dividends, if the shares do rise in value, there's also no capital gains tax to pay when you eventually choose to sell them.

## Calculating performance

### The annual total return

The performance information on the next page shows the total return of Octopus Titan VCT for the last five years to 30 April, the VCT's interim accounting period. The annual total return for Octopus Titan VCT is calculated from the movement in NAV over the year to 30 April, with any dividends paid over that year then added back. The revised figure is divided by the NAV at the start of that year to get the annual total return.

### Total value

Total value shows the sum of the NAV per share in pence and cumulative dividends per share in pence since inception for the last five years to 30 April.

### Net Asset Value (NAV)

Just to remind you, the NAV is the combined value of all the assets owned by the VCT after deducting the value of its liabilities. The performance shown is net of all ongoing fees and costs (shown on **page 26**).

### Annual dividend yield

The annual dividend yield is calculated by dividing the dividends paid per annum by the NAV at the start of the period.

## Octopus Titan VCT in numbers

**£825m<sup>1</sup>**

funds under management

**75+<sup>1</sup>**

portfolio companies

**45%<sup>2</sup>**

annual revenue growth of the portfolio companies

**56%<sup>2</sup>**

revenue growth of the top ten holdings

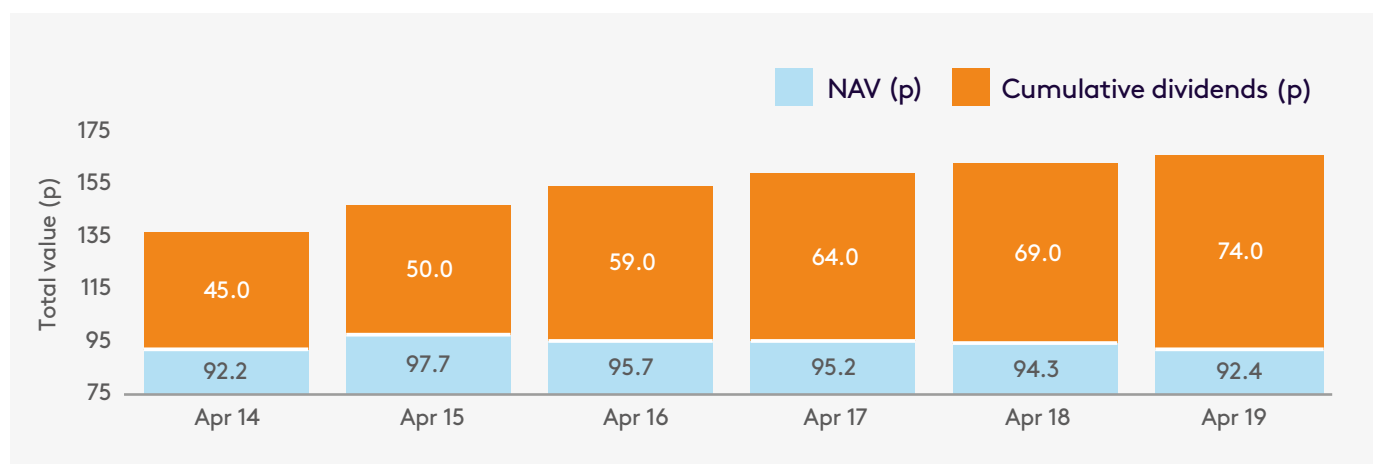
**700+<sup>2</sup>**

jobs were created by portfolio companies last year

## Five-year performance

Year to 30 April	2015	2016	2017	2018	2019
Annual total return	11.4%	7.2%	4.7%	4.3%	3.3%
Annual dividend yield	5.4%	9.2%	5.2%	5.3%	5.3%
Total value per share	147.7p	154.7p	159.2p	163.3p	166.4p

