For professional advisers and paraplanners only.
Not to be relied upon by retail clients.

# Octopus AIM VCTs Consumer Duty Product Pack for distributors

October 2024

octopus investments
A brighter way

# How Octopus is positioned to prioritise good outcomes for customers

## Octopus is a group of innovative entrepreneurial businesses investing in the people, ideas and industries that will help change the world

AUM: **£13.5bn**[1]
Employees: **700+**
Investors: **60,000**

Supporting more than 11**,000 advisers** through **55 technical specialists** and a **dedicated intergenerational planning team**

**150** dedicated investment professionals across sector specific teams

**Award winning:**

Five star rating in the **Financial Adviser Service Awards** for 10 years running

FT ADVISER 5 Star Winner Investment Providers Octopus

WINNER TWO TIMES Investment Life & Pensions Moneyfacts Awards 2023 -2024 — Best Venture Capital Trust Provider

WINNER EIGHT TIMES Investment Life & Pensions Moneyfacts Awards 2016 -2023 — Best Tax and Estate Planning Solutions Provider

**Strong balance sheet:**

AKG B FINANCIAL STRENGTH RATED
DFM SECTOR STRONG
WWW.AKG.CO.UK ISSUED: 13/03/2024
OCTOPUS INVESTMENTS LTD

Certified B Corporation

- Meeting the highest standards of verified social and environmental performance, public transparency and legal accountability.
- Working to redefine success in business by measuring success by more than just profit.
- The interests of employees, customers, communities, environment and shareholders are treated equally.

[1]Octopus to 31 June 2024. Funds Under Management data includes undrawn commitments, funds under advisory mandates and funds monitored, and is based upon the latest information available at the time of the calculation. It also includes funds under the management of Octopus Renewables Limited.

# Products and services

## We undertake a complete review of this product every year to ensure it continues to deliver good outcomes for customers

| Target for a good outcome | | Outcome achieved | |
|---|---|---|---|
| | | Last 12 months | Since 2010* |
| Income target | AIM VCT: 5p annually or 5% of share price, whichever is greater | ✓ | ✓ |
| | AIM VCT 2: 3.6p annually or 5% of share price, whichever is greater | ✓ | ✓ |
| Performance goal: deliver a positive total return over the long term | | ✗ | ✓ |
| Liquidity target 1: Running regular share buybacks | | ✓ | ✓ |
| Liquidity target 2: Completing share buyback at a cost of 5% to NAV | | ✓ | ✓ |
| Tax relief: VCT qualifying status maintained | | ✓ | ✓ |
| Product passed annual stress and scenario testing | | ✓ | ✓ |
| Survey distributors to understand processes in place to ensure product is sold within the target market | | ✓ | N/A** |
| Product sold only via the defined distribution channels | | ✓ | ✓ |

*Due to the VCTs merging, outcomes are considered from 2010 rather than from each VCT's inception
**Distributor target market introduced in 2018 has been completed annually since then

**Despite capital growth not being achieved during the last 12 months, overall, a good outcome for customers had been achieved over the review period. Short term volatility is a feature of the alternative investment market and performance of the VCTs was in line with FTSE AIM All Share. Capital growth has been achieved over the longer term. The VCTs have maintained their dividend target over the period.**

# Price and value

## A good outcome for customers is every investor having been provided with the core product services, product features being achieved and no equivalent level of product and service being available for a lower fee elsewhere

