

Embracing growth in emerging UK companies

Octopus AIM VCT and Octopus AIM VCT 2
June 2017



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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Important information

For UK investors only.

Octopus AIM VCT and Octopus AIM VCT 2 are investments that place your money at risk. This means you may not get back the full amount you put in. It is important that you read and fully understand the risks involved before deciding whether these investments are right for you. To help, we have a dedicated section outlining the key risks on page 18.

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 VCTs maintaining their VCT-qualifying status. Past performance is not a reliable indicator of future results. For five-year performance history, please see page 12.

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, available at octopusinvestments.com/aimvct.

You can also request print copies by calling our client relations team on 0800 316 2295 or by sending an email to clientrelations@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 May 2017, unless otherwise stated.

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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 500 employees and £6.7 billion 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.

Making a difference

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 start-ups grow to become household names, including Zoopla Property Group, graze.com and Secret Escapes.
- We currently have over £1 billion invested in companies listed on the Alternative Investment Market.
- Octopus Healthcare's managed GP surgery investment fund currently invests in facilities which care for more than one million people.

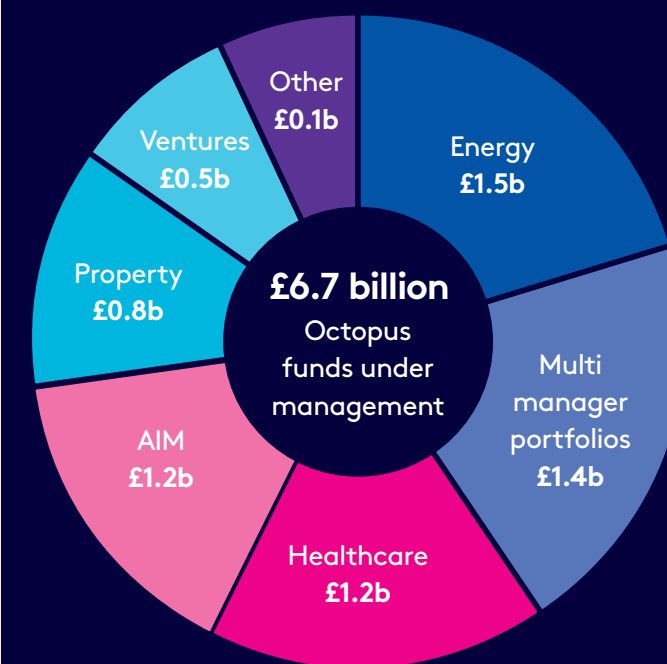
Five promises from Octopus

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 Client Relations 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, not profit**
Octopus is owned by the people who work here. We're not accountable to 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.

VCTs: a home-grown success story

The UK is one of the world's most successful markets for entrepreneurial small companies. But companies that start small usually need investment to help them grow and develop.

Recognising that investing in such companies typically involves taking more risk than investing in larger listed companies (for example, BP or Vodafone), the government introduced Venture Capital Trusts (VCTs) in 1995 as a way of encouraging investment into Britain's exciting, entrepreneurial businesses. In the two decades since they were introduced, VCTs have helped to create jobs, reward innovation and bolster the UK economy.

Embracing growth in emerging UK companies

The UK's small businesses are often hailed as the backbone of the British economy. However, many could be growing even faster with better access to funding. VCTs provide investors with the opportunity to support these small entrepreneurial companies and in return, benefit if they do well.

VCTs offer a number of tax benefits

As well as providing an easy way for investors to access these small companies, VCTs offer a number of useful tax reliefs. Investors can claim up to 30% upfront income tax relief, receive tax-free dividends and, when the time comes to sell the shares, investors don't have to pay capital gains tax if the shares have risen in value. However, it's important to understand that smaller companies can struggle, and many will not be successful. Therefore, the tax incentives are there to help compensate investors for the risk they take with their money. For more information on the risks, please see [page 18](#).

Octopus: the biggest name in VCTs

Having launched our first VCT in 2002, Octopus is now the UK's largest VCT provider¹. We currently manage more than £750 million of VCT money on behalf of over 26,000 investors. We think VCTs offer great investment potential, with some exciting tax benefits attached. However, 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, please call **0800 316 2295** or visit octopusinvestments.com. We're always happy to hear from you.



The Octopus AIM VCTs first invested in Gear4music in May 2015. Find out more on [page 11](#).