## Total value growth



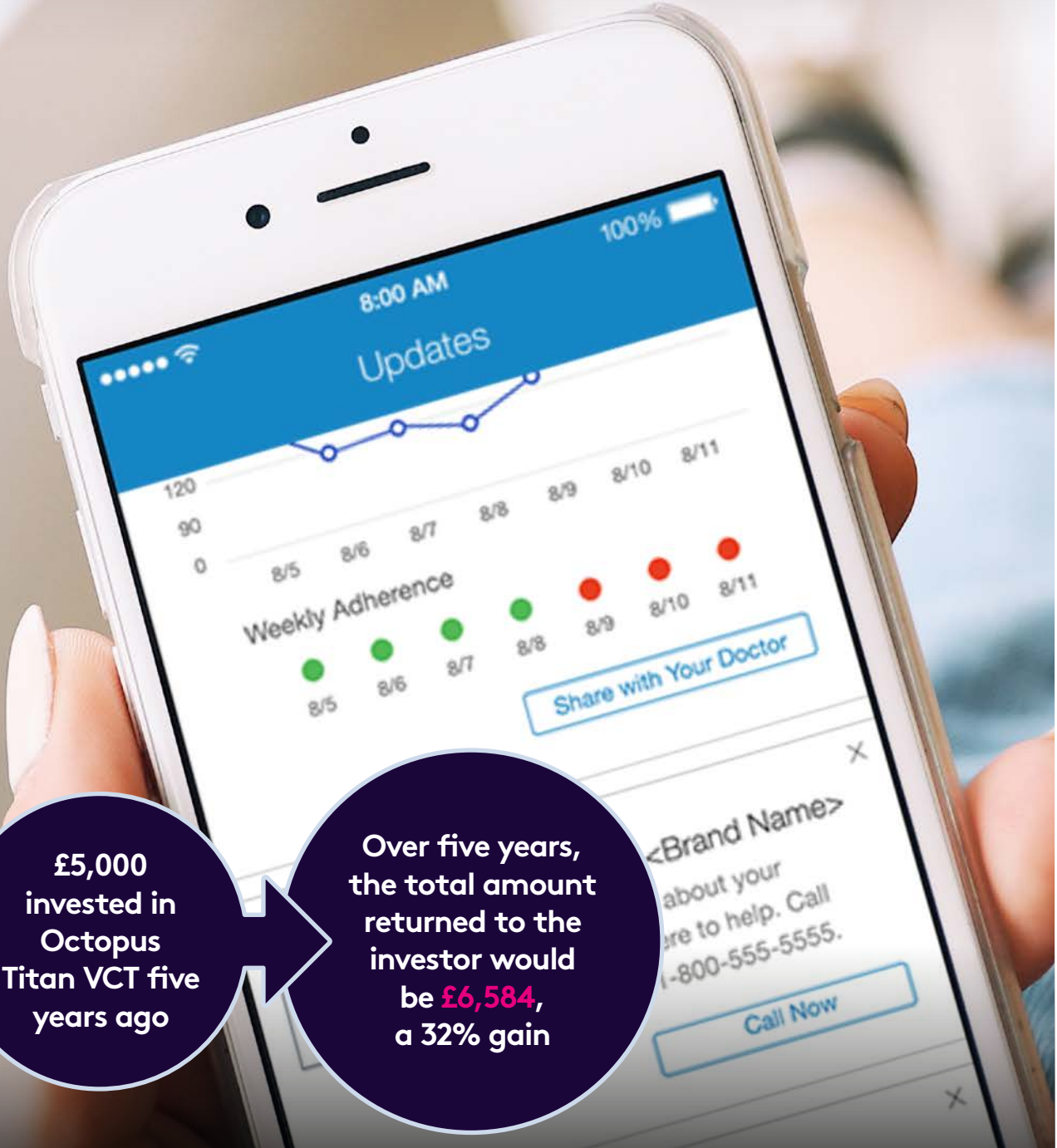
**Past performance is not a reliable indicator of future results and may not be repeated.**

Please note, the NAV per share may be higher than the share price, which is the price you may get for shares on the secondary market.

