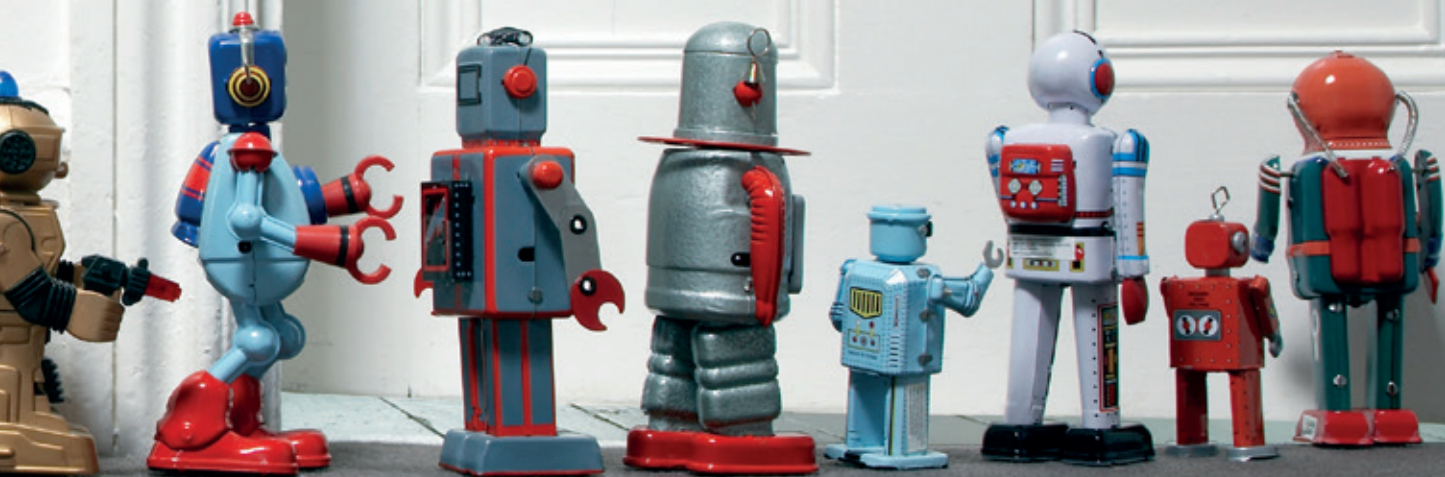


# ISA investing for future generations

Octopus AIM Inheritance Tax ISA

July 2022





## Three tax solutions, one expert provider.

Find out more by visiting [octopusinvestments.com](https://octopusinvestments.com)

### About this investment

#### For UK investors only

- The Octopus AIM Inheritance Tax ISA is an investment that places your money at risk. This means you may not get back the full amount you put in.
- The benefit of tax relief depends on individual circumstances. Tax treatment is assumed as per current legislation and interpretation, which may change in the future.
- Qualification for Business Relief depends on the portfolio companies maintaining their qualifying status, which is assessed at the point a claim for the relief is made.
- Past performance is not an indicator of future returns. Performance history can be viewed on **page 17**.
- The key risks associated with this product are explained in full on **page 20** of this brochure. It is important that you read and fully understand the risks involved before deciding whether it is right for you.
- Investors should seek specialist advice to ensure that their will is drafted so their estate will benefit from available inheritance tax reliefs including Business Relief.

This document does not constitute advice on investments, legal matters, taxation or anything else. We always recommend you talk to a qualified financial adviser before making any investment decision.

All data and factual information within this document is provided by Octopus Investments and is correct at 31 December 2021, unless stated otherwise.

Issued by Octopus Investments Limited, which is authorised and regulated by the Financial Conduct Authority. Registered office: 33 Holborn, London EC1N 2HT. Registered in England and Wales No. 03942880. We record telephone calls. Issued: July 2022. CAM010296-2207

---

**The Octopus AIM Inheritance Tax ISA is a tax-efficient investment in Alternative Investment Market (AIM)-listed shares that can help you pass more of your wealth to your loved ones.**

## Find it fast

About Octopus	4
The inheritance tax benefits of AIM in an ISA	6
A common problem, with a fresh solution	8
How it works	10
Your Octopus AIM Inheritance Tax ISA portfolio	12
The case for investing in smaller companies	14
Supporting UK growth companies	15
The Octopus Quoted Companies team	16
Performance information	17
Investing in the Octopus AIM Inheritance Tax ISA	18
Understanding the risks	20
Responsible investing at Octopus	22
How the Octopus AIM Inheritance Tax ISA is managed responsibly	23
Conflicts of interest	24
The charges	25
How to invest	26