Reasons to consider a VCT

VCTs offer growth potential

VCTs invest in smaller, VCT-qualifying companies that are not listed on the main London Stock Exchange. Smaller companies have the potential to grow much faster than their larger listed counterparts. By offering investors access to an instantly diversified portfolio of smaller companies, established VCTs can offer an attractive way to gain exposure to this sector. However, investing in small, VCT-qualifying companies means VCTs are high-risk investments and you may not get back the full amount you invest.

VCTs help support British innovation

Investing in a VCT means you can feel confident that you are helping innovative smaller companies to create jobs, prosperity and economic growth.

VCTs can complement your other investment arrangements

While VCTs typically carry a higher risk profile, they can be a useful addition to your investment portfolio if you are looking to complement existing pension plans or other long-term investments, such as Individual Savings Accounts (ISAs). Recent changes to pension rules have placed further restrictions on the amount you can invest into a personal pension, both annually and over your lifetime. This means that VCTs could become a valuable part of retirement planning if your pension limits are at risk of being breached. As with any investment, please ensure that you are comfortable with the associated risks before making any investment decisions.

VCTs can help to generate additional income

The potential for tax-free dividends can enable an attractive, supplementary income, which could be useful, especially if you're approaching or in retirement.

VCTs offer tax incentives

When you invest in new VCT shares, you're entitled to a number of tax incentives on investments up to £200,000 each tax year. These include:

- **Income tax relief** – You can claim up to 30% upfront income tax relief on the amount you invest, provided you keep your VCT shares for at least five years. So if you invest £10,000 in a VCT, £3,000 can be taken off your income tax bill, although the amount of income tax you claim cannot exceed the amount of income tax due.
- **Tax-free capital gains** – If you decide to sell your VCT shares and you make a profit, the proceeds won't be liable for capital gains tax.
- **Tax-free dividends** – If your VCT pays dividends, there is no tax to pay and you won't need to declare them on your tax return.

It is important to note that you should never invest in a VCT solely for the tax benefits. Tax reliefs depend on the VCT maintaining its VCT-qualifying status, and the tax benefits available to you will depend on your own personal circumstances and can change.

Investors put £542 million into VCTs in the 2016/17 tax year, the largest amount in a decade.¹

¹Source: The Association of Investment Companies, April 2017.

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 raise development capital to help them grow. Its companies trade in more than 100 countries and operate across 40 different sectors.¹ It is currently home to over 960 companies, with a combined worth of more than £95 billion.²

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, tax revenue and gross domestic product growth. But 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. Be aware, however, that the value of an investment, and any income from it, can fall or rise. Investors may not get back the full amount they invest.

AIM is one of the world's most successful markets for fast-growing, innovative and aspirational companies that require capital to reach their full potential.

Reasons to consider AIM		
High-quality smaller companies While AIM is the home of smaller UK companies, you might be surprised at how large some of these companies can grow to.	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.

Octopus AIM VCTs: portfolios of thriving UK smaller companies

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 Octopus AIM VCTs feature a large number of established, maturing AIM-listed businesses. This means investors can instantly benefit from owning established portfolios of around 75 AIM-listed companies, many of which we believe will continue to deliver sales growth and generate profits.

Both Octopus AIM VCTs invest in VCT-qualifying companies operating across a diverse range of sectors, from building materials and pharmaceuticals to software development and restaurants.

	Number of holdings	Fund size	Dividend policy
Octopus AIM VCT	77	£112.4 million	Targets a tax-free dividend of 5% of the share price annually.
Octopus AIM VCT 2	76	£75.6 million	Targets a tax-free dividend of 5% of the share price annually.

¹Source: London Stock Exchange Group, AIM 20: The report, 2015. ²Source: London Stock Exchange Group, AIM statistics, May 2017.

The Octopus 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 Smaller Companies team includes some of the most experienced AIM-focused fund managers in the market, totalling over 130 years of investment experience. Together, they look after more than £1 billion on behalf of over 7,000 Octopus investors.

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. Every year, the team conducts on average 500 face-to-face meetings with AIM companies to help identify the best investment opportunities.

Boards of Directors

Octopus AIM VCT and Octopus AIM VCT 2 have independent Boards 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



Andrew Buchanan



Edward Griffiths



Stephen Henderson



Mark Symington



Dominic Weller



Chris McVey

A straightforward investment approach

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

2 Eligibility

VCTs must invest at least 70% of their total assets in VCT-qualifying companies. However, the Boards of the Octopus AIM VCTs have targeted a minimum of 80% to be held in VCT-qualifying investments. The remainder will be invested in money market funds and other funds managed by Octopus such as Octopus Portfolio Manager and the FP Octopus UK Microcap Growth Fund.