<sup>1</sup>Octopus Investments, 30 June 2019

<sup>2</sup>Octopus Ventures, comparison of 2018 calendar year vs. 2017

Medisafe helps patients stay on top of their medication regime while keeping them connected to their family doctors. Octopus Titan VCT first invested in Medisafe in February 2017.



£5,000 invested in Octopus Titan VCT five years ago

Over five years, the total amount returned to the investor would be **£6,584**, a 32% gain

This illustration assumes upfront fees have already been taken from the value of the initial investment and that the investment on 30 April 2014 was held for five years to 30 April 2019 – the VCT’s latest interim accounting period. The cumulative total return shown above takes into account all ongoing fees and costs relating to Octopus Titan VCT and is inclusive of any dividends paid out. It does not include any upfront income tax relief claimed by the investor. Please see page 19 for five-year performance table.

# New share offer

Octopus Titan VCT is open for investment through a new share offer of up to £120 million. This money will be used to make further investments into established and developing portfolio companies, as well as selectively funding investments into new companies.

## Reasons to invest

Octopus Titan VCT features an existing portfolio of around 75 companies. It looks to invest in exciting early stage companies and then sell the holdings in these companies, aiming to realise a significant profit. We invest modestly at the start, and then look to commit more money as we see these companies grow. When the time is right, we look to sell our stakes in these companies and usually return any profits to investors in the form of tax-free dividends.

## Applying for shares

Before making an application, it's important that you read the Octopus Titan VCT prospectus and Key Information Document (KID), available at [octopusinvestments.com/titan](https://octopusinvestments.com/titan). As with any investment, there are risks to consider before you decide to invest. Please read about the key risks on **page 24** and in the prospectus. We always recommend you talk to a professional financial adviser about whether this investment is right for you. If you decide to invest, the fastest way to invest is to fill in an online application at [apply.octopusinvestments.com](https://apply.octopusinvestments.com). We'll write to confirm we've received your application, and we'll let you know if we need any further information.

## Reinvesting VCT dividends

Octopus Titan VCT gives you the option to reinvest any dividends you are entitled to receive, using the proceeds to purchase more VCT shares. This could increase your shareholding, enabling you to get further income tax relief on the additional shares allotted. To reinvest your dividends, please complete the relevant section on the application form. You can also ask us to do this at any point after investing with us and, of course, you can change your mind at any time. Please be aware that reinvested dividends would form part of your £200,000 annual VCT investment limit.

## Claiming income tax relief after selling VCT shares

HM Revenue & Customs (HMRC) places restrictions on buying and selling VCT shares in the same VCT within a six-month period. This means that if you have recently sold shares in Octopus Titan VCT, you will need to wait six months from the date of sale before investing again in order to benefit from the 30% upfront income tax relief available.



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"At Octopus, we're passionate about supporting the UK's entrepreneurs and small businesses. We are delighted to launch this new share offer, enabling Octopus Titan VCT to continue to support its entrepreneurs on their journey to build the big businesses of tomorrow." **Paul Latham, Managing Director, Octopus Investments**

# CHRONEXT

Chronext is an online marketplace for new and used watches, with a wide selection of luxury timepieces. Octopus Titan VCT first invested in Chronext in 2016.





# The life cycle of your VCT investment

This section tells you what to expect from your investment over the course of its life.

## Your investment journey

### 1 Making your initial investment

After you've read the prospectus and Key Information Document (KID) – available at [octopusinvestments.com/titan](https://www.octopusinvestments.com/titan) – you can complete an application form by applying online. We'll let you know when we've processed it and if we need any more information from you.

### 2 Issuing your shares

Once we've received your funds, we will allot your VCT shares at the next available date. These dates are usually listed on our website. This process can typically take a few months. Once your shares are allotted, you can check the value of your shares whenever you like using our Octopus online service.

