



Embracing growth in emerging UK companies

Octopus AIM VCT and Octopus AIM VCT 2
August 2020

octopusinvestments

A brighter way

Key investment risks

For UK investors only

- Octopus AIM VCT and Octopus AIM VCT 2 are investments that place your money at risk. This means the value of an investment into the VCTs, and any income from it, can fall as well as rise and you may not get back the full amount invested.
- Venture Capital Trust (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 AIM VCT and Octopus AIM VCT 2, see **page 14**.

It is important that you read and fully understand the key risks involved before deciding whether these investments are right for you. To help, we have a dedicated section detailing the key risks on **page 20**.

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 Documents (KIDs) available at octopusinvestments.com.

You can also request print copies by calling our Investor Relations Team on **0800 316 2295** or by sending an email to **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 July 2020, unless otherwise stated.

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The Octopus AIM VCTs are a tax-efficient way to invest in established portfolios of AIM-listed, smaller companies with strong growth potential. This new share offer will help fund selective new investments.

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About Octopus

We invest in the sectors we know inside out. And we've built investments that make a real difference to your financial planning.



Renewable energy

We're the largest solar investor in Europe. We also invest in landfill gas sites, wind farms and biomass plants.



Smaller companies

We turn small businesses into big ones, driving the economy and creating jobs.



Healthcare

We help build state-of-the-art care homes and retirement communities.



Property

We provide award-winning finance for property investment and development.

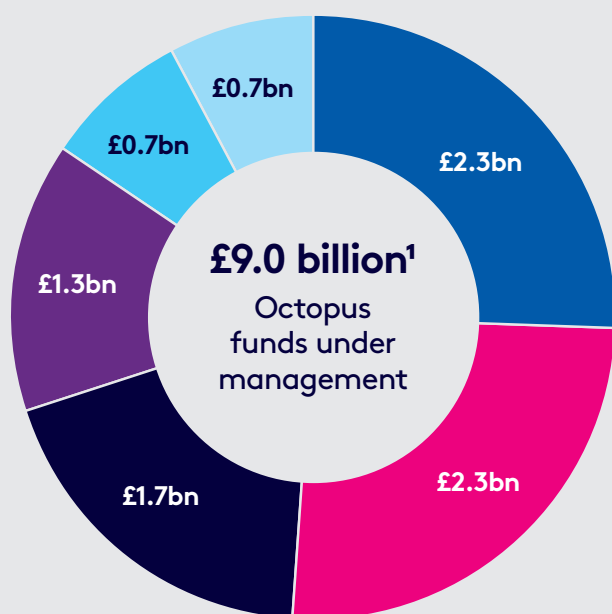


Seen us before?

You may be wondering 'Is this the same Octopus?' Octopus Energy is part of the Octopus family, and the UK's only Which? Recommended energy provider three years running.

A trusted fund manager

We look after substantial assets on behalf of investors and large institutions.



- Renewable energy
- Real Estate
- Quoted Smaller Companies
- Ventures
- Multi-manager
- Development Capital & other

¹Octopus, 30 June 2020. Funds under management data includes funds under advisory mandates, funds monitored and the Octopus Cash service.

20 years of Octopus

We launched Octopus in 2000, wanting to create an investment company that put its customers first. We looked at what didn't work well, and found ways to do things differently.

Along the way, we've become the largest manager of venture capital trusts and investments that qualify for relief from inheritance tax. And we're still looking for new ways to improve people's financial lives. Today we have more than 750 employees and manage £9.0 billion on behalf of tens of thousands of investors.



Have a question?

We've done our best to avoid small print and unhelpful jargon in this brochure, but we do have to include some detailed information. Your financial adviser should be able to answer any questions you might have. But we're always happy to hear from you too.

We're ready for your call

We can't give you financial or tax advice, but we can answer questions about us and our investments. You can call us on **0800 316 2295** or email investorsupport@octopusinvestments.com.

