

Invest for your family's future

Octopus AIM Inheritance Tax Service

March 2024





Three tax solutions, one expert provider.

Find out more by visiting octopusinvestments.com

About this investment

For UK investors only

- The Octopus AIM Inheritance Tax Service 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 15**.
- The key risks associated with this product are explained in full on **page 16** 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 make sure their will is drafted so their estate will benefit from available inheritance 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 2023, unless stated otherwise.

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Since its launch in 2005, the Octopus AIM Inheritance Tax Service has helped thousands of investors to plan for the future. And it could help you too.

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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.

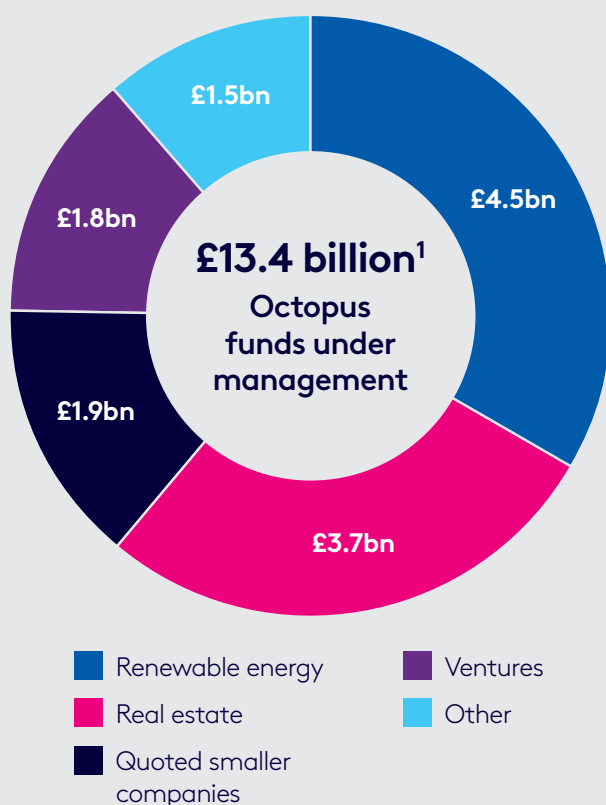


Seen us before?

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 five years running.

A trusted fund manager

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



¹ Octopus, 31 December 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. The assets under management figures may not sum due to rounding.

² By Funds under management, The Association of Investment Companies, April 2023.

³ By funds under management. Comprehensive Analysis of Business Relief Offers, Tax Efficient Review, 1 March 2023.

24 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 trusts² and investments that qualify for relief from inheritance tax.³ And we're still looking for new ways to improve people's financial lives. Today, we have more than 750 employees and manage £13.4 billion on behalf of tens of thousands of investors.¹



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.

GROWTH INVESTOR
2023 | AWARDS
BEST EIS INVESTMENT MANAGER
(NEW ENTRANT)



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.

Introducing the Octopus AIM Inheritance Tax Service

You don't have to be particularly wealthy to leave behind a large inheritance tax bill when you die. But there are ways to invest that could help you to pass on more of your wealth to your family.

If you've been carefully building up assets throughout your life, you probably want to pass on as much of your estate as you can to your family when you die. If you don't plan ahead, the part of your estate that exceeds the inheritance tax threshold of £325,000 could be taxed at 40%. That means that your family may miss out on a significant portion of your wealth.

Traditional estate planning solutions can be inflexible. For example, if you give away your assets to family and friends during your lifetime, these gifts take seven years before they become exempt from inheritance tax. Similarly, putting assets into a trust also takes seven years before the value of the assets falls outside of your taxable estate. Both of these options result in you no longer being able to access your wealth if you need to, and for many people, giving away their hard-earned money and investments can be very unattractive.

More families affected by inheritance tax

The current nil-rate band of £325,000 for inheritance tax is expected to 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 increased by £25,000 every April until 2020, when it reached £175,000. However, forecasts show that HMRC's inheritance tax receipts are expected to continue to rise.¹

How the Octopus AIM Inheritance Tax Service can help

The Octopus AIM Inheritance Tax Service invests in a diversified portfolio of smaller companies listed on the Alternative Investment Market (AIM) and targets growth. As we only select companies which meet the government-approved requirements for Business Relief (BR), the shares should become exempt from inheritance tax after just two years, provided they are still held when you die.

Our highly-experienced Quoted Smaller Companies team have been managing our Octopus AIM Inheritance Tax Service since 2005 and ISA since 2013. They will create a portfolio of AIM-listed shares for you, selecting companies that offer growth potential and that should qualify for BR. Holdings are monitored on a day-to-day basis, with the team making investment decisions. As it's an investment, you can make top-ups to or withdrawals from your portfolio by selling shares whenever you want to. We can usually sell shares within a week; however, in some instances it could take significantly longer.

