

PRODUCTS THAT PERFORM PEOPLE THAT LISTEN

# OCTOPUS VCT PORTFOLIO SERVICE AND SIPP

INVESTOR BROCHURE



# WHO IS THE SERVICE FOR?

- Investors holding more than one VCT, or those expecting to build a VCT portfolio over time
- Investors with VCTs that have passed the required tax relief period and are keen to make their investment work harder
- Investors who have deferred CGT through VCTs and want to avoid crystallising the gain
- Investors holding VCTs where liquidity is low, especially where a buyback option is not available
- Investors seeking tax-free dividends by bolstering their existing VCT portfolio with second-hand VCT shares



MR DANIELS INVESTOR

## EXAMPLE

Mr Daniels pays income tax in the 40% band, and has three VCTs worth a total of £30,000 which have all passed their five year period to qualify for income tax relief. He wants to make his investments work harder, and so moves his shares into the VCT Portfolio Service and opens an Octopus SIPP.

He benefits from an additional 20% income tax relief within the SIPP, and a further 20% tax rebate as he is a higher rate tax payer. This equates to a SIPP value of £37,500 with a further £7,500 in cash.

### MOVE INTO VCT PORTFOLIO SERVICE AND SIPP

Value of VCT shares	£30,000
Value in VCT Portfolio	£30,000
SIPP income tax relief	£7,500*
<b>Total SIPP value</b>	<b>£37,500</b>
Higher rate tax relief	£7,500*
<b>Total value</b>	<b>£45,000</b>

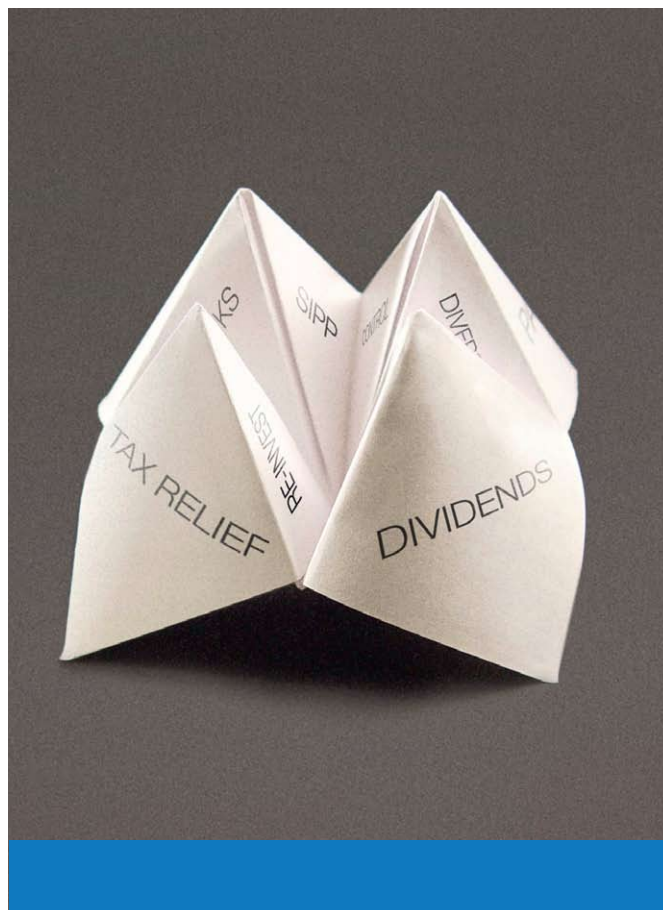
\* 20% of the total amount in SIPP

You should consider a wide range of factors to determine whether the VCT Portfolio Service, and the Octopus SIPP, are suitable for your situation. For example, it is important to review the tax implications of the investment, including any CGT being deferred in the VCTs that would have been crystallised by transferring the shares into the SIPP. Additionally, money in the SIPP will be taxed when it is drawn down.

# THE PRODUCT

The Octopus VCT Portfolio Service delivers a unique solution to investors in VCTs. By transferring the management of VCT shares to Octopus, we can aggregate investor influence and drive significant improvements in VCT management, raising the bar of the industry as a whole. We believe that this will ultimately lead to improved liquidity in the VCT market, and drive VCT performance overall.

We also aim to improve the investor experience by consolidating the reporting and payment processes to deliver a VCT portfolio that is easier to monitor and manage.



# INVESTOR BENEFITS

- **IMPROVED VCT MANAGEMENT**  
Octopus will encourage the adoption of best-of-breed management practices
- **SIMPLICITY**  
Investors get their VCT information in one place for easier portfolio management
- **ADDITIONAL TAX BENEFITS**  
Option to transfer mature VCTs to a SIPP for further substantial tax reliefs
- **POTENTIALLY INCREASED LIQUIDITY**  
As the service grows and creates a secondary market for VCT shares

# ABOUT OCTOPUS

## A DIFFERENT KIND OF INVESTMENT COMPANY

At Octopus, our success has come from listening to our customers, designing investment products that meet their needs and providing a level of service which, we believe, is unmatched within the industry.

## PRODUCTS THAT MEET CLIENT NEEDS

At Octopus, we design products that offer investment benefits you won't find anywhere else. It's this innovation, coupled with our track record, that has meant our funds under management have risen tenfold over the last four years, at a time when most of our competitors have gone backwards. This extraordinary record of success has also attracted some of the most experienced investment professionals around to work for us. So you can be sure investments with us are in the best possible hands.

## VCT EXPERTISE

Octopus is a leading VCT manager in the UK, with 15 VCTs under management, including the largest VCT in terms of fundraising in the 2008-09 tax year. We've been voted 'VCT Provider of the Year' in the Professional Adviser Awards three years running, and are AAA rated in the Citywire Service Index.