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, AstraZeneca 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.

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.¹ 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 provide investors some compensation for the risk they take with their money. For more information on the key risks, please see page 20.

£619m was invested into VCTs in the 2019/20 tax year, the fourth highest amount, despite the impact of COVID-19.¹

¹Source: The Association of Investment Companies, April 2020.

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, 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 and unlisted 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 20](#).

The AIM opportunity

The junior market of the London Stock Exchange is home to hundreds of outstanding and exciting smaller companies. This makes AIM a market of great opportunity, where investment expertise can bring potential to life for investors.

Since its introduction in 1995, AIM has helped thousands of companies to raise growth capital. Its companies trade in more than 70 countries and operate across 57 different sectors.¹ It is currently home to over 830 companies, with a combined worth of more than £90 billion.¹

As well as being a good place for smaller companies to gain access to funding to help them grow, AIM remains one of the best places for growing businesses to take their first steps to becoming public companies. It's also worth noting that, over the years, AIM companies have made a significant contribution to the UK economy in terms of job creation, with more than 430,000 jobs directly supported.² Tax revenue and gross domestic product growth have also benefited from AIM companies. What is often overlooked within AIM is the diversity of companies and sectors that exist on the market. This means that having the ability to spot growth potential at an early stage can create the opportunity for significant returns.

Accessing AIM through a VCT

For those comfortable with the risks of investing in smaller companies, getting exposure to these companies via a VCT can prove attractive. As well as the long-term potential growth of smaller companies, the tax benefits associated with a VCT can enhance the position for investors further. In addition, a larger and more diversified portfolio of companies can provide a higher level of confidence that if one company fails, the performance of the other holdings can compensate.

Please be aware that the value of an investment in a VCT, and any income from it, can fall or rise. Investors may not get back the full amount they invest. The ability of claiming tax reliefs available depends on the investors' own circumstances and may change in the future. Tax reliefs also depend on the VCT maintaining its qualifying status.

Reasons to consider AIM

High-growth companies

While AIM is the home of smaller UK companies, you might be surprised by how much some of these companies can grow.

Diversification

AIM features a number of younger, dynamic businesses that operate in a diverse range of sectors. Many of these companies are providing solutions to modern-day problems in areas such as technology, healthcare and the environment.

Transparency

AIM-listed companies must meet certain regulatory and governance requirements, ensuring higher levels of reporting than companies that are not listed on any stock exchange.

¹Source: London Stock Exchange Group, AIM statistics, July 2020. ²Source: Grant Thornton, Economic impact of AIM, June 2020.

Octopus AIM VCTs

Octopus manages two AIM VCTs. Each offers a tax-efficient way to invest in diverse portfolios of emerging and established companies judged to have strong growth potential.