# 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.

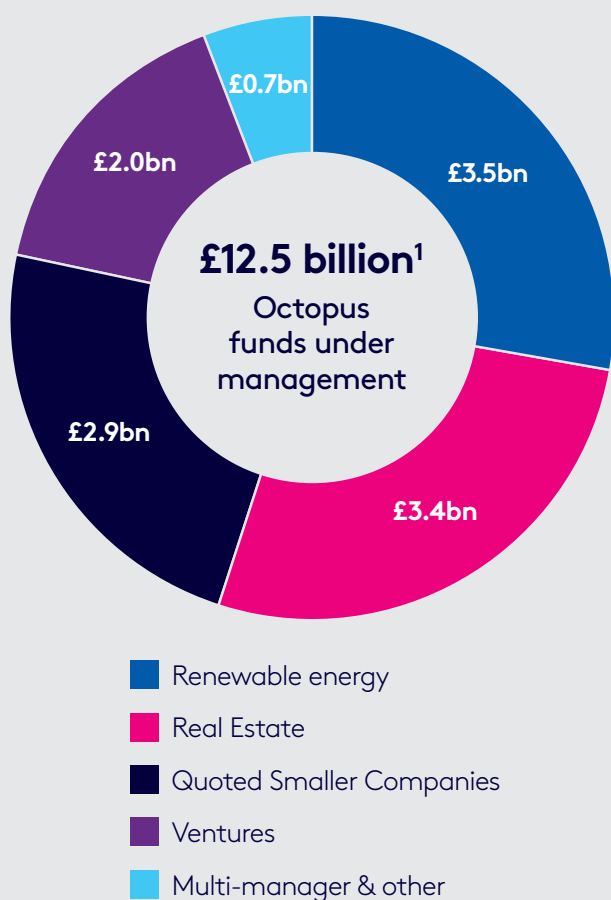


## Seen us before?

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 four years running.

## A trusted fund manager

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



<sup>1</sup>Octopus, 31 December 2021. Funds under management data includes funds under advisory mandates, funds monitored and the Octopus Cash service.

## 21 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 £12.5 billion on behalf of tens of thousands of investors.



Octopus is a Certified B Corporation™. We meet the highest standards of social and environmental consideration, transparency and accountability. Our approach means we can continue to meet the needs of all those that matter to us, from our customers to our communities.



## 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](mailto:investorsupport@octopusinvestments.com).

# The inheritance tax benefits of AIM in an ISA

While Individual Savings Accounts (ISAs) offer valuable benefits during an investor's lifetime, some people are not aware that ISAs are subject to inheritance tax like most other investments.

Most investors value the tax-free growth and income provided by their ISAs, but many are not aware of the inheritance tax their families will have to pay on these investments when they die. The first £325,000 of an individual's estate is currently inheritance tax free, but everything over this could be taxed at 40%. This could be of concern for investors who have accumulated large sums in ISAs over the years.

The Octopus AIM Inheritance Tax ISA could be a solution for ISA investors facing this problem. It aims to eliminate inheritance tax on their investment after just two years, in return for taking the risk of investing in smaller companies. And the investment will stay within the ISA wrapper, with all the tax advantages that an ISA provides.

## Why did we launch this ISA?

The Octopus AIM Inheritance Tax ISA was launched in 2013, when the Government changed the rules to allow AIM-listed shares to be held in an ISA. It is managed in exactly the same way as the Octopus AIM Inheritance Tax Service, which was launched in 2005. Both invest in shares listed on the Alternative Investment Market (AIM) that can qualify for relief from inheritance tax. These tax reliefs are part of a wider initiative to encourage people to invest in smaller companies.

## Key terms

### Inheritance tax

Inheritance tax is paid on the money and possessions that you leave to your beneficiaries when you die. The first £325,000 of your assets are free from inheritance tax (this is often called the 'nil-rate band'), but everything over this level could be taxed at 40%. There are a number of well-established ways to reduce or potentially even eliminate the amount of inheritance tax your loved ones are required to pay. Examples include gifts, trusts and making the most of investments that qualify for Business Relief.

### Business Relief (BR)

(BR) is an established form of tax relief that gives people an incentive to invest their money into trading businesses. It was introduced in 1976 as a way to ensure that inheritance tax wasn't paid on small businesses. Shares in a BR-qualifying business can be left to beneficiaries free from inheritance tax, provided they have been owned for at least two years at the time of death. You can read more about BR on the HM Revenue & Customs (HMRC) website at [hmrc.gov.uk](https://www.hmrc.gov.uk). To find the relevant pages, just type 'Business Relief' in the search box.

Remember tax treatment depends on individual circumstances and could change in the future. There are other risks to investing in the Octopus AIM Inheritance Tax ISA which you should be comfortable with before making an investment. Full details are given on [page 20](#).

### More families are expected to be affected by inheritance tax

The current nil-rate band of £325,000 for inheritance tax will remain frozen until 2026. In 2017, the Government introduced an additional inheritance tax allowance, called the residence nil-rate band. It started at £100,000 and it has now reached £175,000. However, forecasts show that HMRC's inheritance tax receipts are expected to continue to rise.<sup>1</sup>

### Our ISA might be good for you if:

- Your estate is likely to be liable for inheritance tax.
- You have built up significant ISA holdings over the years.
- You want to keep the lifetime tax benefits of your ISAs while reducing the inheritance tax liability for your beneficiaries.
- You are comfortable with the risks involved with investing in smaller companies.

<sup>1</sup>Source: HM Treasury Budget, November 2021.



# A common problem, with a fresh solution

ISAs have been hugely popular since they were launched in 1999, as they offer valuable tax benefits during an investor's lifetime. However, the Octopus AIM Inheritance Tax ISA is a solution that also offers ISA investors relief from inheritance tax.

## Why did we launch this ISA?

More than 5.8 million of the UK's 20 million ISA investors are over 65 years old.<sup>1</sup> Many will be starting to think about how they can pass on their wealth as effectively as possible.

However, those investors with significant sums in their ISAs face a dilemma. On the one hand, they could keep their ISA money invested and continue to get tax-free growth and income, while recognising that when they die, their family may have to pay inheritance tax on the value of their ISAs. On the other hand, they could reduce the amount of their estate liable for inheritance tax by cashing out of their ISAs, then gift the money to their family, or move the proceeds into trust.