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 75 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 (and how quickly this is changing), 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 chooses to invest in. Selling profitable investments can help the VCT achieve its aim of paying out regular tax-free dividends to investors.

Important information

Past performance is not a reliable indicator of future results. For five year performance history, please see [page 12](#).

Octopus AIM VCTs in numbers

£230m

The average market value of companies in the Octopus AIM VCTs

£188m

Combined funds under management of Octopus AIM VCT and Octopus AIM VCT2

500

Average number of meetings with company management every year

80%+

The proportion of the portfolios by value invested in profitable companies

130+

Combined years of investment experience within our Smaller Companies team

60%+

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

Embracing growth in emerging UK companies



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

Breedon is the UK's largest independent construction materials group, operating around 60 quarries, 26 asphalt plants and 200 ready-mix concrete and mortar plants. The company benefited from an acquisition in 2016 and now employs 2,300 people nationwide. Breedon's strategy is to continue growing through consolidation of the UK's building materials sector.



Craneware:
Edinburgh-based IT provider for the US healthcare sector

Craneware earns most of its revenue in the US, where it is a major software supplier to hospital networks. The company's software tracks the cost of operations for patients and insurance companies, enables payments to doctors and other suppliers, and provides a complete audit trail. Software is usually sold via five-year contracts, which gives Craneware predictable earnings.



GB Group:
leading specialists in identity (ID) verification

Recognised as a global leader, GB Group helps check the identity of customers and employees for regulatory and commercial reasons. Its services have been increasingly in demand from organisations trying to prevent ID theft and fraud, particularly through the internet. GB Group has made acquisitions to gain an international presence and client list, and we expect this strategy to continue.



Gear4music:
the largest UK-based online retailer of musical instruments and equipment

York-based Gear4music sells own-brand musical instruments and music equipment, alongside well-known premium brands including Fender, Yamaha and Roland, to customers ranging from beginners to professional musicians. Since floating on AIM in 2015, the company has expanded rapidly into Europe and operates 19 websites in 15 languages and eight currencies, with distribution centres in Sweden and Germany.



DP Poland:
bringing the success of the Domino's Pizza franchise to Poland

DP Poland has exclusive rights to develop, operate and sub-franchise Domino's Pizza stores in Poland. After initially struggling to adapt to Polish tastes, the company is now expanding and selling sub-franchises, often to returning Polish managers with UK experience. DP Poland operates 30 outlets, mostly in Warsaw. By the end of 2018, it expects to be operating 55 outlets nationwide.



Ergomed:
helping the pharmaceutical industry conduct clinical drug trials

Ergomed manages drug trials for pharmaceutical companies. It also monitors and reports on the side effects of medicines already in public use. An important feature of Ergomed's business strategy is that some of its drug trials are conducted in return for a share of the future income earned from those drugs when they are successfully launched into the market.



LoopUp:
fast-growing software provider for conference calls and online meetings

LoopUp's software aims to make the conference call experience smooth and pain-free. Users can view presentations simultaneously, see who else is on the call and who is speaking in 'real time'. The company counts more than 2,000 businesses among its customers. LoopUp is a recent investment, having listed on AIM in August 2016.



Quixant:
providing innovative technology to the computer games industry

Quixant designs and manufactures high-performance hardware and software systems specifically for the computer games industry. Since listing in 2013, Quixant's customer base has grown to include some of the world's premier gaming companies. The group has operations in Italy and Taiwan. Quixant has expanded its product range to customers following the acquisition of electronic display supplier Densitron.

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

A strong track record

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

Dividend policy

One of the main benefits of VCTs is their potential for paying tax-free dividends to investors. Both AIM VCTs aim to pay tax-free dividends twice a year and target a total annual dividend of 5% of the share price. In addition, the VCTs can pay special dividends if there are significant gains from the sale of portfolio holdings.

As well as regular and special tax-free dividends, investors could also potentially benefit from their shares increasing in value over the years. And there's no capital gains tax to pay when you eventually choose to sell them. Please note that tax treatment depends on individual circumstances and may change in the future. Tax reliefs depend on the portfolio companies maintaining their qualifying status.