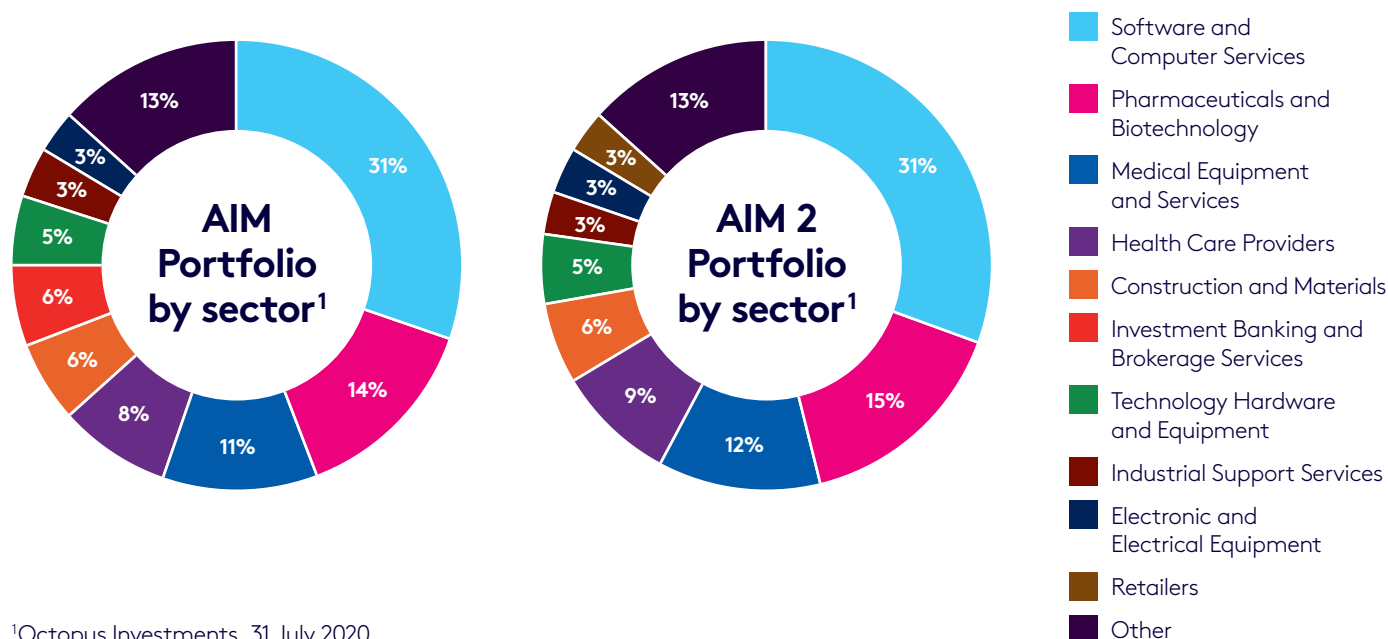
The Octopus AIM VCTs

Octopus AIM VCT was launched in 1997 and Octopus AIM VCT 2 in 2005. Both VCTs have been making investments alongside each other, in proportion to the size of each VCT, since 2010. Each benefits from holding a broad spectrum of VCT-qualifying UK smaller companies.

Although new investments remain small enough to qualify for VCT funding, the established nature of the Octopus AIM VCTs means that they feature a large number of maturing AIM-listed businesses. This means investors can instantly benefit from owning established portfolios of around 80 AIM-listed companies, many of which we believe will continue to deliver sales growth and generate profits.

For those willing to accept the key risks of investing in small VCT-qualifying AIM-listed companies, the Octopus AIM VCTs can offer an easy way to access this part of the market. They offer instant diversification through a broad portfolio of around 80 companies across a diverse range of sectors, from building materials and pharmaceuticals to software development. For more information on the key risks, please see [page 20](#).

	Number of holdings ¹	Fund size ¹	Dividend policy
Octopus AIM VCT	81	£126 million	Targets a tax-free dividend of 5p annually or 5% of share price, whichever is greater.
Octopus AIM VCT 2	79	£87 million	Targets a tax-free dividend of 3.6p annually or 5% of share price, whichever is greater.



¹Octopus Investments, 31 July 2020.

The Octopus Quoted Smaller Companies team

Not every company listed on AIM will end up being successful or profitable. That's why our AIM portfolios are managed by an experienced team of AIM specialists with a proven track record.

The Octopus Quoted Smaller Companies team includes some of the most experienced AIM-focused fund managers in the market, with over 130 years of investment experience. Together, they look after £1.7bn.¹

The team makes investment decisions based on their considerable knowledge of the market and analysis of the companies themselves, including the company management track record, financial position, growth potential and long-term prospects.

Maintaining a portfolio of companies operating in diverse industries is fundamental to the team's approach to managing risk. They work extensively on AIM investments and have a great track record of uncovering value in smaller companies. In the past year, the team conducted more than 750 meetings with AIM companies to help identify the best investment opportunities.