But making gifts or using trusts also presents problems. Not only does taking the investment outside of the ISA wrapper mean you lose the ISA tax benefits, but you also relinquish control over the assets.

### The transfer process

If you wish to transfer your existing ISA investments to us, this should be done by completing the Octopus AIM Inheritance Tax ISA application form and following the transfer process. If you cash your investments in (i.e. withdraw your money), you will lose your ISA benefits and we may not be able to accept them for this account.

## The Octopus solution

With the Octopus AIM Inheritance Tax ISA, we invest your money in a portfolio of carefully chosen companies listed on AIM. We choose established companies that are typically profitable and paying regular dividends. You retain access to your investment, which continues to enjoy all the benefits of the ISA wrapper.

However, the most important factor is that we invest in the shares of companies that are expected to qualify for BR. This means that as long as you have held the investment for at least two years when you die, you should be able to leave it to your beneficiaries free from inheritance tax. For more information about how this investment works, please turn to **page 10**.

Please note, there is a minimum investment and top up amount of £20,000 in this portfolio, which applies to subscriptions of cash and separately to transfers from your existing ISAs. If you are moving any existing ISAs to us, you must make sure you use your ISA provider's official transfer process.

---

Please note that this is not a Flexible ISA, therefore any money that is withdrawn cannot be replaced without counting towards your annual ISA subscription limit.

<sup>1</sup>HMRC report on Individual Savings Account (ISA) Statistics, June 2021.

## Key benefits

### More of your wealth can be passed on to your family

Most ISAs form part of your taxable estate when you die. The Octopus AIM Inheritance Tax ISA is different. It's designed to give your investment full relief from inheritance tax, instead of leaving your beneficiaries with an inheritance tax bill of 40% of the value of the investment.

### Speed

Most forms of estate planning (such as gifts or simple trusts) take seven years to become fully exempt from inheritance tax. Our ISA takes just two (although you must still be holding the investments when you die).

### A simple process

All you are doing is investing in or transferring the money from existing investments to an ISA that invests in smaller companies. There are no complex legal structures, no underwriting and no medical questionnaires to complete.

### Access to your investment

You can request withdrawals whenever you want. There's also the option to set up regular withdrawals if you ever need to supplement your income. You should remember, though, that if you've already used your ISA allowance for the current year, you won't be able to put any money you withdraw back into your ISA, and any amounts you withdraw, if they're not spent, will form part of your estate for inheritance tax purposes.

### Potential for tax-free growth and dividends

AIM is home to a wide variety of companies that offer the potential for growth and dividends. The market has had some tremendous success stories over the years.

As you'll be investing in an ISA, you'll pay no income tax on the dividends paid by the companies in your portfolio. You'll also pay no capital gains tax on your returns – no matter how much your money grows – and you do not have to declare ISAs on your tax return.

## Key risks

### Your capital is at risk

The value of your investment can go up or down and you may not get back the full amount invested. Investing in AIM-listed shares involves more risk than investing in shares of companies listed on the main market of the London Stock Exchange.

### Your investment could experience volatility

The performance of AIM-listed shares tends to be more volatile, which means their value can rise or fall by greater amounts on a day-to-day basis.

### Tax relief cannot be guaranteed

The benefit of tax relief depends on the individual circumstances of each investor. Tax rules could change in future, and the availability of tax relief also depends on the companies we invest in maintaining their qualifying status, which is assessed at the point a claim for the relief is made.

### Your investment could take longer to sell than expected

Shares in AIM companies are not as easy to buy or sell as shares listed on the main market of the London Stock Exchange. This means that the availability and timing of withdrawals cannot be guaranteed.

We explain the risks of this investment in more detail on [page 20](#). We recommend that you seek advice from a financial adviser before making an investment.

# How it works

The best way to understand how the Octopus AIM Inheritance Tax ISA can reduce your family's inheritance tax bill is to look at an example.

Mr Thomas is 74 years old. His home and savings are valued at more than the current inheritance tax-free allowance of £325,000. He also has ISA investments worth £200,000. When he dies, the beneficiaries of his estate would be left facing an inheritance tax bill of around £80,000 on his ISA.

After talking to his financial adviser and confirming he's comfortable with the risks, Mr Thomas transfers his ISAs into the Octopus AIM Inheritance Tax ISA. The paperwork is straightforward, so all Mr Thomas has to do is complete a few forms. Our team then invests his money in a portfolio of carefully chosen AIM-listed shares, and manages the investments on an ongoing basis.

After Mr Thomas has held the shares for two years, the investments in his ISA can be left to his beneficiaries free from inheritance tax when he dies. As the example opposite shows, this could save his family more than £83,000.

Mr Thomas can keep adding to his ISA each year, up to the annual ISA allowance. This removes even more of his estate from any liability for inheritance tax, two years after making each investment. He can make withdrawals when he needs to, without affecting the inheritance tax relief on the remaining investment.

Without an inheritance tax bill to pay, his children can then decide whether they wish to keep hold of the investment or ask us to sell the shares and return the proceeds.

---

Investments in the Octopus AIM Inheritance Tax ISA should become free from inheritance tax after just two years, provided they are held at the time of death.

## The impact of inheritance tax on a £200,000 non-BR-qualifying Stocks and Shares ISA vs transferring the investments into the Octopus AIM Inheritance Tax ISA.