# WHAT DO YOU GET?

- Quarterly consolidated dividend payments
- Quarterly portfolio summary by email or post
- 24/7 access to our secure website, featuring:
  - An easy-to-understand overview of your VCT investments
  - Ongoing commentaries on every VCT in the market
  - Links to published VCT information, such as annual and interim reports
- Bespoke reports on our voting activities on specific VCTs

# MAKING YOUR INVESTMENTS WORK HARDER

If you hold VCT shares that have already passed through the minimum holding period to retain the income tax relief (three to five years, depending on when your client invested), you may wish to transfer the VCT shares into a Self Invested Pension Plan (SIPP) in order to benefit from additional tax incentives.

Octopus has designed a SIPP for use by investors in our VCT Portfolio Service. Once the VCT shares have been moved into the SIPP, Octopus will manage these VCT shares on your behalf and will provide you with the same reporting service as if the shares were held in the VCT Portfolio Service.

It should be noted that moving VCT shares into a SIPP is treated as a disposal for tax purposes, and so has implications for investors sheltering CGT gains or whose VCTs have not yet reached the end of the minimum holding period for income tax relief.

SIMPLE AND EFFECTIVE VCT PORTFOLIO CONTROL



ACTIVE MANAGEMENT TO DRIVE BEST PRACTICE



OPTIONAL MOVE TO SIPP

# CHARGES

## PORTFOLIO CHARGES

There is no initial charge on VCT shares transferred into the service. There is a 0.75% + VAT annual management fee charged on the value of your portfolio, paid quarterly in advance, although 0.5% of this is waived for VCTs held in the service where Octopus is the VCT investment manager. Octopus will pay your financial adviser trail commission of 0.25% of the value of your portfolio from your annual management fee.

There is an initial charge of 5% for cash invested into the service, of which 2.5% is payable to your financial adviser. A dealing fee of 1% will be charged on all purchases and sales of shares held in your Portfolio, which will cover administration, settlement and brokers fees. Stamp duty reserve tax of 0.5% will also be payable on purchases.

## OCTOPUS SIPP

If you choose to open an Octopus SIPP, there is an annual SIPP administration charge of £150 + VAT, paid quarterly in advance. You will also bear the other charges set out above in relation to the management by Octopus of your VCT investments.

The other charges that may be payable in relation to the SIPP are as follows:

- Transfer in/out £50 plus VAT
- Benefit calculations £100 plus VAT
- Pension payroll £100 plus VAT per annum

# FREQUENTLY ASKED QUESTIONS

## **WHAT IS THE MINIMUM AND MAXIMUM THAT YOU CAN INVEST?**

There is no minimum value of holdings in existing VCTs that you can transfer into the Octopus VCT Portfolio Service. If you wish to invest cash in the Service so that we can buy VCT shares on your behalf, there is a minimum investment of £5,000 in cash.

## **HOW DO I CHECK THE PROGRESS OF MY PORTFOLIO?**

A formal valuation will be sent to you every three months, but you can call us at any time. We will also make portfolio information available through the secure area of our website.

## **CAN I REQUEST THAT YOU SELL ALL OF MY VCT HOLDINGS?**

Yes, you can request that we sell the shares that you hold within the VCT Portfolio Service at any time. However you should bear in mind that VCT shares can be illiquid, meaning the sale price might not be as high as that quoted as the market price.

## **WHAT INFORMATION DO I NEED TO INCLUDE ON MY TAX RETURNS?**

Dividends received from VCTs are free of income tax (provided you have not acquired VCT shares above the maximum investment level in any one tax year). Therefore, you do not need to include information on these dividends on your tax returns. In addition, any capital gains made on VCT shares are free of capital gains tax and do not need to be declared on your tax returns.

However, it should be noted that if you invest in the Octopus SIPP and need to claim higher rate tax relief on your SIPP transfer you must do this via the self assessment tax return.

## **WHEN DOES THE SIPP RECEIVE THE TAX BENEFIT?**

The basic rate tax contribution will normally be added into the SIPP by HMRC between six and eleven weeks after the VCT shares are moved into it. Once this money has been received within the SIPP, Octopus will then invest that money (plus the dividend income, less charges) into more VCT shares from the secondary market.

# RISKS

You should not invest into the Octopus VCT Portfolio Service or open a SIPP unless you have carefully thought about whether it is right for you. The service may not be suitable for all investors. Potential investors are recommended to seek specialist independent tax and financial advice before investing. Please note that Octopus is not able to provide you with advice about this product.

## **PAST PERFORMANCE**

Past performance of VCTs is no guide to future performance and may not be repeated. We can make no guarantee of investment performance or the level of capital gains or income that will be generated from a portfolio of VCT shares. The value of investments and the income derived from them may go down as well as up and you may not get back the full amount invested.

## **CURRENT LEGISLATION**

Rates of tax, tax benefits and allowances described in this Brochure are based on current legislation and HM Revenue & Customs practice and may depend on personal circumstances. Tax rules and regulations are subject to change and are not guaranteed. Investments made into VCT shares traded on the secondary market do not entitle the purchaser to upfront income tax relief, although dividends paid to qualifying investors are free of income tax and any profits made on the disposal of VCT shares are free of capital gains tax (subject to certain limits).

## **QUALIFYING INVESTMENTS**

If you choose to invest cash into the VCT Portfolio Service, or for dividend income or SIPP tax relief to be reinvested into VCT shares, we will acquire for you investments which we reasonably believe to be VCTs that have received approval from HM Revenue & Customs at the time of acquisition, but please be aware that we give no commitment that any such investment in a VCT will remain a qualifying investment at all times thereafter. VCTs could cease to qualify, in which case the tax benefits applicable to that particular VCT will be lost.

# IMPORTANT INFORMATION

This document is intended for investors and is directed only at persons in the UK.

This document constitutes a financial promotion pursuant to Section 21 of the Financial Services and Markets Act 2000 and is issued by Octopus Investments Limited.

Your attention is drawn to the risk factors set out in this document. Nothing in this document should be regarded as constituting legal, taxation, investment, or other advice and prospective investors are advised to consult their own professional advisers before contemplating any investment. Any decision to invest in this product should be made on the basis of the information contained in this brochure, and the terms and conditions attached to the application form. Any references to tax laws or levels in this document are subject to change. Past performance is not a guide to future performance and may not be repeated. The value of shares can go down as well as up and you may not get back the full amount invested. You should consider an investment in this product as a long-term investment.