| Target for a good outcome | Major relevant factors | | Last 12 months | | | Last 10 years | | |
|---|---|---|---|---|---|---|---|---|
| | | | ✓ | ✗ | Evidence | ✓ | ✗ | Evidence |
| 1) Important product outcomes are achieved for every investor | Income target: | AIM VCT: 5p annually or 5% of share price, whichever is greater | ✓ | | 5.4% dividend yield | ✓ | | Every investor invested has received at least 5% dividend pa. |
| | | AIM VCT 2: 3.6p annually or 5% of share price, whichever is greater | ✓ | | 5% dividend yield | ✓ | | Every investor invested has received at least 5% dividend pa. |
| | Positive NAV total return | | | ✗ | -1.5% NAVTR | ✓ | | 11% NAVTR |
| | Liquidity to investors | | ✓ | | 12 buybacks held in 12 months for an aggregate £6.3m | ✓ | | 100% achieved |
| | VCT qualification status | | ✓ | | 100% of investments in qualifying shares | ✓ | | Zero incidents of VCT rules breaches |
| 2) It is not possible for an investor to achieve an equivalent product or service for a lower fee | VCTs identified with equivalent pricing but none offer customers the same proposition | | ✓ | | **Pricing** – in line with other available VCTs<br>**Proposition** – few VCTs focus on the AIM market. This VCT is managed by the most experienced smaller companies' team in the industry. Diversity of the existing holdings in the portfolio is unmatched by other AIM focused VCT offers. | | | |
| 3) Every investor is provided with the core product services | VCT shares are issued in the relevant tax year | | ✓ | | 100% of investors allotted shares in the tax year requested. We have typically had fewer than 0.1% of AIM VCTs investors express dissatisfaction annually. | ✓ | | 100% of investors allotted shares in the tax year requested. We have typically had fewer than 0.1% of AIM VCTs investors express dissatisfaction annually. No complaint has ever been upheld by the FOS. |

*Due to the VCTs merging, outcomes are considered 2010 rather than since inception

**A good outcome for customers was achieved over the review period.**

# Consumer understanding

## A good outcome for our customers is being able to understand all of our communications and collateral to make informed investment decisions

| We have defined a good outcome as | How we asses it | Last 12 months / most recent assessment: |
|---|---|---|
| All of our customer communications and fin proms have gone through the defined production process | Has all material left the building with the relevant sign-offs? | ✓ |
| The benefits and risks of the product are clear and not misleading in our collateral | Has a readability assessment been carried out on core collateral at launch or if there has been a major change? | ✓ The collateral scored a "Plain English" outcome |
| Our core collateral provides enough information to allow our customers to decide whether or not to invest in the product | Has a focus group been held at which at least 50% of participants were from the target market, where the majority understood the following from the core product collateral?<br>- the product risks<br>- the product benefits<br>- reasons to invest<br>- tax reliefs available | ✓ |
| The tax reliefs offered by the product are clear in our material | | |

**A good outcome for customers was achieved over the review period.**

# Consumer support

## A good outcome for customers is when they have been supported throughout their journey with us

| Category | We have defined a good consumer outcome as: | Last 12 months: |
|---|---|---|
| Customer service resource | We have accessible and appropriate customer service resource (email, phone, in person) including a dedicated intergenerational planning team and we are within our SLAs | ✓ |
| Customer journey | All customers receive timely communications at identified touchpoints | ✓ |
| Avenues for feedback | Customers continue to use various methods to tell us where things could work better | ✓ |
| Feedback received | The Customer Feedback report is reviewed monthly and acted on where appropriate | ✓ |
| Complaints - responsiveness | All complaints are responded to within 2 days and concluded within 8 weeks | ✓ |
| Complaints - severity | No complaint is upheld by FOS | ✓ |
| Provisions for vulnerable clients | Vulnerable customers are identified, MI is reviewed, and actions taken to accommodate them | ✓ |
| Service team | Overall happiness score based on service from team is over 95% | ✓ |
| Abandoned calls | Abandoned calls are less than 3% | ✓ |
| 3rd Party Suppliers | Feedback reviewed monthly and acted on where appropriate | ✓ |

