



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

Octopus Ventures EIS Service: Consumer Duty product pack for distributors

April 2023

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: **£12.8bn**
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 9 years running



Strong balance sheet:



- 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.



¹Octopus to 31 January 2023. Funds Under Management data includes undrawn commitments, funds under advisory mandates and funds monitored. 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 inception (2020)
Diversification target: portfolio of around 10 – 15 companies	✓	
Deployment target: all funds deployed within 6 – 12 months	✗	✗
Tax relief: 100% of companies are EIS-qualifying at the time of investment	✓	✓
Target liquidity: exits realised within 5 – 10 Years	N/A	N/A
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	✓	✓
Product passed annual stress and scenario testing	✓	✓



A good outcome for customers has been achieved over the review period, despite not meeting all targets. Over the period we missed our 12 month deployment target for one fundraising group by 2 months, all others were deployed within our goals.

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			Since inception (Nov 2020)		
		✓	✗	Evidence	✓	✗	Evidence
1) Every investor is provided with the core product services	All investors are allocated a portfolio of around 10-15 companies each capable of achieving 10x	✓		All investors allocated portfolios of around 10-15 companies with the potential to grow by 10x over the long term. Average number of companies in a portfolio over the last 12 months is 16.			All investors allocated portfolios of around 10-15 companies with the potential to grow by 10x over the long term. The smallest portfolio comprises 7 companies and the largest comprises 19. Average number of companies in a portfolio since inception is 15.
2) Important product outcomes are achieved for every investor	Companies are EIS-qualifying at the time of investment.	✓		All 38 investments were assessed as EIS-qualifying at the time of investment.	✓		Of the 80+ investments made to date, all were assessed as EIS qualifying at the time of investment.
	Full deployment within 12 months.	✗		The average time taken to fully deploy a portfolio is 12 months. We missed the target on one fundraising group by 2 months.	✗		The average time taken to fully deploy a portfolio since inception is 9.5 months. Longest time taken is 14 months shortest is 5 months
	Investment performance	N/A		Too early to evidence. No exits to date however every initial stage investment has been assessed by Octopus Ventures as having the potential to grow by 10x			
	Securing successful exits.	N/A		No exits to date – this is a long term investment with a 5-10 year expected exit trajectory. Octopus Ventures has a track record of exiting companies within the timeline, both through sales to larger businesses (e.g. Tails.com to Nestlé Purina PetCare, SwiftKey to Microsoft, Evi Technologies to Amazon, and Depop to Etsy) or to investment firms looking to back more mature businesses (e.g. Graze.com to Carlyle).			
2) It is not possible for an investor to achieve an equivalent product or service for a lower fee	EIS portfolios identified with similar overall pricing but none offer customers the same proposition	✓		Pricing – AMC is deferred until exit and contingent on performance. This maximises the capital invested in each company upfront which is beneficial for both tax relief and capital growth. It also ensures Octopus is only paid on successful exits. Proposition – Managed by one of the largest specialist venture focused investment teams in Europe which brings benefits in terms of quality of deal access, support for portfolio companies in growing towards and securing a successful exit. Coinvested with the UK's biggest VCT bringing diversification and pipeline benefits.			



A good outcome for customers has been achieved over the review period, despite not meeting all targets. Over the period we missed our 12 month deployment target for one fundraising group by 2 months, all others were deployed within our goals.

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 assess 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? <ul style="list-style-type: none">- the product risks- the product benefits- reasons to invest- 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 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%	✓
3 rd Party Suppliers	Feedback reviewed monthly and acted on where appropriate	✓