	Keeps existing Stocks and Shares ISA	Invests in the Octopus Inheritance Tax ISA
Gross investment	£200,000	£200,000
1% dealing fee	N/A	£1,980
Net investment subscribed for shares	£200,000	£198,020
Annual Management Charges incurred over two years (1.5% +VAT for advised investors)	£7,484	£7,410
Estimated dealing fees incurred over two years	£420	£415
Net value of investment after two years, assuming target growth of 5% each year	£213,253	£211,145
Amount lost through 40% inheritance tax on death	£85,302	N/A
1% dealing fee on disposal	£2,133	£2,111
<b>Value passed on to beneficiaries</b>	<b>£125,818</b>	<b>£209,034</b>

By investing in the Octopus AIM Inheritance Tax ISA, Mr Thomas could pass on an extra £83,000 of wealth on to his family.

We have assumed 5% growth, which includes capital growth, dividends and interest, commonly known as total return. The value of both investments would be subject to market movements. In reality, the value of an investment in the Octopus AIM Inheritance Tax ISA can go up or down and you may not get back the full amount invested. It is important to note that the risk profile of each portfolio, and any investment growth or losses, is likely to differ. The estimated annual dealing charges are 0.20%, typical for the Octopus AIM

Inheritance Tax ISA. However, actual dealing charges experienced by an investor may be higher or lower. The example assumes the costs for each portfolio are the same, but actual costs may be different. It does not include any charges paid for financial advice. Also, the current ISA provider may charge a fee for transferring an existing ISA. Please refer to **page 25** for a full list of charges, including the additional fees and charges applicable to non-advised applications.

# Your Octopus AIM Inheritance Tax ISA portfolio

The AIM-listed companies that we invest in have to show good growth potential. But we also have to be confident that the companies we invest in will qualify for relief from inheritance tax.

Your Octopus AIM Inheritance Tax ISA will be invested in a portfolio of carefully-chosen companies that are listed on AIM and that we believe will benefit from BR. For the core of each investor's portfolio, our team looks for established AIM companies that we believe are capable of generating consistent returns for our investors.

Companies are chosen after detailed research, which may involve spending time with a company's management team, evaluating its competitors and assessing its financial strength. We only invest in companies with an established track record of profitable growth.

## Good stock selection is key

With AIM, the real challenge lies in finding the better performers capable of achieving long-term returns. We invest in a diverse portfolio of 20–30 companies. To help us achieve our objectives, we focus on the larger, more established AIM-listed companies with the characteristics displayed in the box below.

## Another reason to choose a specialist team

Experience and specialist knowledge become even more important when managing portfolios with the objective of qualifying for BR. Not every AIM-listed company will qualify for relief, and a company can cease to qualify over time. For example, a company may no longer be eligible for BR if it moves into a new area of business or receives a takeover offer.

### A set of strict investment criteria

The companies we choose will have one or more of the following attributes:

- 1 A strong market position or clear advantages over competitors
- 2 A business model that can achieve future growth
- 3 A proven management team with a record of success
- 4 An established and profitable business

We also look for companies with potential that has not yet been recognised by the broader market, as this gives us the opportunity to invest while the shares are undervalued.



# The case for investing in smaller companies

The potential inheritance tax benefits of AIM shares aren't the only reason to invest in this market. Although investing in smaller companies involves risk, this creates great potential for long-term growth.

Over the long term, a company's growth in earnings is the key factor behind the performance of its share price. Smaller companies can offer the potential for earnings growth that isn't found to the same extent in larger companies. For example, it is significantly easier for a small company to double a £1 million profit than it is for a larger company to double a £1 billion profit. Research carried out by the London Business School has shown that, over time, smaller companies can significantly outperform larger companies in terms of shareholder return.

AIM features many success stories – businesses that have been growing their earnings year on year, and lots of them aren't even that small. Despite this, the vast majority of investors still focus on large companies. We think it's time that smaller companies had a fairer share of investors' attention. Of course, it is important to note that short-term performance is often driven by the mood of the market. However, this has its benefits as well. It can help create buying opportunities for long-term investors like us, as we can often invest in good companies at a discount.

## Another reason to choose a specialist team

We like AIM because it is a market where expertise can really be rewarded. The UK's largest companies are followed by hundreds of analysts and professional investors, so there is little chance that one of them will find an angle the others don't. In AIM, each company is covered by far fewer analysts and investors, so our specialists have much more scope to find hidden value. With so many companies to choose from, it takes experience, skill and dedication to pick the right stocks that – over the longer term – will become successful investments.

### Remember

Investments in smaller companies can fall or rise in value much more sharply than shares in larger, more established companies. If you're not comfortable with the risks involved with smaller companies, this investment will not be right for you.

# Supporting UK growth companies

With a combined market capitalisation of over £124 billion, AIM is the world's most successful market for ambitious fast-growing smaller companies.<sup>1</sup>

AIM presents investors with the opportunity to invest in high-growth businesses across many different sectors and industries. AIM is also home to many well-established companies. In fact, some of the companies held within the Octopus AIM Inheritance Tax ISA have been operating for more than 100 years.

The 26 companies currently on the buy list for the Octopus AIM Inheritance Tax ISA share some impressive statistics:<sup>2</sup>

- Average turnover (forecast): £352.93 million.
- Average profit before tax (forecast): £55.93 million.
- Average dividend yield: 1.85%.

You should remember that past performance is not a reliable indicator of future results and any forecast is not a reliable indicator of future performance.

## AIM: quick facts<sup>1</sup>

AIM was launched in 1995 by the London Stock Exchange.

It is currently home to over 800 companies, with a combined worth of more than £124 billion.