Five-year performance

Year to 31 May 2017	2013	2014	2015	2016	2017
Octopus AIM VCT NAV Total Return ¹	23.0%	25.6%	-2.7%	1.8%	22.3%
Octopus AIM VCT 2 NAV Total Return ¹	22.0%	25.3%	-3.6%	3.0%	22.0%
FTSE AIM All-Share Total Return ²	6.4%	12.7%	-4.0%	-2.9%	36.3%
FTSE All-Share Total Return ²	30.1%	8.9%	7.5%	-6.3%	24.5%
Octopus AIM VCT Dividend Yield ³	5.3%	4.3%	5.1%	9.3% ⁴	4.3%
Octopus AIM VCT 2 Dividend Yield ³	6.9%	4.5%	2.6% ⁵	10.8% ⁴	4.6%

¹NAV total return: This shows the yearly performance, including the dividends paid out for the last five years to 31 May 2017 (the latest available data). This is calculated from the movement in the NAV over the year to 31 May with any dividends paid over that period added back. The revised figure is divided by the NAV at the start of that year to get the annual total return. Performance shown is net of all ongoing fees and costs (shown on page 20).

²FTSE AIM and All Share Total Return: Performance is shown alongside the total returns of the FTSE AIM and FTSE All Share indices. Investors should note that none of these indices are used as a benchmark for the Octopus AIM VCTs but are included as indicators of what the broader UK equity market was doing (source: Lipper, 31 May 2017).

Net asset value (NAV): this is the combined value of all the assets owned by the VCT after deducting the value of its liabilities (such as debts and financial obligations).

³Annual dividend yield is calculated by dividing the dividends paid per year by the share price on 31 May of the prior year.

⁴Includes an additional special dividend of 4p per share for Octopus AIM VCT and 2p per share for Octopus AIM VCT 2 from the sale of Advanced Computer Software.

⁵The second Octopus AIM VCT 2 dividend payment in 2015 was paid on 5 June 2015, whilst the reporting period used is until 31 May 2015. The value of this dividend therefore appears in 2016.

Important information

The value of shares can fall as well as rise. 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 in the secondary market.

Top ten holdings for Octopus AIM VCT

	Percentage of portfolio ¹	Date of first investment ¹	Market cap. ² (£m)	Annual revenue ² (£m)	Annual profit before tax ² (£m)
Breedon Group plc	5.6%	26/08/2010	1,247.8	674.9	70.3
Quixant plc	5.3%	15/05/2013	260.4	79.1	12.2
Staffline Recruitment Group plc	4.7%	08/12/2004	403.8	952.2	37.2
GB Group plc	4.1%	03/11/2011	607.3	116.2	21.5
Brooks Macdonald Group plc	3.4%	03/03/2005	346.6	91.6	18.7
IDOX plc	3.0%	08/05/2007	297.8	97.6	22.1
Gear4music Holdings plc	2.9%	28/05/2015	168.7	79.4	2.8
Mattioli Woods plc	2.9%	15/11/2005	211.3	48.9	9.9
Learning Technologies Group plc	2.5%	13/06/2011	270.7	50.0	10.0
RWS Holdings plc	2.1%	18/12/2009	884.4	161.1	39.7

Top ten holdings for Octopus AIM VCT 2

	Percentage of portfolio ¹	Date of first investment ¹	Market cap. ² (£m)	Annual revenue ² (£m)	Annual profit before tax ² (£m)
Breedon Group plc	5.6%	26/08/2010	1,247.8	674.9	70.3
Quixant plc	5.2%	15/05/2013	260.4	79.1	12.2
Animalcare Group plc	4.5%	18/12/2007	84.0	15.9	3.6
GB Group plc	4.1%	03/11/2011	607.3	116.2	21.5
IDOX plc	3.6%	08/05/2007	297.8	97.6	22.1
Gear4music Holdings plc	2.8%	28/05/2015	168.7	79.4	2.8
Craneware plc	2.7%	11/09/2007	367.2	45.0	13.4
Learning Technologies Group plc	2.5%	13/06/2011	270.7	50.0	10.0
Brooks Macdonald Group plc	2.4%	01/03/2015	346.6	91.6	18.7
Staffline Recruitment Group plc	2.3%	24/03/2011	403.8	952.2	37.2

¹Source: Octopus Investments, 31 May 2017.

²Source: Factset, 31 May 2017.



Domino's Pizza

DP Poland intends to make Domino's the number one pizza brand in Poland. The Octopus AIM VCTs made their first investment in DP Poland in 2012.