A good outcome for customers was 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	Neutral	Has the potential to be suitable for a basic investor who receives advice in relation to this investment
	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 offers no capital protection however may be suitable as part of a portfolio. 30% initial income tax relief may provide some mitigation, alongside other EIS reliefs where relevant.
	Compatible with clients who do not need capital guarantee	N/A	
	Compatible with clients who can bear loss beyond capital	Yes	
Client objectives and needs	Return profile preservation	Neutral	The service is not designed to preserve capital, however could form part of a wider portfolio where Capital Preservation is the primary objective.
	Return profile growth	Y	
	Return profile income	Neutral	The service is not designed to provide income, however could form part of a wider portfolio which primary objective is to provide income.
	Minimum recommended holding period	L	There is no specific holding period for the service, however EIS qualifying investments need to be held for at least 3 years. As investments will be made into illiquid companies the investment is expected to be held for 5-10 years
	Specific investment need	O	The service is designed to purchase shares in EIS qualifying companies, therefore investors benefit from a range of tax reliefs designed to offset some of the risk of smaller company investing. It is targeting high growth from unlisted companies that are often uncorrelated with more mainstream investments.
Distribution strategy	Execution only	B	
	Execution with appropriateness test or non advised services	B	Non-advised investors must complete a suitability questionnaire that considers their understanding and experience. Preference for advice.
	Investment advice	B	
	Portfolio management	B	
Risk tolerance	Risk tolerance PRIIPs methodology	-	
	Risk tolerance internal methodology for non PRIIPs and non UCITs	H	
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 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 2 – review indicates significant changes required in order to provide fair value

Definitions and key

Basic investor	Informed investor	Advanced investor	Key	Negative target market:
<p>Investors having the following characteristics:</p> <ul style="list-style-type: none"> • 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); • no financial industry experience, i.e. suited to a first time investor 	<p>Having one, or more, of the following characteristics:</p> <ul style="list-style-type: none"> • 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) • some financial industry experience 	<p>Investors having one, or more, of the following characteristics:</p> <ul style="list-style-type: none"> • good knowledge of relevant financial products and transactions • financial industry experience or accompanied by professional investment advice or included in a discretionary portfolio service 	<p>1 = ISO 6166 for ISN code 99 = Code attributed by the undertaking ✓ = Yes ✗ = No Neutral = neutral *Risk Tolerance PRIIPS Methodology = Range of 1-7 or Empty H = High Long Term = L Other = O P = Professional B = Both (Retail and professional) * Distribution Strategy = N = Neither (Retail and Professional)</p>	<p>We have considered whether there any other customer groups for whom the service would be unsuitable.</p> <ul style="list-style-type: none"> • Investors who are not willing to take any risk with this investment • Investors who need immediate access to this investment • Investors with less than £25,000 to invest • Investors that have an investment horizon shorter than five years • Investors that need the investment to pay an income or a predictable return profile • Inexperienced investors who are not in receipt of financial advice

Fees charged for Octopus Ventures EIS Service

Adviser charging

Type of charge	Rate	Occasion of charge
Initial fee	2%	On investment
Dealing fee (in/out)	1%	On purchase and sale of shares
Annual management fee	2%+ VAT per annum	AMC is deferred and contingent on performance. The AMC accrues annually but will be deferred on each holding until a company is sold. It will only be taken if a company has delivered a positive return and only from the proceeds in excess of the initial investment in that company.
Performance fee	20%+ VAT	On sale of a company, and only if a hurdle rate of 100% has been reached. A performance fee will only be taken if a company in your portfolio is sold for more than the amount invested. This is charged on a company-by-company basis, rather than the overall portfolio itself. AMC and performance fee cannot exceed the profits on sale.

Direct/execution-only

Type of charge	Rate	Occasion of charge
Initial fee	4%	On investment
Dealing fee (in/out)	1%	On purchase and sale of shares
Annual management fee	2%+ VAT per annum	AMC is deferred and contingent on performance. The AMC accrues annually but will be deferred on each holding until a company is sold. It will only be taken if a company has delivered a positive return and only from the proceeds in excess of the initial investment in that company.
Performance fee	20%+ VAT	On sale of a company, and only if a hurdle rate of 100% has been reached. A performance fee will only be taken if a company in your portfolio is sold for more than the amount invested. This is charged on a company-by-company basis, rather than the overall portfolio itself. AMC and performance fee cannot exceed the profits on sale.

The Octopus Venture EIS places 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 smaller companies 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.

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 March 2023.

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