Remember

The benefit of tax relief depends on individual circumstances and tax legislation could change in the future. The Octopus AIM Inheritance Tax Service is a portfolio management service that invests in the shares of AIM-listed companies. You should make sure you are comfortable with the risks that come with investing in smaller companies. These risks are explained on [page 16](#).

¹Source: HM Treasury Budget, April 2023.

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 is 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 [hmrc.gov.uk](https://www.hmrc.gov.uk). To find the relevant pages, just type 'Business Relief' in the search box.



Your Octopus AIM Inheritance Tax Service portfolio

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

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

Companies are chosen after detailed research, which will 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 around 20-30 AIM-listed 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 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.

Key benefits

More of your wealth can be passed on to your family

The Octopus AIM Inheritance Tax Service invests in companies that are expected to qualify for relief from inheritance tax. It can be an effective way to reduce or potentially even eliminate an inheritance tax bill that your family may otherwise have to pay on your estate.

Speed

Your investment should become free from inheritance tax after just two years – as long as you still hold the shares at the time of your death. Most forms of estate planning (such as gifts or simple trusts) take seven years to become fully exempt from inheritance tax.

A simple process

This is an investment in shares that we select for you. This means there are no complicated legal structures (as with a trust) and no medical underwriting (as with an insurance policy).

Access to your investment

You can ask us to sell your shares at any time, and we will then return the proceeds to you.

Potential for growth and dividends

The Alternative Investment Market 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.

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 than shares listed on the main market of the London Stock Exchange, 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 the 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-listed companies are not as easy to buy and sell as companies listed on the main market of the London Stock Exchange. This means that the availability and timing of withdrawals from the service cannot be guaranteed.

We explain the risks of this service in more detail on **page 16**. 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 Service can reduce your family's inheritance tax bill is to look at an example.

Colin is 73 years old. His home and savings are valued at more than £500,000. He also has investments worth £200,000. The total value of Colin's estate is more than the current nil rated band of £325,000 once the residence nil rate band has been applied against his home. When he dies, the beneficiaries of his estate would be left facing an inheritance tax bill of around £80,000 on these investments.

After talking to his financial adviser and confirming he's comfortable with the risks, Colin sells his investments¹ and invests the proceeds in the Octopus AIM Inheritance Tax Service. The paperwork is straightforward, so all Colin 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.

Unlike many other estate planning solutions, as the Octopus AIM Inheritance Tax Service is an investment, Colin still has access to it should his circumstances change. If he later decides to sell some of his shares, it will not affect the inheritance tax relief available on his remaining investment.

When Colin passes away, as long as he has held his shares for at least two years, then the service could save his family more than £80,000. 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 Service should become free from inheritance tax after just two years, provided they are held at the time of death.

¹Note: Capital gains tax may be payable if Colin's portfolio has increased in value.

Comparing the impact of inheritance tax on a £200,000 non-BR-qualifying share portfolio vs selling and investing the proceeds into the Octopus AIM Inheritance Tax Service.

	Keeps existing portfolio	Invests into Octopus AIM Inheritance Tax Service
Gross investment	£200,000	£200,000
2.5% initial charge for an advised investor	N/A	£5,000
1% dealing fee	N/A	£1,931
Net investment subscribed for shares	£200,000	£193,069
Annual Management Charges incurred over two years (1.5% +VAT for advised investors)	£7,484	£7,225
Estimated dealing fees incurred over two years	£419	£404
Net value of investment after two years, assuming growth of 5% each year	£215,389	£207,925
Amount lost through 40% inheritance tax on death	£86,155	N/A
1% dealing fee on disposal	£2,154	£2,079
Value of portfolio passed on to beneficiaries	£127,080	£205,846
By investing in the Octopus AIM Inheritance Tax Service, Colin could pass an extra £78,766 of wealth on to his family.		

We have used an illustrative annual growth rate of 5% year but the value of both investments would be subject to market movements. In reality, the value of an investment in the Octopus AIM Inheritance Tax Service 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 Service. 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. Please refer to [page 22](#) for a full list of charges, including the additional fees and charges applicable to non-advised applications.

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 can help create buying opportunities for long-term investors like us, as we can often invest in good companies at a discount.

The value of active management

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.

Smaller companies can offer the potential for earnings growth that isn't found to the same extent in larger companies.

Supporting UK growth companies

With a combined market capitalisation of £103 billion, AIM is the world's most successful market for ambitious fast-growing smaller companies.¹

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 Service have been operating for more than 100 years.