New share offer

Octopus AIM VCT and Octopus AIM VCT 2 are open for investment. This new share offer of £30 million with the potential for a further £10 million, subject to demand, can help diversify the portfolios further by making selective new investments.

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.

Applying for shares

Before making an application, it's important that you read the prospectus, which is available at octopusinvestments.com/aimvct. As with any investment, there are risks to consider before you decide to invest. Please read about these risks on page 18 and in the prospectus. We always recommend you talk to a professional financial adviser about whether this investment is right for you.

When you've made the decision to invest, you'll need to complete the application form and return it to us. We'll write to confirm we've received your application, and we'll let you know if we need any further information. The minimum investment is £5,000. The maximum you can invest while still qualifying for tax benefits is £200,000 per tax year.

Reinvesting VCT dividends

Both Octopus AIM VCTs now 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.

"This new share offer will help us invest in growing companies with attractive positions in their markets. We will also look to provide existing portfolio companies with additional funding to help accelerate their growth."

Kate Tidbury, AIM VCT Fund Manager





BREEDON

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

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 – available at octopusinvestments.com/aimvct – you'll need to complete the application form and return it to us. We'll let you know when we've received 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 take several months, but we always seek to allot shares in the same tax year as the application was made.

3 Your share and income tax certificates

You'll receive share and income tax certificates shortly after your shares have been allotted. You can use the income tax certificate to claim income tax relief from HMRC. It's a straightforward process, and we'll include a guide when we send you your certificate. If you have any questions, call **0800 316 2295** and we'll be happy to talk you through it.

4 Keeping you updated

We'll send you annual and half-yearly reports containing the full financial statements for your VCT; these will include updates from the Chairman and Octopus, the VCT manager.

5 Receiving dividends

Most shareholders ask us to pay dividends directly into their bank account. Investing in both VCTs offers the potential for four dividend payments per year.

Selling your VCT shares – the two options

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 net asset value (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 two Octopus AIM VCTs offer a share buyback facility for investors, provided there are funds available. This facility allows existing Octopus AIM VCT and Octopus AIM VCT 2 investors to sell their shares back to the VCTs 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 both Octopus AIM VCTs have a strong track record of buying back shares from investors.

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 risks

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

Any decision to invest in Octopus AIM VCT and Octopus AIM VCT 2 should be made on the basis of information contained in the prospectus. This is available at octopusinvestments.com/aimvct.

Your capital is at risk and you could lose money

There's no guarantee that the amount you invest will be returned to you.

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 HM Revenue & Customs (HMRC) any upfront income tax relief you've claimed.

Past performance is no guide to the future

The past performance of an investment 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 AIM VCT or Octopus AIM VCT 2 will maintain their VCT status. If a VCT loses its qualifying status, tax advantages may 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.

Your shares may be difficult to sell

There isn't an active market for VCT shares in the way there is for shares in bigger listed companies. 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.

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.

Investing in smaller companies is considered a high-risk investment

Both 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.



"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 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. Conflicts of interest are not necessarily a problem in themselves, but they need to be managed carefully to make sure investors are treated fairly at all times. For example:

Investing alongside other Octopus funds

The Smaller Companies team will often invest funds from Octopus AIM VCT and Octopus AIM VCT 2 along with funds from other Octopus-managed products and sometimes even Octopus Investments 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.

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 in place to make sure this is done fairly, but sometimes, investors may still be limited in the amounts they can invest or restricted in the timing of an exit.

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.
- 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 a Board of Directors who are required to act independently and represent shareholders' best interests at all times.

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 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 investment². 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)	–	–	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

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 Client 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.

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 17 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, please tell us. We'll listen to your complaint and acknowledge it in writing, as well as outlining how we plan to deal with it. Where possible, we'll try to improve things so it doesn't happen again.

If you want to make a complaint, email: **complaints@octopusinvestments.com**, call us on **0800 316 2295** or write to us at: **Octopus Investments Limited, 33 Holborn, London EC1N 2HT**, and we'll do our best to help. We'll also send you a printed copy of our complaints procedure, which follows the rules set out by the Financial Conduct Authority.

If you're not happy with our decision, or if you'd like to take your complaint further, you can refer it to the Financial Ombudsman Service. This is a free, independent service which aims to resolve disputes between financial services companies and their customers. You can refer a complaint to the Financial Ombudsman Service within six months of us sending you our final response. Further information can be found at **financial-ombudsman.org.uk**.



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