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## FOR FURTHER INFORMATION

Please contact us on **0800 316 2298** or visit our website:  
**[www.octopusinvestments.com](http://www.octopusinvestments.com)**

# OCTOPUS VCT PORTFOLIO SERVICE

- Questions and Answers
- Application Procedure
- Application Form
- Client Suitability Disclosure
- Customer Agreement

## QUESTIONS AND ANSWERS

**Q: What is the investment objective?**

A: If you transfer your existing VCT shares into the Octopus VCT Portfolio Service, we will manage those shares with the aim of maximising the long term value derived from those holdings.

If you invest cash in the Octopus VCT Portfolio Service, we will build you a diversified portfolio of VCTs managed by a number of different fund managers, including Octopus. Your portfolio will include exposure to generalist VCTs as well as VCTs that specialise in investing in AIM-listed companies. These shares will be bought in the secondary market, rather than by investing in VCTs at their launch.

**Q: What are the charges?**

A: There is no initial charge on VCT shares transferred into the Service. There is a 0.75% + VAT annual management fee charged on the value of your portfolio, paid quarterly in advance, although 0.5% of this is waived for VCTs held in the Service where Octopus is the VCT investment manager. Octopus will pay your financial adviser trail commission of 0.25% of the value of your portfolio.

A dealing fee of 1% will be charged on all purchases and sales of shares held in your Portfolio, which will cover administration, settlement and brokers fees. Stamp duty reserve tax of 0.5% will also be payable on purchases.

If you have any questions about the charges, please call one of the team on **0800 316 2298**.

**Q: How do I check the progress of my portfolio?**

A: A formal valuation will be sent to you every three months, but you can call us at any time, or view your portfolio online on our website, [www.octopusinvestments.com](http://www.octopusinvestments.com)

**Q: Can I withdraw money from the Octopus VCT Portfolio Service?**

A: Yes, you can ask us to liquidate your holdings. Please note that we can give no guarantee as to the proceeds that will be generated by liquidating

your holdings, particularly if you hold shares in certain VCTs which are especially illiquid.

If the VCT shares are held in the Octopus SIPP, please note that you will be subject to the HMRC rules governing the operation of SIPPs.

**Q: What is the minimum and maximum that I can invest?**

A: There is no minimum value of holdings in existing VCTs that you can transfer into the Octopus VCT Portfolio Service. If you wish to invest cash in the Service so that we can buy VCT shares on your behalf, there is a minimum of £5,000.

If you transfer shares into the SIPP, you will be subject to HMRC's rules governing the amount that can be invested in a SIPP. This depends on personal circumstances. You should also note that if you sheltered a capital gain in the VCT, the transfer into the SIPP will be treated as a disposal and the gain that had been sheltered will become taxable again.

**Q: Can I transfer shares in VCTs managed by Octopus into the Octopus VCT Portfolio Service?**

A: Yes, you can. We will waive 0.5% of the Service's management fee for shares in VCTs managed by Octopus.

**Q: How do I apply?**

A: Please complete the application form attached. Details on the application process are set out on page 4.

**Q: How do I open an Octopus SIPP?**

A: Please ensure that you have read and understood the information set out in the Octopus SIPP Key Features and the Octopus SIPP Terms of Business and then fill in the SIPP application form. All of the documents are available on our website, [www.octopusinvestments.com](http://www.octopusinvestments.com) or through your financial adviser. The HMRC rules governing SIPPs are complicated so if you have any questions about whether a SIPP is suitable for you, we recommend that you seek specialist advice from a financial

adviser. As a result of the long-term nature of VCTs, transferring VCTs into a SIPP may not be suitable for anyone aged 70 or over, or who is looking to buy an annuity in 5 years or less.

**Q: What are the charges for the Octopus SIPP?**

A: If you choose to open an Octopus SIPP, there is an annual SIPP administration charge of £150 + VAT, paid quarterly in advance. You will also bear the other charges set out above in relation to the management by Octopus of your VCT investments. The other charges that may be payable in relation to the SIPP are as follows:

Transfer in/out	£50 plus VAT
Benefit calculations	£100 plus VAT
Pension payroll	£100 plus VAT per annum

**Q: What are the tax consequences of transferring VCT shares into an Octopus SIPP?**

A: The transfer of VCT shares into an Octopus SIPP will be treated as a disposal of your shares from the perspective of your personal taxation. This means that it would not make sense to transfer into the SIPP VCT shares that are still within their minimum holding period (3 or 5 years, depending on which year you invested in the VCT) as you would have to repay the upfront income tax relief. In addition, if you had sheltered a capital gain in the VCT (which was possible for investments made into VCTs prior to 6 April 2004), by transferring the VCT shares into the SIPP you will be deemed to have sold your VCT shares, thereby re-crystallising the capital gain that you had deferred. You may wish to seek specialist tax advice on the implications of this.

**Q: Why do I need to complete a Power of Attorney form?**

A: In order to provide you with the benefits of the VCT Portfolio Service, such as consolidated income payments, we need to re-register your VCT shares into our nominee name. By signing the Power of Attorney form you grant us the authority to transfer

investments held in your name into the name of Octopus Investments Nominees Limited, a nominee company controlled by Octopus Investments Limited. The form is only valid for a period of six months, and is the simplest way of moving your VCT shares into the VCT Portfolio Service.

**Q: What do I need to send in with my application?**

A: Along with the completed application form you will need to send in the client suitability disclosure form, your share certificates for each VCT and the Power of Attorney form enclosed.

**Q: What should I expect after I invest?**

A: We will acknowledge receipt of your application by return post. Once your cheque has cleared (if applicable), we will send the proceeds to our custodian awaiting investment into VCT shares.