The 28 companies currently on the buy list for the Octopus AIM Inheritance Tax Service share some impressive statistics:²

- Average turnover (forecast): £374 million.
- Average profit before tax (forecast): £49.6 million.
- Average dividend yield: 2.12%.

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 facts¹

AIM was launched in 1995 by the London Stock Exchange.

It is currently home to nearly 750 companies, with a combined worth of more than £79 billion.

Growth companies³

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

Octopus invested since: 2007

Market capitalisation: £679.4 million

Forecast profit: £67.2 million for the year until September 2024⁴

CVS plc is one of the leading integrated veterinary services providers in the UK. The group includes over 500 veterinary surgeries throughout the UK and Netherlands, seven referral practices, four diagnostic laboratories, seven pet crematoria, Animed Direct, an online pharmacy and retailer selling medicines, pet food and other animal related products.

Market capitalisation: £1,205 million

Forecast profit: £87.2 million until June 2024⁵

Gamma Communications plc is a technology-based provider of communication services to the UK and European business markets. The Group is a leading provider of Unified Communications as a Service (UCaaS) supplying communications solutions to a network of over 1,000 channel partners, as well as directly. The company now has over 1,500 employees.

Market capitalisation: £1,114.0 million

Forecast profit: £90.9 million until December 2023⁶

¹London Stock Exchange, 31 December 2023.

²Octopus Investments, 31 December 2023.

³All market caps as at 31 December 2023.

⁴Renew Holdings plc, Factset, Octopus Investments, Numis Securities 31 December 2023.

⁵CVS plc, Factset, Octopus Investments, Numis Securities 31 December 2023.

⁶Gamma Communications plc, Factset, Octopus Investments, Peel Hunt LLP 31 December 2023.

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 850 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 over £1.9 billion¹ across a range of Octopus products, including Octopus AIM VCT plc, Octopus AIM VCT2 plc, FP Octopus UK Micro Cap Growth Fund and FP Octopus UK Multi Cap Income Fund.



Richard Power



Kate Tidbury



Chris McVey



Edward Griffiths



Dominic Weller



Mark Symington



Jessica Sweeney



Charles Lucas



Freda Isingoma



Ben Tyson



Ross MacSween



Martin Jager

¹FuM as of 31 December 2023.

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.

	12-month performance for the period ended					Inception (30/06/05) to 31/12/23
	31/12/2023	31/12/2022	31/12/2021	31/12/2020	31/12/2019	
Median Octopus AIM ITS Performance	-7.09%	-32.17%	18.41%	-0.48%	21.82%	176.80%
FTSE AIM All-Share Total Return	-6.40%	-30.67%	6.12%	21.75%	13.26%	5.85%
FTSE SmallCap (excluding IT) Total Return	10.37%	-17.31%	31.26%	1.65%	17.68%	209.91%
FTSE All-Share Total Return	7.92%	0.34%	18.32%	-9.82%	19.17%	214.67%

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.

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.

As the Octopus AIM Inheritance Tax Service 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 value of your investment 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.

On a day-to-day basis, the value of AIM-listed companies can fall or rise more sharply than shares in larger companies listed on the main market of the London Stock Exchange.

You cannot rely on past performance

You should not consider the past performance of the investment to be a reliable indicator of future results.

Investment horizon

Investments in the Octopus AIM Inheritance Tax Service are designed to be held for the long term. It will typically take up to eight weeks from the date we receive your application for your portfolio to be fully invested.

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

The investment may be difficult to sell

The shares of AIM-listed companies can be harder to sell than those of big companies, such as BP or Vodafone. If you decide to sell shares, we may not be able to sell them immediately.

There may be new tax rules in the future

Rates of tax, tax benefits and tax allowances are based on current legislation, interpretation based on case law and HMRC practice. We can't guarantee that the tax rules won't change in the future. Also, the value of tax reliefs depend on your own 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 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.

In the event that BR is not available in respect of any of the companies in your portfolio, the value of your shares in those companies will be subject to inheritance tax.

Amounts held in cash at the time of death will not benefit from BR.

Will drafting

It is important to keep your will up to date. This is particularly relevant after you've made significant changes to your investments – for example after choosing to invest in the Octopus AIM Inheritance Tax Service. 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.



Investing in the Octopus AIM Inheritance Tax Service

We always recommend taking financial advice before making any investment decisions. Your financial adviser will be able to help you understand if this investment is right for you.

Making an initial application

If you wish to invest, you should complete the application form and send it back to us with your initial investment. The minimum initial investment is £25,000 and you can invest as much as you like. After we've opened your Octopus AIM Inheritance Tax Service portfolio, you can make additional contributions of £20,000 or more at any time. 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.