### 3 Your share and income tax certificates

You will receive share and income tax certificates usually within 21 working days of your shares being allotted. In addition we'll also provide you with a guide to claiming tax relief. Please note, if you lose your share or tax certificate there is likely to be a cost to replace them.

### 4 Keeping you updated

We'll send you annual and half-yearly reports which include updates from the Chairman of the VCT and Octopus Investments, the VCT manager. As a shareholder we'll also write to you giving you the option to vote on resolutions and proposals (e.g. new fundraises) from the VCT's Board.

### 5 Receiving dividends

When our VCTs pay dividends to you, you can choose to have the dividend paid directly into your bank account or re-invested into the VCT. If you choose the latter you will then receive an additional share and income tax certificate which will allow you to claim additional income tax relief from HMRC.

## Selling your VCT shares

### Sell your shares on the secondary market

VCT share prices are quoted on the London Stock Exchange, so you can buy or sell shares at any time through a stockbroker or a share dealing account. Usually the market price is less than the underlying NAV of the shares. It's worth noting that since previously owned VCT shares do not qualify for the 30% upfront income tax relief, the number of buyers of second-hand VCT shares is, in practice, limited. As a result, selling shares directly into the market can produce a poor result.

### Sell your shares back to the VCT

Because natural demand for VCT shares on the secondary market is limited, Octopus Titan VCT offers a share buyback facility for investors, provided there are funds available. This facility allows existing Octopus Titan VCT investors to sell their shares back to the VCT at a small discount to the NAV. The current policy agreed by the Board is to buy shares back at a 5% discount to the NAV. Share buybacks are conducted at the Board's discretion, and therefore there can be no guarantees that shares will always be sold on request. It's worth noting, however, that Octopus Titan VCT has a strong record of buying back shares from investors.

Due to regulations governing public companies, there can be specific times of the year when a buyback is restricted – for example, when the VCT is preparing its annual and half-yearly reports and accounts.

If you'd like more information please give us a call on **0800 316 2295** and we'll send you a copy of our guide to selling your VCT shares.

**Please remember**, VCT shares should be held for a minimum of five years in order to retain the 30% upfront income tax relief.

# Understanding the key risks

We want to make sure you understand the key risks associated with this investment before making a decision. If you have any questions about the key risks mentioned here, we recommend you talk to a professional financial adviser.

Any decision to invest in Octopus Titan VCT should be made on the basis of information contained in the prospectus and Key Information Document (KID). This is available at [octopusinvestments.com/titan](https://octopusinvestments.com/titan).

## Your capital is at risk and you could lose money

The value of an investment, and any income from it, can fall as well as rise and you may not get back the full amount that you invested.

## Investments in smaller companies can be volatile

Octopus Titan VCT invests in smaller companies that are not listed on the main market of the London Stock Exchange. Investments in smaller companies can fall or rise in value much more sharply than shares in larger, more established companies. They also have a higher rate of failure.

## This is a long-term investment

You should be prepared to hold your shares for a minimum of five years. If you decide to sell your shares before then, you will be required to repay to HMRC any upfront income tax relief you've claimed.

## Past performance is no guide to the future

The past performance of Octopus Titan VCT is not a reliable indicator of future results. Nor should you rely on any forecasts made about future returns.

## The VCT's qualifying status could end

There is no guarantee that Octopus Titan VCT will maintain its VCT status. If a VCT loses its qualifying status, tax advantages will be withdrawn from that point. Additionally, if a VCT loses its status within five years of your initial investment, you will be asked to repay any upfront income tax relief that you have already claimed.

## Tax rules can change

The VCT tax benefits we've described in this brochure are correct at the time of going to print. However, rates of tax, tax benefits and tax allowances do change. In addition, the tax benefits available to you through this investment depend on your own personal circumstances.

To ensure that VCT money continues to support government policy objectives, HM Treasury can also change the definition of a VCT-qualifying investment in the future. This could impact the nature of new investments a VCT can make over time.