Boards of Directors

Octopus AIM VCT and Octopus AIM VCT 2 each have an independent board of directors appointed to represent the interests of shareholders. The Directors have broad experience across both small and large, private and public companies. They operate in a non-executive capacity and are responsible for overseeing the investment strategy of the VCT. You can find full details of the Boards in the prospectus, available at octopusinvestments.com/aimvct.



Richard Power



Kate Tidbury



Mark Symington



Dominic Weller



Chris McVey



Edward Griffiths



Stephen Henderson



Charles Lucas



Jessica Sweeney

¹Octopus Investments, 30 June 2020.

A straightforward investment approach

The Octopus Quoted Smaller Companies team looks to invest in small businesses with significant growth potential. In order to achieve this, the team applies the following investment process:

1 Research

Compared with larger companies, smaller companies are lesser known and under-researched. Undertaking comprehensive research helps the team to uncover hidden gems with the opportunity for significant long-term returns.

2 Eligibility

When selecting potential portfolio companies to back, the team must consider which companies will be VCT qualifying. There is an extensive range of criteria to bear in mind, which HMRC regularly reviews to ensure that funds are being directed into the right kind of companies.

3 Portfolio diversity

Investments are spread across a wide range of industries as diverse as building materials, pharmaceuticals and software development. New investors will gain access to existing portfolios of around 80 AIM-listed companies.

4 Due diligence

Not all smaller companies will be successful. So, before making a decision to invest, the team investigates a broad range of factors including the company's business plan, its management, its growth rate, its profitability, its valuation relative to its peers and its overall financial strength.

5 Knowing when to sell

After investment, the team continues to monitor the progress of the companies it has chosen to invest in. Selling profitable investments can help the VCT achieve its aim of paying out regular tax-free dividends to investors.

It's worth bearing in mind that dividends are not guaranteed. For five year performance history, please see [page 14](#).

Octopus AIM VCTs in numbers

£416m

The average weighted market value of companies in Octopus AIM VCTs

70%+

The proportion of the portfolios by value invested in profitable companies

£213m

Combined funds under management of Octopus AIM VCT and Octopus AIM VCT 2

130+

Combined years of investment experience within our Quoted Smaller Companies team

750+

Average number of meetings with company management every year

40%+

The proportion of the portfolios by value invested in companies paying dividends

Embracing growth in emerging UK companies



GB Group: leading specialists in identity (ID) verification

Recognised as a global leader, GB Group is a technology specialist in fraud, location and identity data intelligence. Its software helps companies and governments to fight fraud and cybercrime, lower the cost of compliance and improve the experience for onboarding new customers in today's digital economy. GB Group has made acquisitions to gain an international presence and client list, and we expect this strategy to continue.



LTG: a group of businesses who provide innovative learning technology solutions

LTG's businesses are at the forefront of innovation and best practice in the learning technology sector, and have received numerous awards for their exceptional performance. Through its portfolio of brands, LTG offers workplace digital learning and talent management to large organisations. The company benefited from a series of material acquisitions and now employs over 800 people in over 20 locations across the UK, Europe, the United States, Asia-Pacific and South America.



Ergomed: helping to develop treatments for some of the world's rarest diseases

Ergomed provides highly specialised services to the pharmaceutical industry, operating in over 100 countries. Its services span all phases of clinical trials, post-approval pharmacovigilance and medical information. The company focuses particularly on orphan drug trials, which are those intended to treat rare diseases and which qualify for government assistance.



Maxcyte: advancing cell-engineering for the biopharmaceutical industry

Maxcyte provides its patented, high-performance cell-engineering platform to biopharmaceutical partners engaged in drug discovery and development, biomanufacturing and cell therapy, including gene editing and immuno-oncology. The company's platform is used by drug researchers, developers and manufacturers to produce cells safely in large volume.

Note: Any company examples provided are for illustrative purposes only. They should not be considered as an investment recommendation.