## Growth companies<sup>3</sup>

**Renew Holdings plc** provides specialist engineering services to maintain and develop energy, environmental and infrastructure assets.

**Octopus invested since:** 2007

**Market cap:** £534.3 million

**Forecast profit:** £53.0 million for the year to September 2022<sup>4</sup>

**RWS Holdings plc** is a leading provider of intellectual property support services and high-level technical translation services. The group translates over 50,000 patents a year for clients in the legal, financial, medical, pharmaceutical, chemical, engineering and telecom sectors.

**Octopus invested since:** 2005

**Market cap:** £1,791 million

**Forecast profit:** £140.0 million for the year to September 2022<sup>5</sup>

**Watkin Jones plc** is one of the UK's leading developers of large scale, multi-occupancy residential property projects, with a focus on the student accommodation and build to rent sectors.

**Octopus invested since:** 2012

**Market cap:** £615.4 million

**Forecast profit:** £55.0 million for the year to September 2022<sup>6</sup>

<sup>1</sup>London Stock Exchange, 28 February 2022. <sup>2</sup>Octopus Investments, 28 February 2022. <sup>3</sup>All market caps as at 28 February 2022.

<sup>4</sup>Renew Holdings plc, Factset, Octopus Investments, Numis Securities 28 February 2022. <sup>5</sup>RWS Holdings plc, Factset, Octopus Investments, Numis Securities 28 February 2022. <sup>6</sup>Watkin Jones plc, Factset, Octopus Investments, Peel Hunt LLP 28 February 2022.

# The Octopus Quoted Companies team

The Octopus Quoted Smaller Companies investment team includes some of the most experienced AIM-focused fund managers in the market.

Every year, the team conducts more than 900 face-to-face meetings with AIM companies to help us identify the best investment opportunities. They look to support management teams with a track record of delivering earnings growth. As well as analysing company financial reports, the team uses market forecasts to assess the growth potential of companies and their competitors.

The Quoted Smaller Companies team currently manages £3 billion<sup>1</sup> across a range of Octopus products, including Octopus AIM VCT plc, Octopus AIM VCT2 plc, FP Octopus UK Micro Cap Growth Fund, FP Octopus UK Multi Cap Income Fund and FP Octopus UK Future Generations Fund.



**Richard Power**



**Kate Tidbury**



**Chris McVey**



**Edward Griffiths**



**Stephen Henderson**



**Dominic Weller**



**Mark Symington**



**Jessica Sweeney**



**Charles Lucas**



**Freda Isingoma**

<sup>1</sup>FuM as of 31 December 2021.

# Performance information

The table below shows the discrete annual performance (the total returns for each individual year) of the Octopus AIM Inheritance Tax Service for the last five years.

It also shows, in the final column, performance since the launch of the Octopus AIM Inheritance Tax Service in June 2005. Performance is shown against a backdrop of three major UK indices.

As a reminder, the Octopus AIM Inheritance Tax ISA is managed in the same way as the Octopus AIM Inheritance Tax Service, by the same team.

Year to 31 December	12-month performance for the period ended					Inception (30/06/05) to 31/12/21
	2021	2020	2019	2018	2017	
Median Octopus AIM ITS Performance	18.41%	0.48%	21.82%	-20.61%	27.83%	335.7%
FTSE AIM All-Share Total Return	6.12%	21.75%	13.26%	-17.12%	25.97%	44.1%
FTSE SmallCap (excluding IT) Total Return	31.26%	1.65%	17.68%	-13.80%	15.61%	241.1%
FTSE All-Share Total Return	18.32%	-9.82%	19.17%	-9.47%	13.10%	194.6%

## Calculation methodology

Performance is calculated by taking the median return of Octopus AIM Inheritance Tax Service portfolios each quarter. Only those portfolios that have been invested since 30 June 2005 have been included.

If cash is added or withdrawn during a period, then such portfolios have been removed from the calculation. We have then compounded those quarterly total returns which include dividend income, interest, management fees and dealing fees.

## A note on FTSE indices

Performance is shown alongside the total returns of the FTSE AIM, FTSE SmallCap (excluding Investment Trusts) and FTSE All-Share indices. These indices are given as an indication of what the wider market is doing and not as a performance comparator for the Octopus AIM Inheritance Tax Service.

### Remember

Past performance is not a reliable indicator of future results.

# Investing in the Octopus AIM Inheritance Tax ISA

We design our products to be as flexible as possible – for you and your family.

## Building up your portfolio

The minimum investment of £20,000 can be made by a new subscription of £20,000 (the current year's ISA allowance) or transfers from existing ISAs you hold.

Once you've opened your Octopus AIM Inheritance Tax ISA, you can make additional contributions of £20,000 or more. These can be transfers from other ISAs or new ISA subscriptions of £20,000. Each new contribution can be left free from inheritance tax when you pass away, provided at least two years have passed since it was invested.

The two-year holding period required for BR starts from the date we invest your money in qualifying shares. You should be aware that it will typically take at least four weeks from the date we receive your application for Octopus to receive any funds transferred from another ISA manager, and it could take up to a further eight weeks until your portfolio is fully invested.

## Making withdrawals

Although the Octopus AIM Inheritance Tax ISA is designed to give you an effective way of planning for inheritance tax, we know that circumstances can change. That's why we've made it easy for you to take money out of your ISA whenever you need to. You can also arrange to take regular withdrawals when you set up the account. All you have to do is tell us the amount you want to receive each year on the application form. These withdrawals can be changed or stopped at any time.