**Q: What information do I need to include on my tax return?**

A: Dividends received from VCTs are free of income tax (provided you have not acquired VCT shares in any one tax year above the maximum investment level) and you do not need to include information on these dividends on your tax return. In addition, any capital gains made on VCT shares are free of capital gains tax and do not need to be declared on your tax return. If you are a higher rate tax payer and you transferred VCT shares into the SIPP, then you will need to claim the tax relief available to you.

**Q: What do I need to do if I can't find my VCT share certificates?**

A: You will need to write to the registrars to request that they issue you with replacement certificates.

**Q: How do I view my investments online?**

A: When we receive your application for the VCT Portfolio Service, we will email you to start the web registration process. Please follow the instructions and your investments will be available to view in a secure, online environment within 24 hours.

# APPLICATION PROCEDURE

# VCT PORTFOLIO SERVICE

Please send the completed Application Form and Client Suitability Disclosure, together with your cheque or bankers' draft (if appropriate) and your share certificates and signed Power of Attorney form to Octopus Investments Limited, 8 Angel Court, London EC2R 7HP. We recommend that you use Recorded Delivery.

If you have any questions on how to complete the Application Form please contact Octopus Investments on **0800 316 2298**.

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## SECTION 1

Please insert your full name, permanent address, daytime and evening telephone numbers, email address and date of birth in Section 1.

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## SECTION 2

Please insert details of each VCT you wish to transfer into the Service. Please ensure you also include the number of shares you hold in each VCT and the date of each investment. Please also indicate for each VCT whether any capital gains tax is sheltered.

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## SECTION 3

Please confirm the amount of cash (if any) you would like to invest into the Octopus Portfolio Service. There is a minimum cash investment of £5,000. Please attach your cheque or bankers' draft to the Application Form for the total amount of your investment.

**Make cheques payable to 'Octopus VCT Portfolio Service' and crossed 'A/C Payee only'.** Cheques must be from a recognised UK Bank or Building Society account and your payment must relate solely to this application. No receipt will be issued.

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## SECTION 4

If you wish to transfer shares into the Octopus SIPP you must complete the separate Octopus SIPP application form which we will send to you if you tick the box in Section 4 of the Application Form.

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## SECTION 5

Please provide your bank details to allow us to send you the dividends received from your VCTs each quarter.

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## SECTION 6

Read the declaration below and sign and date the Application Form.

### **If this form is completed and signed by the investor named in Section 1:**

By signing this form I HEREBY DECLARE THAT:

- i. I have read and understood the Brochure and the Customer Agreement and agree to be bound by the terms and conditions set out in the Customer Agreement;
- ii. I understand the risk factors associated with an investment in the Octopus VCT Portfolio Service; and
- iii. To the best of my knowledge and belief, the personal details I have given are correct.

### **If this form is completed and signed by an authorised financial intermediary or any other person on behalf of the investor:**

By signing this form on behalf of the individual whose details are shown above, I make a declaration (on behalf of such individual) on the terms of sub-paragraphs i. to iii. above.

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## SECTION 7

Authorised financial intermediaries who are entitled to receive commission should stamp and complete Section 7, giving their full name and address, telephone number and details of their authorisation under the Financial Services and Markets Act 2000. The right is reserved to withhold payment of commission if Octopus Investments is not, in its sole discretion, satisfied that the financial intermediary is authorised.

**Client Checklist:**

- Remember the Octopus Client Suitability Form
- Remember to enclose a Clubfinance Client Declaration Form
- Remember to enclose identification documents (new customers only)
- Send all documents and application form to:

Clubfinance Ltd PO Box 1036, Hemel Hempstead, Herts, HP1 2WU

# APPLICATION FORM

# VCT PORTFOLIO SERVICE

**Before completing this Application Form you should read the Brochure, Customer Agreement and Application Procedure. If you have any questions on how to complete the Application Form please contact us on 0800 316 2298.**

**SECTION 1**

Mr/Mrs/Miss/Other \_\_\_\_\_ First Name \_\_\_\_\_

Middle Name(s) \_\_\_\_\_ Surname \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_ Postcode \_\_\_\_\_ Date of Birth \_\_\_\_\_

Telephone (Daytime) \_\_\_\_\_ Telephone (Evening) \_\_\_\_\_

Email (Required if you wish to view your VCT portfolio online) \_\_\_\_\_

Mobile No (Optional) \_\_\_\_\_

**SECTION 2**

I wish to transfer these VCTs into the Octopus VCT Portfolio Service:

Clubfinance note: if you currently, or expect to, get trail commission rebates through Clubfinance for your VCTs, transferring them into a Nominee account will stop commission payments to Clubfinance and hence our rebates for your individual VCTs will cease.

VCT Name	Number of Shares Held	Date Invested	CGT Sheltered in VCT?
			Yes/No
			Yes/No
			Yes/No
			Yes/No
			Yes/No
			Yes/No
			Yes/No
			Yes/No
			Yes/No
			Yes/No

I ENCLOSE A POWER OF ATTORNEY FORM CONTAINING INSTRUCTIONS TO REGISTER THESE SHARES IN THE NAME OF OCTOPUS' NOMINEE. I ALSO ENCLOSE THE SHARE CERTIFICATES FOR EACH VCT.

**SECTION 3**

Cash to be invested into the Octopus VCT Portfolio Service (optional): £ \_\_\_\_\_ (mimumum £5,000)

I ENCLOSE A CHEQUE OR BANKERS' DRAFT DRAWN ON A UK CLEARING BANK OR BUILDING SOCIETY, MADE PAYABLE TO '**OCTOPUS VCT PORTFOLIO SERVICE**'.

**Please note: Application Form continues overleaf**

#### SECTION 4

I would like to open an Octopus SIPP and transfer mature VCT shares into it.