Creo Medical: cutting-edge tech redefining the limits of minimally invasive surgery

Creo Medical has made it possible to perform precise surgery with an endoscope. The company's technology harnesses radiofrequency energy and microwave power, meaning its miniature endoscopic instruments can cut, coagulate and ablate soft tissue. These instruments can reduce recovery times and the risk of complications compared to open surgery. In some cases, it's even possible to diagnose and treat a patient in a single procedure.



Gear4music: selling musical instruments online

Gear4music is the largest UK-based online retailer of musical instruments and equipment. Established in 2003, the Group sells both own-brand and well-established musical manufacturers' products to customers in the UK, and since 2012, into Europe. While the company makes the majority of its sales in the UK – with a developing ecommerce platform with multilingual, multicurrency websites covering 19 countries – the Group has been continuing to build its presence overseas.



Breedon Group: supplying a wide range of materials to the construction industry

Breedon is the UK's largest independent construction materials group, operating around 80 quarries, 40 asphalt plants and 170 ready-mix concrete and mortar plants. The company benefited from a series of material acquisitions and now employs 3,000 people in the UK and Ireland. Breedon's strategy is to continue growing through consolidation of the UK's building materials sector.



Ilika plc: pioneering solid state battery technology for industrial and retail applications

Ilika was founded in 2004 as a spin-out from the School of Chemistry at the University of Southampton. The company has developed ground-breaking solid state battery technology able to meet the specific demands of a wide range of applications in medtech, industrial Internet of Things and electric vehicles. Ilika has an international reputation that has helped the business secure commercial partnerships with Shell, Toyota and other blue-chip companies.

Performance record

Both Octopus AIM VCTs have built a strong track record of paying a steady stream of tax-free dividends to investors.

Dividend policy

Octopus AIM VCT targets a tax-free dividend of 5p annually or 5% of share price, whichever is greater, and Octopus AIM VCT 2 targets a tax-free dividend of 3.6p annually or 5% of share price, whichever is greater. In addition, the VCTs can pay special dividends, although it's worth bearing in mind that dividends are not guaranteed.

As a reminder, Net Asset Value (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 22](#)).

Five-year performance

Year to 31 July	2016	2017	2018	2019	2020
Octopus AIM VCT NAV total return ¹	1.8%	19.9%	6.5%	-12.2%	3.6%
Octopus AIM VCT 2 NAV total return ¹	3.6%	18.7%	6.0%	-10.8%	3.6%
FTSE AIM All-Share total return ²	2.1%	32.1%	12.5%	-13.6%	-3.9%
FTSE All-Share total return ²	3.8%	14.9%	9.2%	1.3%	-17.8%
Octopus AIM VCT dividend yield ³	4.9%	5.7%	4.8%	4.7%	9.4% ⁴
Octopus AIM VCT 2 dividend yield ³	5.3%	5.4%	4.9%	4.9%	11.1% ⁴

¹ **NAV total return:** The performance table above shows the total return of the Octopus AIM VCTs over the last five years to 31 July. The annual total return is calculated from the movement in NAV over the year to 31 July, with any dividends paid over that year then added back. The revised figure is divided by the NAV at the start of the year to get the annual total return.

² **FTSE AIM and All Share total return:** Performance is shown alongside the total returns of the FTSE AIM and FTSE All Share indices, which are indicators of activity in the broader UK equity market (source: Lipper). Note that none of these indices are used as benchmarks for the Octopus AIM VCTs.

³ **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.

⁴ Includes special dividend paid following a number of partial and total sales of holdings from the portfolio.

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.