## Your shares may be difficult to sell

There isn't an active market for VCT shares in the way there is for most other listed company's shares. This means that if you decide to sell your VCT shares, it may take time to find a buyer, or you may have to accept a price lower than the NAV of the investment.



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"Our goal is to be totally transparent with our investors and their advisers. We want them to understand how our products work, how their money is being invested, and what the key investment risks are, before they reach any decision." **John Averill, Head of Compliance and Risk, Octopus Investments**

# Conflicts of interest

We've built strong relationships with many of the companies in which we invest, and sometimes this can present 'conflicts of interest,' as we explain below.

With these relationships, there's a chance that the interests of one group of investors will be at odds, or present a conflict, with the interests of another group or with the interests of Octopus Investments. We aim to make sure that the interests of our customers are always looked after. Conflicts of interest are sometimes unavoidable. In the first instance, we look to prevent them but if we can't we'll take action to manage, or mitigate, any effects.

For more information on some of the main conflicts, please see below, and refer to the Octopus Conflicts of Interest policy, which is available in the document library at [octopusinvestments.com](https://www.octopusinvestments.com).

## Investing alongside other Octopus funds

Octopus Ventures has previously invested funds from Octopus Titan VCT alongside other Octopus managed products or services and sometimes even alongside Octopus itself. This is not the case on new companies going forward. In addition, funds from Octopus Titan VCT may be invested in other Octopus products.

## The role of Octopus employees

We often place an Octopus employee on the Board of the companies we invest in. This means we are able to closely monitor the investment we've made on behalf of Octopus Titan VCT investors. However, this also means that, as company directors, those employees have obligations to all shareholders of the company, and not just Octopus investors.

## When could conflicts of interest be harmful to investors?

We have agreed policies and processes to make sure that conflicts of interests between different investor groups are managed fairly. For example, when investments are sold, they may be held by a number of different investor groups across Octopus, so investors may be restricted in the timing of an exit and their interests not fully aligned.

## Fees from portfolio companies

Octopus used to receive fees from the companies that Octopus Titan VCT invested into (for example, when making or selling our investment in a company, as well as for appointing a representative to the Board of Directors). This is no longer the case and any new fees received go to Octopus Titan VCT.

The costs of all deals that do not proceed to completion are typically borne by either the company seeking funding or by Octopus Investments, not by Octopus Titan VCT.

## Managing conflicts

We have a number of controls in place to manage any conflicts of interest where we cannot prevent them.

These include:

- Octopus Ventures Investment Committee makes sure investment decisions are in the best interests of investors, including how potential conflicts of interest are managed when they cannot be avoided as well as being responsible for the allocation policy.
- In cases where there are a large number of conflicts of interest or they are particularly significant, proposals are reviewed by the Conflicts Committee, which is responsible for ensuring conflicts are handled appropriately, and is independent of Octopus Ventures and Octopus Titan VCT.
- As Octopus Titan VCT is a public-listed company, it has its own Board of Directors, which is required to act independently and represent shareholders' best interests at all times, and who are ultimately responsible for ensuring the investment objectives and policy of Octopus Titan VCT are carried out.

# The charges

Our charges are taken from the money you invest, so you don't have to send any additional payment for the services we provide. If there's anything about our charges that you don't understand, call us on 0800 316 2295 and we'll be happy to talk them through.

## Four ways to invest in Octopus Titan VCT

- 1 Through a financial adviser who charges a one-off fee on investments:** You can ask for the one-off fee of the investment advice you receive to be paid on your behalf through the VCT.
- 2 Through a financial adviser who may also charge ongoing fees:** You can choose to pay your financial adviser a smaller initial fee and ongoing fees for as long as you hold the investment. Both of these fees can be paid on your behalf through the VCT.
- 3 Through an 'execution-only' intermediary:** They won't offer financial advice, but they will arrange the purchase of VCT shares for you. They may charge you a commission for this service.
- 4 Make a direct application yourself:** Although we are happy to arrange this, we always recommend you talk to a financial adviser before deciding to invest.