Please note that after you withdraw money from an ISA, you can only put it back in up to the unused amount of your current ISA allowance. This means you may lose the tax benefits on the amounts withdrawn from your ISA. You also lose any inheritance tax benefits, so if you don't spend the money before you die, it will become part of your taxable estate.

It is also possible to transfer money from the Octopus AIM Inheritance Tax ISA to a different ISA, so long as you use the new company's transfer process.

## We will keep you informed

We'll keep you updated on your investment with regular reports. These will show the holdings in your portfolio and the trading activity in your ISA portfolio, together with information on the companies you hold investments in.

You'll also be able to check the performance of your investments online through our secure website, which is available anytime.

## Selling your shares

Your circumstances may change and we can arrange to sell some, or all, of your shares if you need to. We can usually sell shares within a week; however, in some instances it could take significantly longer. As a reminder, any money you withdraw will become part of your taxable estate again, unless you spend it before you die.

## After two years

Although it only takes two years for an investment in our AIM Inheritance Tax ISA to be exempt from inheritance tax, you must continue to hold it until your death for relief from inheritance tax to apply.

## Helping your beneficiaries

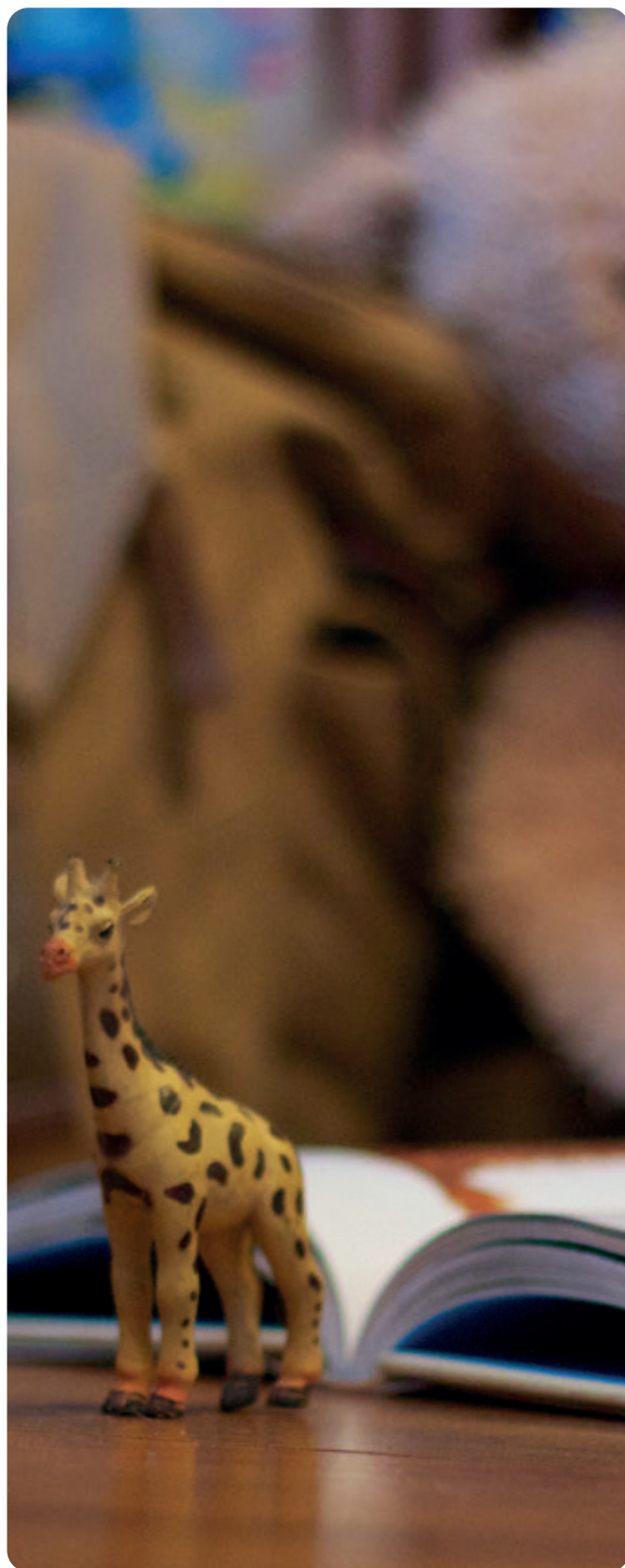
After you die, we'll give your loved ones as much help as we can. We have a dedicated Estates and Probate team who are on hand to help executors and beneficiaries with any information they might need. They can be contacted on **0800 294 6826**.

Your executors will need to complete the form IHT 412 with details of your Octopus AIM Inheritance Tax ISA investment and send it to HMRC as part of the probate process. Executors then have three options:

- They can ask us to sell the portfolio and pass the money to your beneficiaries.
- They can keep the portfolio invested (outside the ISA wrapper). This could be a good option if your beneficiaries are younger, as it allows them to take over your investments and continue to benefit from any growth that is achieved. If the investment was passed on free of inheritance tax, it will remain inheritance tax free for as long as it is held by the beneficiaries.
- They can use the portfolio to pay any inheritance tax on your other assets (such as your home, for example). We can liquidate the portfolio for them and then pass the money directly to HMRC.

In all cases, there should be no inheritance tax bill on the Octopus AIM Inheritance Tax ISA itself, as long as you have held the investment for at least two years and are still holding it at the time of your death. We understand how difficult this time can be, and even though we can't give financial advice, our team of specialists can help answer any questions your beneficiaries may have.