Top ten holdings

Octopus AIM VCT

	Percentage of net assets ¹	Date of first investment ¹	Market cap (£m) ²	2019 revenue (£m) ²	2019 profit before tax (£m) ²
GB Group plc	5.50%	03/11/2011	1,299.64	199.10	22.20
Learning Technologies Group plc	4.89%	13/06/2011	980.16	130.10	18.30
Breedon Group plc	4.31%	26/08/2010	1,288.62	929.60	99.00
Ergomed plc	3.89%	09/07/2014	270.82	68.26	7.70
Mattioli Woods plc	2.17%	15/11/2005	189.38	58.46	11.00
EKF Diagnostics Holdings plc	2.11%	01/07/2010	220.93	44.92	5.20
Brooks Macdonald Group plc	2.10%	03/03/2005	278.19	107.27	18.60
Ixico plc	2.01%	25/05/2018	32.26	7.56	0.40
Judges Scientific plc	1.96%	10/05/2012	313.77	82.50	13.90
Trackwise Designs plc	1.86%	27/07/2018	19.90	2.91	-0.10

Octopus AIM VCT 2

	Percentage of net assets ¹	Date of first investment ¹	Market cap (£m) ²	2019 revenue (£m) ²	2019 profit before tax (£m) ²
GB Group plc	5.32%	03/11/2011	1,299.64	199.10	22.20
Learning Technologies Group plc	4.72%	13/06/2011	980.16	130.10	18.30
Breedon Group plc	4.17%	26/08/2010	1,288.62	929.60	99.00
Ergomed plc	3.76%	09/07/2014	270.82	68.26	7.70
Craneware plc	2.84%	11/09/2007	431.91	59.04	15.40
EKF Diagnostics Holdings plc	2.44%	01/07/2010	220.93	44.92	5.20
IDOX plc	2.09%	08/05/2007	215.42	65.49	2.40
Ixico plc	1.95%	25/05/2018	32.26	7.56	0.40
Judges Scientific plc	1.89%	10/05/2012	313.77	82.50	13.90
Trackwise Designs plc	1.80%	27/07/2018	19.90	2.91	-0.10

¹Source: Octopus Investments, 31 July 2020. ²Source: Factset, Quest, 31 July 2020.



The Octopus AIM VCTs first invested in Breedon Group, a supplier of construction materials, in 2010.



New share offer

The Octopus AIM VCTs are open for investment through a new share offer of up to £20 million.

Choosing your investment

New investors have the option of buying shares in one or both of the Octopus AIM VCTs. They can split their investment 60/40 between Octopus AIM VCT and Octopus AIM VCT 2, or place 100% of their investment into either VCT. As the two VCTs pay dividends at different times of the year, investing in both VCTs offers the potential for investors to receive four dividend payments per year. Each VCT independently has the right to close at the Board's discretion. If either VCT closes you'll be invested into the open VCT.

Applying for shares

Before applying, it's important that you read the prospectus, which is available at [octopusinvestments.com/aimvct](https://www.octopusinvestments.com/aimvct). As with any investment, there are risks to consider before you decide to invest. Please read about these key risks on [page 20](#) 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://www.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

Both Octopus AIM VCTs give 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 shares in the same VCT within a six-month period. If you have recently sold shares in Octopus AIM VCT or Octopus AIM VCT 2, in order to benefit from the 30% upfront income tax relief available you will need to wait six months from the date of sale before investing in the same Octopus AIM VCT again.

“We expect to invest some of the proceeds of this new share offer in new companies exposed to attractive growth markets. We will also look to provide existing portfolio companies with further funding to help them achieve their growth ambitions.”

Kate Tidbury

AIM VCT Fund Manager



The Octopus AIM VCTs first invested in Gear4music, a retailer of musical instruments and equipment, in 2015.



The life cycle of your VCT investment

This section tells you what to expect from your investment over the course of its life, from making your application, the first five years and what to do if you decide to sell your shares.