		Advised (initial only)	Advised (initial and ongoing)	Execution-only	Direct investor
<b>Upfront charges</b>	Initial fee (to Octopus)	3%	3%	3%	5.5%
	Adviser charges	up to 4.5%	up to 2.5%	–	–
	Commission (to execution-only intermediary)	–	–	2.5%	–
<b>Ongoing annual charges</b>	Annual management charges (to Octopus) <sup>1</sup>	up to 2%	up to 2%	up to 2%	up to 2%
	Adviser charges <sup>2</sup>	–	up to 0.5%	–	–
	Commission (to execution-only intermediary) <sup>2</sup>	–	–	0.5%	–
	Direct application ongoing charge (to Octopus) <sup>2</sup>	–	–	–	0.5%
	Admin and accounting charge (to Octopus) <sup>4</sup>	up to 0.3%	up to 0.3%	up to 0.3%	up to 0.3%
<b>Performance fees<sup>3</sup></b>		20%	20%	20%	20%

<sup>1</sup>This fee can be up to 2%. A cash buffer of 10% of the fund value will be charged the full 2%. For any cash above this the fee will match the return on cash (subject to a 0% minimum and 2% maximum). Please see prospectus for more information.

<sup>2</sup>Ongoing adviser charges, direct charges or commission are paid for a maximum of seven years after the investment date. If you choose to pay your adviser less than the maximum amount shown in the table, Octopus Titan VCT will use the money left over to buy more VCT shares for you. Similarly, if your execution-only intermediary chooses not to take any upfront commission, this amount will instead be used to buy additional VCT shares for you.

<sup>3</sup>We want our investments to do what we say they will. When the performance of the companies we invest in exceeds expectations, we think it's fair to take a performance fee of 20% on all future gains. In order to do so the NAV plus cumulative dividends of Octopus Titan VCT at the year end (31 December) must exceed the previous highest NAV plus cumulative dividends (net of performance fee already taken). In this case Octopus will charge a 20% performance fee on the excess. For full details on the performance fee and other fees please see the prospectus and KID. Both documents are available on our website, octopusinvestments.com/titan.

<sup>4</sup> Please see page 49 of prospectus for more information.

The minimum investment is £3,000.

# How to invest

## If you have a financial adviser

They can help you to complete your application form. If your adviser has any questions, they can call us on **0800 316 2067** or visit **octopusinvestments.com**.

## If you are investing directly

If you have any questions, you can call our Investor Support team on **0800 316 2295**. Please remember that we can't offer investment or tax advice, but we'll be happy to talk you through the application process and help you with anything else we can.

## Apply online

The fastest way to invest is to fill in an online application. Go to **apply.octopusinvestments.com** to get started. If you'd like to apply via the paper application form please call us on **0800 316 2295** to request one and we'll have it posted to you.

## What if you change your mind?

Please let us know as soon as possible. You can't cancel your investment, but if you contact us before your shares have been allotted, we will do our best to return your money to you.

After your shares have been allotted, you own shares in the VCT itself and you will need to sell the shares instead. See **page 23** for details of how to sell your shares.



## Giving us feedback

Outstanding customer service is at the heart of everything we do. But that doesn't mean we get it right every time. If you're not happy with the service we give you, we'll listen to your complaint and confirm it in writing, as well as outlining how we plan to resolve it.

Our complaints procedures follow the rules set out by the Financial Conduct Authority, responsible for regulating investment companies like Octopus, and the Financial Ombudsman Service, which has been set up to resolve disputes between consumers and companies.

If you want to make a complaint, email **complaints@octopusinvestments.com**, call **0800 316 2295** or write to us at: **Octopus Investments Limited, 33 Holborn, London EC1N 2HT**.

If we are unable to settle a complaint, it may be referred to the Financial Ombudsman Service. You can contact them at Exchange Tower, London E14 9SR. Further information on the service can be found at **financial-ombudsman.org.uk**.



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