**Please note, we encourage you and your beneficiaries to seek financial advice when making investment decisions.**



## Did you know

Octopus can make payments direct to HMRC to pay any inheritance tax due?

# Understanding the risks

We want you to feel completely comfortable about this investment. So, please take time to understand the key risks associated on these pages and discuss them with your financial adviser and loved ones.

## Building up your portfolio

When it comes to activities such as skiing, cycling or driving, it's clear what the risks are. It's also fairly easy to balance them against the rewards, such as fun, fitness, money saving and convenience. Although it can sometimes be harder to recognise, there's always a balance between risk and reward in your financial decisions as well. Even a 'safe' investment like a deposit account comes with the risk that the growth of your investment won't keep pace with inflation.

As the Octopus AIM Inheritance Tax ISA targets long-term growth from a portfolio of AIM-listed shares, it has a correspondingly higher level of risk. Here are a few of the things you need to think about before you decide to invest.

## You may lose money

The growth in value of your ISA depends on the performance of the companies in your portfolio. We do not offer any guarantees about the growth you will achieve, and it's important to understand that the value of your investments can go down as well as up, so you may not get back the full amount invested.

Companies listed on AIM normally involve more risk than those on the main market of the London Stock Exchange. Their performance tends to be more volatile, which means their value can rise or fall by greater amounts on a day-to-day basis.

## Investment horizon

Investments in the Octopus AIM Inheritance Tax ISA are designed to be held for the long term. It will typically take at least four weeks from the date we receive your application for Octopus to receive any funds transferred from another ISA manager, and it could take up to a further eight weeks until your portfolio is fully invested.

While funds remain uninvested, they will not be subject to market movements (either up or down). The two-year holding period required for Business Relief only starts from the date we invest your money in qualifying shares.

## The investment may be difficult to sell

The shares of AIM companies tend to be harder to sell than the shares of large companies, such as BP or Vodafone. This means that if you decide to make a withdrawal or transfer from your ISA, you may not be able to sell the shares immediately.

## Financial Services Compensation Scheme

Octopus is part of the Financial Services Compensation Scheme (FSCS). The FSCS is the compensation fund of last resort for customers of financial services organisations. If an organisation goes out of business, investors can make a claim to the FSCS for any losses resulting from the organisation's bad investment advice, negligence or mis-selling. It is important to understand that the FSCS does not protect against, or compensate for, losses from poor performance, such as when shares in a company have reduced in value.

### **You cannot rely on past performance**

No matter how well an investment or market may have performed in the past, this is not a guide to its future returns. Any forecast should not be viewed as a reliable indicator of future performance.

### **There may be new tax rules in the future**

The tax benefits for ISAs and AIM-listed shares are available at the moment, but HMRC may change them at some point in the future, or the interpretation of the rules may change. The value of some benefits may also depend on personal circumstances.

### **Business Relief**

We will invest in companies that we reasonably believe qualify for BR. This is supported by an independent audit carried out by PwC twice a year. PwC makes assessments on all AIM-listed companies contained in our investors' portfolios.

However, BR is assessed by HMRC on a case-by-case basis when an investor dies, and cannot be guaranteed. Because of this, we can give no commitment that any such investment will remain a qualifying investment at all times thereafter.

Qualifying investments that have been held for at least two years, and are still held at the time of death, can be passed to beneficiaries free of inheritance tax. The two-year qualification time frame commences when your money is invested in qualifying companies. Amounts held in cash at the time of death will not benefit from BR. In the event that BR is not applicable, the value of your Octopus AIM Inheritance Tax ISA will be subject to inheritance tax.

### **Will drafting**

It is important to keep your will up to date, particularly following significant changes in your investments. We recommend that investors seek specialist advice to ensure that their will is drafted to take best advantage of inheritance tax reliefs available to them, such as investments that qualify for BR.

# Responsible investing at Octopus

## Firstly, what is the difference between responsible investing and Environmental, Social, and Governance (ESG) integration?

Although the two terms are often used interchangeably, there is an important distinction to be made.

**ESG integration** should be seen as an input into an investment process. It is when fund managers incorporate ESG information into investment decisions to minimise risk and make the most of opportunities. Better returns are expected in the long term from ESG integration because fund managers have an enhanced understanding of whether an investment is exposed to certain threats or opportunities.

**Responsible investment**, on the other hand, is where managers are actively and intentionally seeking to create a better output for society and the environment. It can be viewed as an umbrella term to describe funds or strategies using investment as a force for positive change, from which stems a spectrum of differing approaches. These range from those that exclude certain sectors or companies, to those that explicitly aim to deliver a positive and measurable impact to the people and the planet.

## What does responsible investing mean at Octopus?

Increasingly, people want to work for, buy from and invest with companies which understand what it means to make the world a better place. These companies understand that how they behave is just as important as what they do, and ultimately we believe they will generate the best financial returns for investors over the coming decades.

To create value for our investors, we consider environmental, social and governance factors when making investment decisions. We are a specialist asset manager, focused in specific sectors where we have significant and often market-leading investment credentials. Since setting up Octopus in 2000, we've invested more than £6.8 billion into building a sustainable planet, empowering people and revitalising healthcare. We believe that business can be, and should be, used

as a force for good. Fundamentally, we want the world to be a better place because of where and how we invest our clients' money.

As one of only a handful of investment companies in the world to be an accredited B Corporation, we are very proud of the impact that Octopus, and the investments we manage, have on the planet.