Your investment journey

1 Making your initial investment

After you've read the prospectus and Key Information Documents (KIDs) – available at octopusinvestments.com/aimvct – you'll need to complete the 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 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 that include updates from the Chairman of the VCT and Octopus Investments, the VCT manager. As you are 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 that 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, the Octopus AIM VCTs offer a share buyback facility for investors, provided there are funds available. This facility allows existing Octopus AIM VCTs investors to sell their shares back to the VCT at a small discount to the NAV. The current policy agreed by the Boards is to buy shares back at a 5% discount to the NAV. Share buybacks are conducted at the Boards' discretion, and therefore there can be no guarantees that shares will always be sold on request. It's worth noting, however, that the Octopus AIM VCTs have a strong record of buying back shares from investors.

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 the Octopus AIM VCTs should be made on the basis of information contained in the prospectus and Key Information Documents (KIDs). These are available at octopusinvestments.com/aimvct.

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

The Octopus AIM VCTs invest in smaller publicly traded companies that are listed on the Alternative Investment Market, a sub-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 the Octopus AIM VCTs 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 the Octopus AIM VCTs will maintain their 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 companies' 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.

“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

Octopus has built strong relationships with many of the companies in which we invest, and we sometimes use different sources of funding to invest in the same companies. This can present 'conflicts of interest', as explained 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. 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 resource centre at [octopusinvestments.com](https://www.octopusinvestments.com).

Investing alongside other Octopus funds

The Quoted Smaller Companies team will often invest funds from Octopus AIM VCT and Octopus AIM VCT 2 alongside and into other Octopus-managed products and sometimes even alongside Octopus itself. Through this co-investment, investors in the Octopus AIM VCTs can have access to deals that may not have been possible without being part of the larger deal with other Octopus investors. In addition, funds from Octopus AIM VCT and Octopus AIM VCT 2 may be invested in other Octopus products.

When could conflicts of interest be harmful to investors?

Sometimes we spot a good investment opportunity, but are unable to invest as much money as we'd like due to restraints such as the size of a company or the number of shares available. In these instances, the amounts being invested from different Octopus vehicles must be managed carefully. Similarly, when investments held by a number of different investors come to be sold, the interests of all parties may not be fully aligned.

We have agreed policies and processes to make sure that conflicts of interests between different investor groups are managed fairly.

Managing conflicts

Our goal is to make sure the interests of our customers are always looked after. So we have a number of controls in place to manage conflicts of interest. These include:

- Our Investment Committee makes sure investment decisions are in the best interests of investors, including how potential conflicts of interest are managed.
- In cases where there are a large number of conflicts of interest or they are particularly significant, proposals are reviewed by the Octopus Conflicts Committee, responsible for ensuring conflicts are handled appropriately.
- As the Octopus AIM VCTs are publicly listed companies, they both have their own Board of Directors, who are 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 the VCT is 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 AIM VCT and Octopus AIM VCT 2

- 1 Through a financial adviser who charges a one-off initial fee on investments:** You can ask for the one-off cost 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
Upfront charges	Initial fee (to Octopus)	3%	3%	3%	5.5%
	Adviser charges	up to 4.5%	up to 2.5%	–	–
	Commission (to execution-only intermediary)	–	–	up to 2.5%	–
Ongoing annual charges	Effective annual management charges (to Octopus) ¹	1.5%	1.5%	1.5%	1.5%
	Adviser charges ²	–	up to 0.5%	–	–
	Commission (to execution-only intermediary) ²	–	–	0.5%	–
	Direct application ongoing charge (to Octopus) ²	–	–	–	0.5%

¹Octopus charges an annual management charge of 2% per annum. However, Octopus reduces this by the amount of the maximum ongoing adviser charges, execution-only commission and direct application charges. This creates an 'effective rate' of 1.5% for the first nine years. ²Ongoing adviser charges, direct charges or commission can only be paid for a maximum of nine years after the investment date. After these charges stop the effective annual management charge paid to Octopus will revert to the full 2%. If you choose to pay your adviser less than the maximum amount shown in the table, Octopus AIM VCT and Octopus AIM VCT 2 will use the money left over to buy more 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.

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 Relations 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 19** 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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