#### SECTION 5

In order to send you the dividends received from your VCTs each quarter, please provide your bank details:

Account Name \_\_\_\_\_

Bank/building society \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_ Postcode \_\_\_\_\_

Sort Code

Account Number

#### SECTION 6

By signing this form you are confirming that you are aware of and understand the investment objectives of the Octopus VCT Portfolio Service and that these are consistent with your personal financial objectives

Signature \_\_\_\_\_ Date \_\_\_\_\_

#### SECTION 7

Financial Adviser Clubfinance Ltd Telephone 01442 217 287

Mr/Mrs/Miss/Other \_\_\_\_\_ First Name David Surname Scrivens

Administrator Clubfinance Ltd Telephone 01442 217 287

Mr/Mrs/Miss/Other Dr First Name Philip Surname Rhoden

FSA Number and Company Stamp \_\_\_\_\_

 **Clubfinance**  
PO Box 1036  
Hemel Hempstead  
Hertfordshire  
HP1 2WU  
FSA No: 400139

Special IFA Instructions **Please rebate ALL initial commission to reduce the initial charge.**

#### INVESTOR SERVICES PROGRAM

At Octopus, we pride ourselves not only on our track record but also on the level of service we provide to all our investors. That's why we provide you with quarterly updates that keep you involved and informed throughout the investment process.

We encourage you to speak to the fund managers investing your money. If you have any questions, or if it would help to meet one of the team, please call us on **0800 316 2298**.

- Please tick here if you do not want us to contact you with information about other Octopus products which we feel may be of interest to you.  
 Please tick here if you do not want us to disclose your personal data to selected third parties so that they can provide you with information about their goods or services.

**Please send the completed Application Form and Client Suitability Disclosure, together with your cheque or bankers' draft (if appropriate) and your share certificates and signed Power of Attorney form to Octopus Investments Limited, 8 Angel Court, London EC2R 7HP. We recommend that you use Recorded Delivery.**

# CLIENT SUITABILITY DISCLOSURE

# VCT PORTFOLIO SERVICE

As a result of FSA regulations, we're required to ask you to fill out the following client suitability form in addition to the application form.

If you have any questions, please do not hesitate to call us on 0800 316 2298 to speak to one of the team.

## OCTOPUS VCT PORTFOLIO SERVICE - CLIENT SUITABILITY FORM

Under the regulations introduced by MiFID, we are required to obtain information from you in order to assess your suitability for the Service that we provide. We are not allowed to commence investing your money until we have received your completed form.

Please state your profession (or your previous profession, if you are retired): \_\_\_\_\_

Please state your first language if it is not English: \_\_\_\_\_

## INVESTMENT EXPERIENCE

Which types of shares listed below have you had personal experience in? Please tick those that apply and state the number of years of experience.

	Years of experience
Large quoted companies	<input type="checkbox"/> _____
Smaller quoted companies	<input type="checkbox"/> _____
AIM-listed or unquoted companies	<input type="checkbox"/> _____
No previous shareholdings	<input type="checkbox"/>
In what capacity have you had this experience:	
Shareholder	<input type="checkbox"/>
Director	<input type="checkbox"/>
Adviser/consultant/auditor	<input type="checkbox"/>
Other (please specify):	_____

Please note: Client Suitability Disclosure continues overleaf

**FINANCIAL SITUATION**

Please tick one of the boxes to indicate your approximate annual net disposable income:

- Above £100,000
- £50,000 - £100,000
- £25,000 - £50,000
- Less than £25,000

Please tick one of the boxes to indicate the size of your net investable assets (ie your assets other than your house):

- Above £1,000,000
- £500,000 - £1,000,000
- £100,000 - £500,000
- Less than £100,000

Please sign and date this form to confirm that the information that you have provided is accurate to the best of your knowledge.

Full name: \_\_\_\_\_

Signature \_\_\_\_\_ Date \_\_\_\_\_

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**FOR OCTOPUS INTERNAL USE**

Assessment complete: \_\_\_\_\_ Client number: \_\_\_\_\_

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Suitability met: \_\_\_\_\_

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

# CUSTOMER AGREEMENT

If you are unclear as to these terms and conditions, you should seek independent advice.

## DEFINITIONS:

### 'Agreement' or 'Customer Agreement'

This customer agreement

### Application Form

The application form for the Octopus VCT Portfolio Service that is attached to this Customer Agreement

### Associate

Any holding, sister or subsidiary company of Octopus Investments

### Brochure

The Octopus VCT Portfolio Service investor brochure published by Octopus Investments, dated July 2009

### Business Day

Any day on which The London Stock Exchange is open for business

### Custodian

Any entity (which may be an Associate or a third party), whom we appoint to carry out safe custody and administration (and related) services in relation to investments in your Portfolio

### FSA

Financial Services Authority

### FSA Rules

Those rules made by the FSA for the regulation of the conduct of our business

### 'Octopus', 'Octopus Investments', 'us' or 'we'

Octopus Investments Limited, a company registered in England & Wales under company number 3942880 and with a registered address at 8 Angel Court, London EC2R 7HP

### Portfolio

Your portfolio of VCT investments which is managed in accordance with the objective of the Octopus VCT Portfolio Service as stated in this document

## 1. Agreement

This Agreement constitutes the contract between you and us appointing us to constitute and manage your Portfolio in accordance with our Octopus VCT Portfolio Service. By signing this Agreement you confirm that: (1) you have read and understood the Brochure and this Agreement and (2) your investment in the Octopus VCT Portfolio Service will be operated on the terms and conditions of the Brochure and this Customer Agreement.

## 2. Regulatory Status

Octopus Investments Limited is authorised and regulated by the FSA with a Firm Reference Number of 194779.

Details of our registration can be checked on the FSA's website at [www.fsa.gov.uk](http://www.fsa.gov.uk). The address of the FSA is 25 The North Colonnade, London E14 5HS.

## 3. Start Date

3.1 This Agreement will come into force (and therefore we are able at our discretion to start managing your Portfolio) on the date of receipt by us of your duly completed and signed Application Form (or if later, on the date by which we have cleared funds, if relevant, and have completed any compliance procedures required of us including those in accordance with the Money Laundering Regulations 2007).