Setting up your investment

Upon receiving your application, we place your money into our client bank account, before using it to make your investment. It can take up to eight weeks for us to purchase shares on your behalf. The two-year minimum holding period required for BR starts from the date we invest your money in qualifying shares.

Keeping you informed

We'll send you quarterly valuation reports, so you can see the progress of your investment. You can also call our investor support team or visit our online secure website at octopusinvestments.com at any time.

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. If you make a withdrawal, you may have to pay tax on any growth achieved on that portion of your investment.

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 Service investment and send it to HMRC as part of the probate process. Executors then have three options:

- They could ask us to sell the portfolio and pass the money to your beneficiaries.
- They could keep the portfolio invested for beneficiaries (if it qualified for BR on your death, then it will also be outside beneficiaries' estates for inheritance tax).
- They could ask us to use the portfolio to pay any inheritance tax on your other assets, such as your home, directly to HMRC.

In all cases, there should be no inheritance tax bill on your Octopus AIM Inheritance Tax Service investment, as long as you have held it 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.

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 £9.9 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 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 Service is managed responsibly

Environmental, Social and Governance integration.

The Alternative Investment Market (AIM) is the UK's highly successful junior market, which provides a platform for some of the UK's most exciting, high growth businesses to access capital. Since launching in 1995 it has raised over £130 billion to help these businesses scale-up. Nearly 750 companies are currently listed on AIM, representing a wide range of sectors from across the UK. Octopus is proud to have backed in excess of 100 of these businesses on behalf of our investors and are currently invested in over 40 businesses.

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

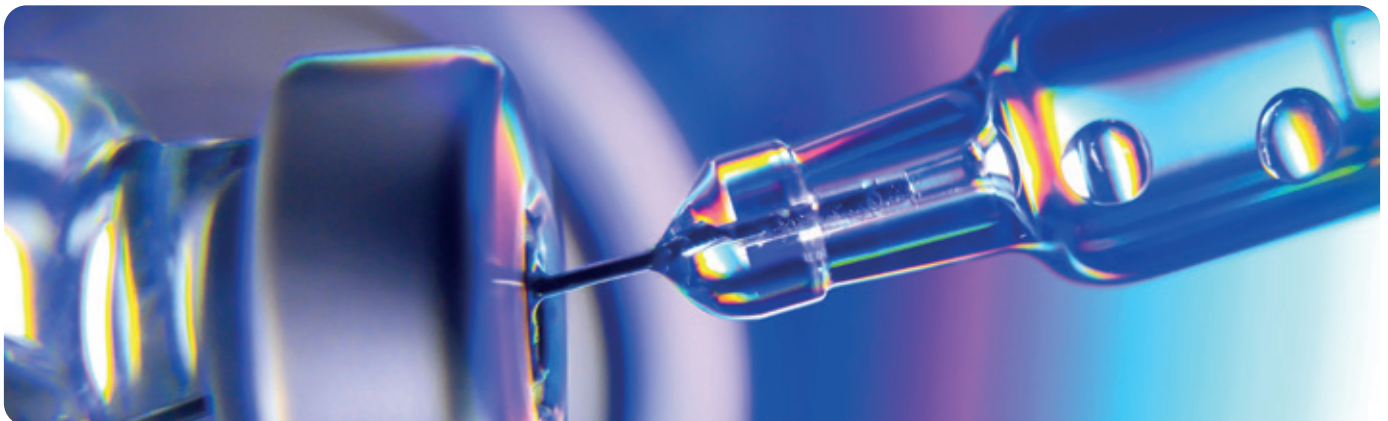
companies), so we assess whether weaknesses exist and whether management can address these weaknesses. We take part in consultations on remuneration and challenge Non-Executive Directors to align with company objectives, aiming to influence by giving feedback to corporate advisers, meeting with non-executive 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.



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.

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.

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.

Annual management charge

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

We encourage our investors to seek financial advice when making investment decisions. We therefore charge a higher fee to investors who have not taken advice. If you are investing directly or through an intermediary, you'll need to complete a suitability questionnaire. This can be found at octopusinvestments.com.

If you are investing through an adviser

Octopus initial charge:	2.5%
Initial charge to your adviser:	Agreed with your adviser
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: (1% of which will be paid to your introducing agent unless indicated otherwise on your application form)	3.5%
Annual management charge: (including 0.5% which will be paid to your introducing agent)	2%+VAT per annum

If you are investing directly

Octopus initial charge:	3.5%
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. They will be able to help you decide whether this investment is suitable for you, and they can also help you to complete your application. 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.

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.

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, 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**.



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