

VCT Research Report

Octopus Titan VCT

octopusinvestments

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RISK FACTORS

VCTs are substantially higher risk than mainstream equities. They invest in smaller companies, which can be prone to failure. VCT shares are difficult to buy and sell – the market price may not reflect the value of the underlying investments. The value of the shares will fluctuate, income is not guaranteed and you could get back less than you invest. Tax and VCT rules can change and tax benefits depend on your circumstances. If a VCT loses its qualifying status investors may have to repay any tax rebate. The prospectus will give fuller details of the risks.

THEIR PLACE IN A PORTFOLIO

We feel VCTs should account for no more than 10% of an equity portfolio. They must be held for five years in order to retain the upfront tax relief, but a ten-year view would be better as dividends are the primary source of returns as the VCT portfolio matures. VCTs are only suitable for sophisticated long-term investors with significant portfolios. They are unlikely to be suitable for investors who may need access to their money in the short term, or for whom loss of the investment will cause hardship. We assume you will make your own assessment of your expertise and the suitability of a VCT for your circumstances. If you have any doubts you should seek expert advice.

This report or factsheet is not a substitute for reading the prospectus, and any decision to invest must be made purely on the basis of the prospectus.

10.16



Richard Troue
Head of Investment
Analysis

which have been in the portfolio a number of years.

We view this as a higher-octane VCT with the potential for strong gains, but with higher risks. Octopus has raised significant sums of money in recent years and while they are confident sufficient high-quality investment opportunities can be found, we would like to see more evidence they can successfully invest such large sums before becoming more positive.

WHO SHOULD CONSIDER GENERALIST VCTS

Generalist VCTs are relatively broad-based, usually investing in a range of unquoted companies across a wide variety of sectors. Some VCT managers target companies which are already established and profitable, while others have a bias towards very small businesses at an early stage of their development. Most aim to provide steady dividends to investors with the potential for higher payments if and when they sell successful investments. They also aim to maintain or steadily grow capital over the long term.

OFFER SUMMARY

Fund:	Octopus Titan VCT
Amount seeking:	£70 million
Minimum investment:	£3,000

OUR VIEW

The Octopus Titan VCT aims to invest in some of Britain's brightest young businesses at a very early stage of their development. Previous successes have included Zoopla, the property search portal; Secret Escapes, the luxury travel company; and SwiftKey, a technology company that was bought by Microsoft in February 2016. Investors in this offer will get access to new and exciting companies as well as more mature investments

Octopus Titan VCT

Investors should ensure they are comfortable with an individual VCT's approach and risks before investing. We believe building a portfolio of different VCTs is sensible as the diversification reduces risk.

PHILOSOPHY

To back talented people, regardless of the sector or type of business they operate. The Octopus Investments Ventures Team, which manages these VCTs, seeks entrepreneurs with an industry- changing product or service which can be commercialised to disrupt or change the entire industry and become a household name. Many companies in the portfolio are embracing technological innovations to a greater or lesser extent.

PORTFOLIO CONSTRUCTION

Backing companies at an early stage of their development offers the potential to benefit significantly as the product or service gains traction and starts to become a commercial success. This relies heavily on the quality of the people running the business, as well as their product, and businesses can easily fail at this stage in their life.

Businesses are likely to be unprofitable at the time of initial investment, but the team seeks those with high gross margins and the ability to grow revenues strongly. They also look for a large addressable market, so the business can generate significant revenue whilst only taking modest market share.

The team tends to invest small amounts initially with those that meet and exceed expectations candidates for further investments, as this is where the most successful investment could come from. The VCT currently provides exposure to around 50 companies across a diverse range of sectors.

COMPANY CASE STUDY

The team typically provides capital to young businesses in exchange for shares in the company. This means returns for their VCTs are likely to be driven by any rise in the value of their stake upon a full or partial sale of the business.

Stratajet – an online search and booking system for private jets. The team was attracted to the company for a number of reasons:-

- The private aviation industry in

Europe alone is worth \$5 billion in potential annual bookings, but it is highly inefficient. Almost half of all flights have no passengers on board because the planes are either being repositioned for future flights or returning home.

- Stratajet's search technology allows passengers to compare all aircraft and airport options available for their trip and book their private jet completely online. This should lead to reduced prices and allow private jet operators to compete with the more expensive business-class and first-class seats on commercial flights.

- The company is developing well, with up to 1.4 million quotes generated per day, up to a 60% price saving on some flights and 30% of its customers being new to private aviation.

ABOUT THE MANAGER

Octopus: Octopus has over £5.8 billion in assets under management. They run smaller companies funds, VCTs, and other tax-efficient investments across a range of strategies, including growth, income generation and capital preservation.