3.2 The compliance procedures discussed at 3.1 above include requiring proof of your identity and of your address. Under the Money Laundering Regulations 2007, we are required to check the identity of clients. Octopus Investments may therefore undertake an electronic search for the purposes of verifying your identity. To do so, Octopus Investments may check the details you supply against your particulars on any database (public or other) to which we have access. Octopus Investments may also use your details in the future to assist other companies for verification purposes. A record of this search will be retained. If we cannot verify your identity, we may ask you to provide, among other things, a recent, original bank statement and an original HM Revenue & Customs Tax Notification, or a copy of your passport certified by a bank, solicitor or accountant or a Client Verification Certificate from your IFA.

## 4. Cancellation Rights

4.1 When we first receive your Application Form, we will write to you enclosing our form of cancellation notice. If you wish to exercise your right to cancel, you must notify us in writing within 14 days of receipt of that form, by sending it duly completed to us at our address as printed in the Brochure.

4.2 If you exercise your cancellation rights, we shall refund any monies paid by you less any charges we have already incurred for any service undertaken in accordance with the terms of the Agreement, although this would exclude the initial charge stipulated in the Brochure (if relevant).

4.3 We will endeavour to return any such monies as described at clause 4.2 as soon as possible. You will not be entitled to interest on such monies.

4.4 If you do not exercise this right to cancel within the requisite time period, you will still be entitled to exercise your right under clause 16 below to terminate this Agreement which is a separate right.

4.5 The right to cancel under the FSA Rules does not give you the right to cancel/terminate/reverse any particular investment transaction executed for the account of your Portfolio before cancellation takes effect.

## **5. Customer Status**

We have classified you as a retail client for the purposes of the FSA Rules.

## **6. Investment Management Services**

6.1 The Octopus VCT Portfolio Service is a discretionary investment management service. By entering into this Agreement, you grant to us the right to manage, at our discretion, investments in VCTs which correspond with the objectives and principles for the Service, as set out in the Brochure. The investment objective of the Portfolio is long-term in nature and is focussed on capital growth and income. You acknowledge receipt of and understand the Brochure and the Agreement and the risk factors set out in them and acknowledge that Octopus has not provided you with advice about this Service. You agree that investment in VCTs includes risks arising from the effect of a variety of factors on the share price.

6.2 Notwithstanding the generality of clause 6.1, and also to clause 13.2 below (aggregation of orders), all transactions for your Portfolio will be undertaken in accordance with the overriding principles of 'Suitability' and 'Best Execution' under the FSA Rules.

6.3 Where you invest cash into the Octopus VCT Portfolio Service or you request us to diversify your Portfolio we will acquire for your Portfolio investments in VCTs which we reasonably believe have received HMRC approval (but please be aware that we give no commitment that any such investment will retain its VCT status at all times thereafter). Subject thereto there shall be no restriction on the amount invested in any one investment, or on the proportion of your Portfolio in any one investment, or on the markets on which transactions are affected, unless specified in this Brochure.

6.4 You should be aware that the investments in your Portfolio are likely to be classified under FSA Rules as "not readily realisable". It may be difficult to deal in such investments on a regular basis because there may be only a very limited market in which dealing is possible and the spread between the buying and selling price may be wide.

## **7. Fees and Expenses**

7.1 The fees and expenses that you will bear are set out on page 1.

7.2 The initial charge shall be deducted from the amount of cash that you subscribe before the balance is invested in your Portfolio.

7.3 Our management charge will be deducted from any uninvested monies in your Portfolio. In circumstances where there are insufficient monies available to meet the fees and charges, then we may at our discretion allow this to roll up interest free to be deducted on a later occasion when sufficient monies may be available to cover such fees and charges, whether such monies are derived from dividends, investment liquidity events, additional investments made by you, or otherwise.

## **8. Delegation and Use of Agents**

8.1 We may delegate any of our functions under this Agreement to any Associate or third party of our choosing which is competent (and if relevant, appropriately regulated) to perform such functions.

8.2 We will act in good faith and with due diligence in the selection, use and monitoring of third party delegates.

8.3 We will accept responsibility for the acts and omissions of any Associate as if they were our own.

8.4 You agree that we may at our discretion change the Custodian from time to time. If terms relating to this change are more onerous, we may seek your consent in writing.

## **9. Custody**

9.1 The Custodian will hold all investments in your Portfolio in safe custody on the following basis:

(a) title documents to investments in respect of which such documents are issued will be physically held by the Custodian;

(b) any registerable investment acquired for your Portfolio will normally be registered in the name of the Custodian or its nominee company; and

(c) any documents of title to investments in bearer form will be held by the Custodian.

9.2 Please note that investments held by the Custodian for the account of your Portfolio may be pooled with other holdings held by the Custodian. Such investments may not be identifiable by separate certificates, other physical documents of title or equivalent electronic record and, should the Custodian default, you will share in any shortfall in proportion to your original share of any investments in the pool. On occasion, your investments may be used to settle another person's transaction, which will not affect the Custodian's record of your entitlements.

9.3 We have discretion to exercise (or if we so choose, not to exercise) any conversion, subscription, voting or other rights (such as may arise in merger or takeover situations, other offers and capital reorganisations) relating to investments held in your Portfolio, and to give suitable instructions to the Custodian, without consulting with you first and by entering into this Agreement, you hereby authorise Octopus to act on your behalf and exercise all rights attaching to shares held in your Portfolio as it shall deem fit and at its discretion.

9.4 The Custodian, as soon as reasonably practicable, will claim and account to you for all dividends, interest and other payments or entitlements received in relation to investments in your Portfolio, but is entitled to deduct or withhold any sum on account of any tax required to be so deducted or withheld and provide you with evidence of such deduction or withholding for your tax records.

## **10. Client Money**

10.1 All uninvested cash received or held for the account of your Portfolio shall be treated by us under

the FSA Rules as 'client money'. Our Custodian will hold all such cash in one or more client money accounts in accordance with the FSA Rules.