**A good outcome for customers has been achieved over the review period.**

# Technical product information

# Target market – European MIFID template

| | | Codes | Additional information |
|---|---|---|---|
| **Investor type** | Investor type retail | Yes | |
| | Investor type professional | Yes | |
| | Investor type eligible counterparty | Yes | |
| **Knowledge and / or experience** | Basic investor | Yes | |
| | Informed investor | Yes | |
| | Advanced investor | Yes | |
| **Client ability to bear losses** | Compatible with clients who can not bear capital loss | No | |
| | Compatible with clients who can bear Limited capital loss | Neutral | The product itself has the potential for 100% capital loss however it is compatible in a portfolio of investments where limited capital loss being achieved through other elements of the portfolio. Moreover, 30% up front tax rebate offers a form of limited capital loss. |
| | Compatible with clients who do not need capital guarantee | - | |
| | Compatible with clients who can bear loss beyond Capital | Yes | |
| **Client objectives and needs** | Return profile preservation | Neutral | The product is not designed to preserve capital however it is compatible in a portfolio of investments where capital preservation is the key objective |
| | Return profile growth | Yes | VCTs target total return growth, this is typically returned in the form of tax-free dividends |
| | Return profile income | Neutral | |
| | Minimum recommended holding period | L | 5 years (long term investment horizon and minimum holding period to retain up front income tax benefit) |
| | Specific investment need | N | |
| **Distribution strategy** | Execution only | B | |
| | Execution with appropriateness test or non advised services | B | |
| | Investment advice | B | |
| | Portfolio management | B | |
| **Risk tolerance** | Risk tolerance PRIIPs methodology | 6 | |
| | Risk tolerance internal methodology for non PRIIPs and non UCITs | - | |
| Value for money | Outcome of assessment of value | 1 | 1 – charges are justified based on assessment and any action identified or, where the first assessment is not yet due, based on initial product design<br>2 – charges are not justified, significant action is required |
| | Outcome of value assessment or review | 1 | 1 – product expected to provide fair value for reasonably foreseeable period<br>2 – review indicates significant changes required in order to provide fair value |

Please note we have only included the relevant information applicable to this product from the template

# Definitions and key

| Basic investor | Informed investor | Advanced investor | Key | Negative target market: |
|---|---|---|---|---|
| **Investors having the following characteristics:**<br>• basic knowledge of relevant financial instruments (a basic investor can make an informed investment decision based on the regulated and authorised offering documentation or with the help of basic information provided by point of sale);<br>• no financial industry experience, i.e. suited to a first time investor | **Having one, or more, of the following characteristics:**<br>• average knowledge of relevant financial products (an informed investor can make an informed investment decision based on the regulated and authorised offering documentation, together with knowledge and understanding of the specific factors/risks highlighted within them only)<br>• some financial industry experience | **Investors having one, or more, of the following characteristics:**<br>• good knowledge of relevant financial products and transactions<br>• financial industry experience or accompanied by professional investment advice or included in a discretionary portfolio service | **1** = ISO 6166 for ISN code<br>**99** = Code attributed by the undertaking<br>✓ = Yes<br>✗ = No<br>**Neutral** = neutral<br>***Risk Tolerance PRIIPS Methodology** = Range of 1-7 or Empty<br>**H** = High<br>**Long Term** = L<br>**Other** = O<br>**P** = Professional<br>**B** = Both (Retail and professional)<br>*** Distribution Strategy** = N = Neither (Retail and Professional) | **We have considered whether there any other customer groups for whom the service would be unsuitable.**<br>• investors who are not willing to take any risk with this investment<br>• Investors who need access to this investment in the short-term |

# Fees charged for the Octopus AIM VCTs

## Investing through an adviser

| Type of charge | Rate | Occasion of charge |
|---|---|---|
| Initial fee | 3% | On investment |
| Annual management fee | 1.5% | Ongoing |

The above fees relate to the product fees charged by Octopus Investments. Separate charges, such as adviser payments may be facilitated in addition to the above.

## Direct/execution-only

| Type of charge | Rate | Occasion of charge |
|---|---|---|
| Initial fee | 5.5% | On investment |
| Non-advised ongoing charge | 0.5% | Annually |
| Annual management fee | 1.5% | Annually |

Octopus 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, while the adviser charges may be paid.

The Octopus AIM VCTs place invested capital at risk. The value of an investment, and any income from it, can fall as well as rise and investors may not get back the full amount invested. In particular, the shares of VCTs could fall or rise in value more sharply than shares in larger, more established companies. They may also be harder to sell.

Tax reliefs available on these investments depend on individual circumstances. Tax treatment is assumed as per current legislation and interpretation, which may change in the future. Tax reliefs also depend on the portfolio companies maintaining qualifying status, which is not guaranteed.

Past performance is not a reliable indicator of future results.

The investments discussed are not suitable for everyone. This document does not constitute advice on investments, legal matters, taxation or any other matters. Any recommendation should be based on a holistic review of a client's financial situation, objectives and needs.

**This advertisement is not a prospectus. Investors should only subscribe for shares based on information in the prospectus and Key Information Document (KID), which can be obtained from octopusinvestments.com.**

Investors should read the product brochure before deciding to invest, this can be found at **octopusinvestments.com.**

All information, unless otherwise stated, is sourced from Octopus Investments and is correct at September 2024.

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