## How do we make sure that responsibility sits at the heart of everything we do?



### Certified B Corporation

We are an accredited B Corporation. These are businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit with their impact on the world. Octopus undergoes a B Corp assessment every two years.



### UN PRI signatory

We are a UN PRI signatory, supporting the incorporation of ESG factors in our decision making. We are subject to an annual Principles of Responsible Investing (PRI) assessment.



### Responsible Investment Committee

Each investment team at Octopus reports to our Responsible Investment Committee each quarter on ESG integration, key ESG metrics and performance. The committee is made up of our founders, Chief Investment Officer and Heads of Business.

# How the Octopus AIM Inheritance Tax ISA is managed responsibly

## Environmental, Social and Governance integration

Since 2005, the Octopus AIM Inheritance Tax ISA has supported 148 growing companies listed on the Alternative Investment Market (AIM). The 27 companies currently on the buy list employs more than 55,000 people and supports many more jobs indirectly through regional contracts and suppliers. These companies have a forecast turnover of over £10 billion<sup>1</sup>, making a significant contribution to the UK economy.

### ESG integration

ESG issues are considered within the investment process to mitigate risk and improve the risk return of investments. This approach utilises the Sustainability Accounting Standards Board (SASB) Materiality Map, which helps the investment team identify and mitigate material risk exposure.

We analyse the ability for a company's executive team to manage ESG risks. Where we have concerns, we'll engage with that team through dedicated ESG meetings or via regular reporting meetings.

### Responsibility

We challenge portfolio companies on strategy, financial performance, data disclosures, capital structure and corporate governance. Existing governance structures may not be mature (given the small size of investee companies), so we assess whether weaknesses exist and whether management can address these weaknesses.

We take part in consultations on remuneration and challenge Non-Executive Directors to align with company objectives, aiming to influence by giving feedback to corporate advisers, meeting with non-executive directors and voting against resolutions.

When it comes to voting, all our holdings are covered by Institutional Shareholder Services (ISS), a leading global advisory firm. We consider the independent research ISS provides but make the final decision as an investment team. We take our fiduciary duty seriously and vote to create long-term shareholder value.

### Sustainability

The Service invests in sectors we think are important for the future, such as telecoms, biotech, software and healthcare. Some companies in the portfolio include:

- **Gamma Communications** – whose products improve efficiency and productivity, and connect users with suppliers, colleagues and customers.
- **Learning Technology** – workplace digital learning putting the right people in the right roles.
- **Advanced Medical Solutions** – providing innovative, affordable wound-care solutions to improve patient care.

<sup>1</sup>Octopus Investments, 31 December 2021.



# 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://octopusinvestments.com).

## Investing alongside other Octopus funds

The Quoted Smaller Companies team will often invest funds from Octopus AIM ITS/ISA alongside other Octopus-managed products and sometimes even alongside Octopus itself.

## 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.
- The Octopus Conflicts Committee is responsible for ensuring conflicts are handled appropriately, and is independent of the Quoted Smaller Companies team, and our other investment teams.

# The charges

We try to make our products and charges crystal clear, but if you have any questions, please speak to your financial adviser or call us on **0800 316 2295** and we'll do our best to help.

## When do we take our annual management charge?

Our annual management charge will accrue on your portfolio on a daily basis. We will deduct this charge on a quarterly basis.

## Adviser charges

Adviser charges are costs that you have agreed with your adviser, in payment for the advice they have provided to you. If agreed between you and your adviser, Octopus can facilitate adviser charges from your investment.

We will deduct any agreed initial adviser charges from the amount on your application form and pay them to your adviser. These initial charges will reduce the amount invested.

We will deduct any agreed ongoing adviser charges from your portfolio on a quarterly basis and pay them to your adviser. This will reduce the net return to you.

## Dealing fee

Octopus will apply a 1% dealing charge on the purchase and sale of all shares within the portfolio.

**We encourage our investors to seek financial advice when making investment decisions. We therefore charge investors who have not taken advice a higher fee.**

### If you are investing through an adviser

Octopus initial charge:	0%
Annual management charge:	1.5%+VAT per annum
Ongoing fee to your adviser:	Agreed with your adviser

### If you are investing through an intermediary who doesn't give you advice (execution-only)

Octopus initial charge: (paid to your introducing agent unless indicated otherwise on your application form)	1%
Annual management charge: (0.5% of which will be paid to your introducing agent)	2%+VAT per annum

### If you are investing directly

Octopus initial charge:	1%
Annual management charge:	2%+VAT per annum

# How to invest

## If you have a financial adviser

We suggest you contact your adviser in the first instance, as they will be able to help you complete your application and arrange transfers from your existing ISAs. If your adviser has any questions, they can call us on **0800 316 2067** or visit **octopusinvestments.com**.

## If you are investing directly

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

## Getting your ISA up and running

Please note, it will typically take at least four weeks to transfer an ISA to Octopus, and the two-year qualifying period for BR will only start when your money is invested in AIM shares, which can take an additional eight weeks. You should also be aware that until we invest your funds, you won't be exposed to the markets. Therefore any rise or fall during this period will not affect your investment.

## 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](mailto: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](http://financial-ombudsman.org.uk).



0800 316 2295  
[investorsupport@octopusinvestments.com](mailto:investorsupport@octopusinvestments.com)  
[octopusinvestments.com](https://octopusinvestments.com)



Octopus Investments  
33 Holborn  
London EC1N 2HT