10.2 Following our acceptance of your application, interest earned on uninvested cash within your Portfolio will accrue daily at a rate equal to the prevailing HSBC base rate less 1% and will be credited to your Portfolio quarterly.

### 11. Valuations and Reports

11.1 You will receive periodic statements, comprising the cost, current value, and dividends of all holdings within your Portfolio as at the last Business Day of the period in question. Statements will be produced for the period ended 31 March, 30 June, 30 September and 31 December in each year. We will provide all such reports within 25 Business Days of the end of the period in question. The performance of the investments held within your Portfolio will not be measured against a stock market index.

11.2 All Investments will be valued at mid market price at the close of business on the last Business Day of the quarter or, if there is no such price, at the value which is, in our opinion, a reasonable valuation as at that date. Periodic statements will also show income and interest credited to your Portfolio, fees charged and transactions made within the period.

11.3 A contract note will be forwarded to you within 10 Business Days of each transaction.

### 12. Best Execution

12.1 In accordance with the FSA rules, we have implemented an order execution policy which sets out the reasonable steps that we will take in order to obtain the best possible result for our customers. Details of our execution policy are set out in Annex 1.

12.2 Our execution policy is set out on our website at [www.octopusinvestments.com](http://www.octopusinvestments.com). Any changes to our execution policy will be posted on our website.

### 13. Dealing, Counterparties and Aggregation

13.1 We will act in good faith and with due diligence in our choice and use of counterparties. All transactions will be effected in accordance with the rules and regulations of the relevant market, exchange or trading facility, and we may take all such steps as may be required or permitted by such rules and regulations and/or by appropriate market practice.

13.2 We may aggregate your transactions with those of other customers and of our employees in accordance with the FSA Rules. It is likely that the effect of such an allocation will not work to your disadvantage however occasionally this may not be the case. We will allocate aggregated transactions promptly on a fair basis in accordance with the requirements of the FSA Rules.

### 14. Conflicts of Interest

We take the identification and management of conflicts of interest seriously. We have implemented a conflicts of

interest policy that identifies those circumstances that constitute, or may give rise to, conflicts of interest that pose a material risk of damage to our customers. This policy also addresses the effective organisational and administrative arrangements that we maintain and operate to manage those conflicts. A copy of our conflicts policy is available on request from the Compliance Officer.

### 15. Our Liability

15.1 We will act in good faith and with due diligence in managing your Portfolio in accordance with this Agreement. We accept responsibility for loss to you only to the extent that such loss is due to our negligence, wilful default or fraud or that of our Associates.

15.2 If the Custodian should fail to deliver any necessary documents or to account for any investments, we will take all reasonable steps on your behalf to recover such documents or investments or any sums due or compensation in lieu thereof but subject thereto to our general duty of good faith, shall not be liable for such failure.

15.3 In the event of any failure, interruption or delay in the performance of our obligations resulting from acts, events or circumstances not reasonably within our control (including, but not limited to: acts or regulations of any governmental or supranational bodies or authorities; breakdown, failure or malfunction of any telecommunications or computer service or services; disruption to stock market dealings; and acts of war, terrorism or civil unrest) we shall not be liable to you for consequent loss in the value of, or failure to perform investment transactions for the account of, your Portfolio.

15.4 We accept no responsibility for any loss of tax benefits that you may suffer as a result of any transactions that we carry out for your Portfolio in the event of a failure by you to provide us with accurate written information as to the date on which VCT shares that you transfer into the Octopus VCT Portfolio Service had been allotted.

15.5 Nothing in clauses 15.1 - 15.4 is deemed to limit any liability we may have to you under the terms of the FSA Rules.

15.6 In addition to clauses 15.1 and 15.4, we shall not be liable for any loss or damage of any direct or indirect nature caused by the retraction by HM Revenue & Customs of its approval of any VCT tax benefits or any changes in law.

### 16. Termination

16.1 You may terminate this Agreement at any time by immediate written notice to us and we may terminate this Agreement by giving you one month's written notice.

16.2 We reserve the right to settle outstanding transactions for your Portfolio at the effective date of termination.

16.3 Further to clause 6.4 above, you should be aware that if on termination we are required to liquidate your

Portfolio, this may take place over an extended period of time as there may be limited liquidity for your Portfolio's investments.

16.4 Termination will not affect accrued rights, or any contractual provision intended to survive termination.

16.5 On termination, you will be liable to pay (meaning that we may debit from your Portfolio):

- (a) all fees and other charges mentioned at clause 7 above, pro rata to the date of termination;
- (b) any additional expenses necessarily incurred by us in terminating this Agreement; and
- (c) our charges in connection with transferring or registering your Portfolio into your name or as you may direct.

16.6 On termination, we may retain and/or realise such assets within your Portfolio as may be required to settle transactions already initiated and to pay your outstanding liabilities. If there is a dispute as to the payment of fees to us, you may require the disputed amount to be held in an escrow account pending resolution of the dispute.

## **17. Data Protection and Confidentiality**

17.1 We are registered under the Data Protection Act 1998, and as such may keep records in which your name and certain personal information provided by you to us will be stored. We may share this information with other persons (including Associates) if we consider that they have products or services to draw to your attention that may be of interest. However, if you so indicate when executing this Agreement, we will not do so.

17.2 You have the right, upon payment of a reasonable fee, to receive a copy of the information that Octopus holds about you to the extent that it constitutes personal information. For more details, please write to the Compliance Officer.

17.3 We will keep confidential any data or other information which we hold on you. We may however share some or all of this with the FSA if we are required to do so in accordance with FSA Rules, and with other governmental, judicial, law enforcement or regulatory bodies if similarly required to do so.

## **18. Risk Warnings and Further Disclosures**

### **18.1 General**

Your attention is drawn to the risk warnings set out in the Brochure.

### **18.2 Risk Warning**

There is an extra risk of losing money when shares are bought in VCTs. Because the spread between the buying price and the selling price of such shares can be a substantial part of the share price, they can be more susceptible to movement in market price than other investments, and in addition dealing in such shares is liable to cost proportionately more on purchase and yield

proportionately less on disposal on account of the effect of the dealing spread.