PERFORMANCE & DIVIDENDS

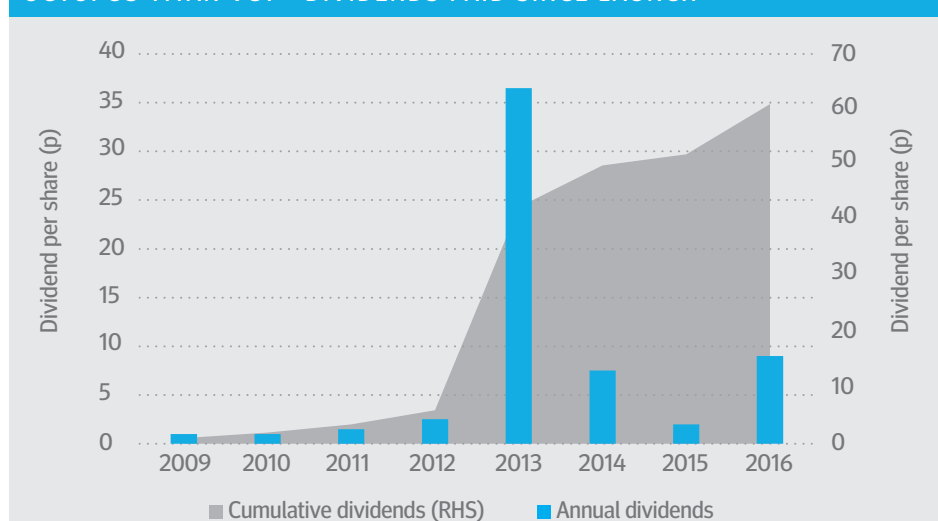
Latest Net Asset Value (NAV) per share	93.7p
Total dividends paid	61p
Total return (NAV + dividends)	154.7p
Dividend target	5p per share a year

Please remember past performance is not a guide to future returns.

Dividends can vary and are not guaranteed.

Source: Octopus as at 30 April 2016

OCTOPUS TITAN VCT - DIVIDENDS PAID SINCE LAUNCH



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Dividends can vary and are not guaranteed. Source: Octopus as at 30 April 2016

Octopus Titan VC

The Octopus Titan VCT aims to invest in some of Britain's brightest young businesses at a very early stage of their development. Previous successes have included Zoopla, the property search portal; Secret Escapes, the luxury travel company; and SwiftKey, a technology company that was bought by Microsoft in February 2016.



Team: The Octopus Ventures Team is headed by Alex Macpherson. Many of the team have previous experience in other industries, including running their own businesses, making them well-placed to advise and support the entrepreneurs they invest in. In addition, their network of 'Venture Partners' – which consists of successful entrepreneurs and business leaders, including ex-FTSE 100 chairmen and chief executives – co-invest alongside the VCTs and provide their expertise throughout the life of the investment.

Research: Management quality is important to the team and they will often back entrepreneurs they have worked with previously on their subsequent projects. The Ventures Team and Venture Partners work together in assessing company strengths and weaknesses, and they avoid any businesses they do not understand or where they cannot work well with the entrepreneur. The funding the team provides can be used to launch or develop the company's product or service; expand its customer base; or improve the businesses systems and processes, with the overall aim of taking a concept or idea and turning it into a commercial success.

CHARGES & FEES

The initial charge is 5.5%. Hargreaves Lansdown is offering a discount of 2.5%, which is available to all investors. Octopus is offering a further 1% discount as a 'loyalty bonus' to existing and previous investors in any Octopus VCT. For applications accepted before 13 December 2016 there will also be an 'early bird' discount of 1%. The following net initial charges therefore apply (please note discounts are paid as additional shares):-

	Before 13/12/2016	From 13/12/2016
Existing & previous Octopus investors	1%	2%
New investors	2%	3%

The annual management charge is made up of a 2% p.a. charge, and other expenses. This also includes a performance fee, which can increase overall charges significantly.

Full details can be found in the prospectus. Investors should ensure they are comfortable with the charging structure and risks before investing.

SHARE BUY BACK POLICY

The aim is to offer share buybacks at a discount to NAV of up to 5%. This is subject to certain conditions and the approval of the VCT's board.

HOW TO APPLY

To apply please read the prospectus for the offer and fill out the application form at the back.

The signed application and a cheque for the amount you wish to subscribe should be returned to Hargreaves Lansdown. The cheque should be made payable to the VCT, as indicated in the prospectus, but the application and cheque must be returned to Hargreaves Lansdown in order for you to benefit from our discount.

We will acknowledge your application and your share certificate and tax certificate will be sent once the shares have been allotted. Shares are allotted quarterly and allotment could take several months following the acceptance of your application. Shares will be issued according to the most recently announced NAV per share of the VCT, adjusted for the costs of the offer.

You can elect for dividends to be paid into your bank account, or participate in the VCT's dividend reinvestment scheme. Please see the relevant section of the prospectus and application form for further details.