### **18.3 Borrowing and lending**

We will not borrow money for the account of your Portfolio, nor lend securities or enter into stock lending or similar transactions.

### **18.4 Supplement**

We cannot require you to add further funds to your Portfolio (although you may do so if you wish).

### **18.5 Limit on investment powers**

We will only invest in shares in VCTs and will not invest in warrants, in units in collective investment schemes or in derivatives of any sort.

## **19. Complaints Procedure and Compensation**

19.1 If you have a complaint, you should write to our Compliance Officer, who will acknowledge receipt of your letter, investigate the circumstances and report back to you. If we have given you our final response and you are still dissatisfied you may refer your case within 6 months to the Financial Ombudsman Service (FOS). The FOS is an independent body that arbitrates on complaints. It will only consider complaints after we have provided you with written confirmation that our internal complaints procedure has been exhausted. The FOS can be contacted at South Quay Plaza, 183 Marsh Wall, London E14 9SR. A copy of our complaints handling procedure is available on request.

19.2 We are covered by the Financial Services Compensation Scheme. You may be entitled to compensation from the scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim. Most types of investment business are covered for 100% of the first £30,000 and 90% of the next £20,000 so the maximum compensation is £48,000. Further information about compensation arrangements is available from the Financial Services Compensation Scheme. The address of the Financial Services Compensation Scheme is 7th Floor, Lloyd's Chambers, Portsoken Street, London E1 8BN.

## **20. General**

20.1 We may assign this Agreement to any appropriately authorised and regulated person, such assignment being effective upon written notice to you. This Agreement is personal to you and you may not assign it.

20.2 Amendments to this Agreement shall be effective only if in writing and agreed by both parties, provided that we may amend the Agreement in circumstances where we are required to do so in accordance with applicable law or to reflect changes in regulations and any such amendment will be effective when notified to you in writing.

20.3 This Agreement, together with your Application Form, constitutes the basis of our entire relationship with you. In this connection, you should also note that no person is authorised by us to make any representation

to you concerning the Octopus VCT Portfolio Service or our management thereof.

20.4 It is not intended that any term contained in this Agreement shall be enforceable, whether by virtue of the Contracts (Rights of Third Parties) Act 1998, or otherwise, by any third party.

20.5 We may send any communication to you at the address which you provide to us in the Application Form (or to any provided address). You may communicate with us at Octopus Investments Limited, 8 Angel Court, London EC2R 7HP. Notice sent by first class post is deemed to have arrived on the second Business Day after posting. Notice sent by fax or email or hand-delivered is deemed to be delivered immediately (or on the next Business Day if sent after 5pm on a Business Day or on a non-Business Day). Our telephone number is 020 7710 2800.

20.6 This Customer Agreement is governed by English Law and the parties shall submit to the courts of England.

20.7 These terms and conditions are supplied in English, and we will only communicate in English during the course of our relationship with you.

## **ANNEX 1**

### **Execution policy**

Execution factors and execution criteria: Octopus has an obligation when executing orders on behalf of a client to obtain the best possible outcome. The FSA requires Octopus to take into account various execution factors including price; cost; speed; market impact, likelihood of execution and settlement; size; or any other consideration relevant to the execution of the order. Price will ordinarily merit a high relative importance in obtaining the best possible result. However, in some circumstances, we may appropriately determine that other execution factors are more important than price in obtaining the best possible execution result. We will determine the relative importance of the execution factors by using our commercial judgment and experience in light of market information available and taking into account the execution criteria.

The execution criteria are defined as the characteristics of the client, order (orders placed in the market will indicate a price range that is suitable for the investment decision), type of financial instrument (some shares are more liquid than others, and illiquid shares will be less easily tradable in volume) and the execution venue. Octopus's policy on execution venues when placing orders for stocks whose principal listing is in London will be through FSA regulated brokers/market makers who are members of The London Stock Exchange and/or Plus Markets.

The execution factors and their importance are defined as:

### **Price**

The Firm believes that price is the most significant factor and therefore rates the price as being of primary importance and all subsequent factors as secondary.

### **Size and speed**

The market may be quoting a price that represents trading in a particular size but this may not be the size that Octopus wishes to trade in. Large size trades in equities are negotiated as they have gone beyond the size where a transaction within the normal market size would take place and subsequently the orders are given to a dealer to negotiate and execute. In situations where Octopus works an order, it is impossible to compare the result with what another similar firm might have achieved. Speed is also related to size and this means that Octopus may execute the order on a staggered basis to limit the market impact of an unusually large order. In other instances Octopus may execute the order as a single trade. It is the policy of Octopus to execute business through FSA regulated market makers and brokers trading in the applicable instruments while taking into account the price and size they are making in the instrument.

### **Cost**

Octopus does not believe that cost is relevant to giving the client best execution as we charge commission but do not pass onto clients the costs of execution i.e transaction reporting fee, brokers' charges. We do not structure or charge our commissions in such a way as to discriminate unfairly between execution venues.

### **Probability of execution**

Transactions in VCT shares are settled through the CREST clearing system and as such Octopus does not regard the probability of settlement as relevant to its execution policy.

### **Specific instructions**

Where you have provided us with specific instructions regarding an order, we will execute the order in accordance with those specific instructions. You should be aware that providing specific instructions to us in relation to the execution of a particular order may prevent us from taking the steps set out in this execution policy to obtain the best possible result in respect of the elements covered by those instructions.

### **Monitoring and review**

We will review our execution policy and order execution arrangements on an annual basis. Whenever a material change occurs that affects our ability to continue to obtain the best possible result for our clients, we will notify you of any material changes to our execution arrangements or our execution policy by posting an updated version on our website.



Please contact us on  
0800 316 2298

or email us at  
[info@octopusinvestments.com](mailto:info@octopusinvestments.com)

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Octopus Investments Limited is authorised and regulated by the Financial Services Authority

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