

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

Octopus AIM Inheritance Tax Service

Information to assist with your due diligence
August 2021

octopus investments
A brighter way





Three tax solutions, one expert provider.

Find out more by visiting octopusinvestments.com

The Octopus AIM Inheritance Tax Service is not suitable for everyone. Any recommendation should be based on a holistic review of your client's financial situation, objectives and needs. This document does not constitute advice on investments, legal matters, taxation or any other matters. Regarding VCTs, this document is not a prospectus. Investors should only subscribe for shares based on information in the prospectus. With regard to the FP Octopus UK Micro Cap Growth Fund and the FP Octopus UK Multi Cap Income Fund, investors should read the relevant Key Investor Information Document (KIID) before deciding to invest. These are available at octopusinvestments.com.

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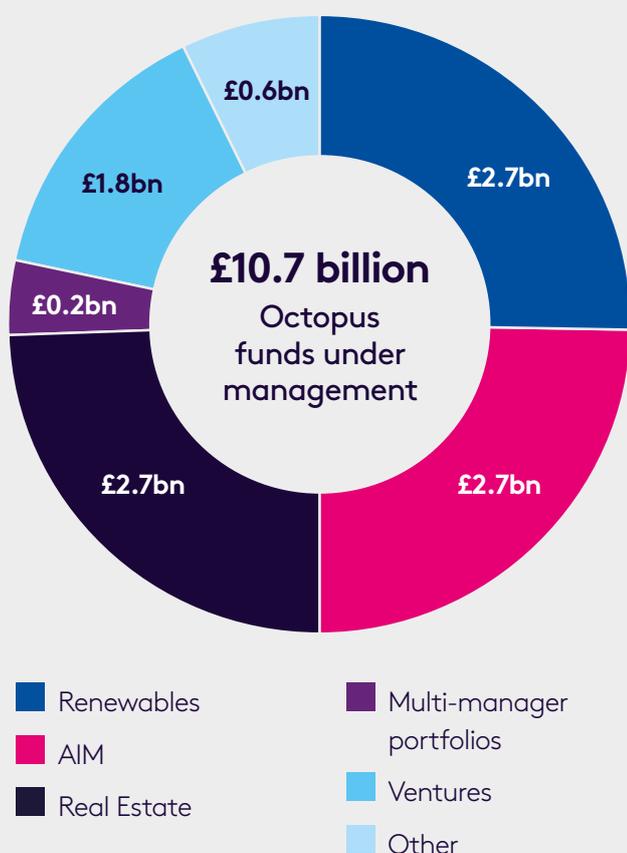
About Octopus Investments

Company name	Octopus Investments Ltd
Telephone	0800 316 2067
Email	support@octopusinvestments.com
Head office address	33 Holborn, London, EC1N 2HT
Website address	octopusinvestments.com
FCA number	194779
Company registration information	England and Wales No. 03942880, VAT No. 766 077696
Ownership	Octopus Investments is an unlisted UK company that is 100% owned by Octopus Capital Limited. 65% of the shares in Octopus Capital Limited are owned by its founders and their families, current employees and previous employees. The rest of Octopus Capital Limited is owned by individuals who have supported the company at various stages since its launch.
Have there been any changes to the ownership in the last three years?	No, except for private and employee share allocations and sales between private investors.
Distribution method	Over 95% of all business conducted by Octopus is intermediated through professional investment advisers. Octopus accepts direct investment into its discretionary products on a reactive basis and following client suitability assessments.
How many years have you been involved in receiving client introductions from advisers?	Since the company was established in 2000.
Number of staff	More than 750 employees.

Octopus funds under management

Information on total funds under management:

Octopus has funds under management (FUM) of £10.7 billion as of 30 June 2021.



Octopus history

Octopus Investments was established in 2000 and is a leading investment specialist. Since launch, the company has developed a reputation for quality and innovation through designing products that meet certain needs of investors. It provides investors with access to a growing range of investment products, including Venture Capital Trusts (VCTs), inheritance tax solutions, and multi-manager and single-manager OEICs.



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.

Since inception, Octopus has grown its customer base to over 64,000¹, with funds under management of £10.7 billion as of 30 June 2021. The company enjoys leading positions in many of the markets in which it operates:

- Octopus is the largest provider of investments that qualify for Business Property Relief², with over £4.6 billion¹ invested across its range of qualifying discretionary portfolios.
- The company launched its first VCT in 2002. Since then, it has become the UK's largest VCT provider², managing over £1.7 billion¹ on behalf of nearly 30,000 investors.
- Over 15,000 advisers have recommended Octopus products to their clients¹.
- Company awards in 2020 include:
 - Moneyfacts Investment Life & Pensions Awards 2020 – Best Tax and Estate Planning Solutions Provider
 - Financial Adviser Service Awards 2020 – Five Star Award

¹Octopus Investments, 30 June 2021. ²Tax Efficient Review, April 2021.

About the Octopus AIM Inheritance Tax Service

Product investment management team

Octopus employs more than 125 investment professionals. There are nine members of the Quoted Smaller Companies team who are focused on the Alternative Investment Market (AIM), including the Octopus AIM Inheritance Tax Service and ISA.

The team also manages Octopus AIM VCT plc and Octopus AIM VCT 2 plc, FP Octopus UK Multi Cap Income Fund and the FP Octopus UK Micro Cap Growth Fund.

In total, the team manages over £2.7 billion¹. Two of the Octopus Smaller Companies team – Richard Power and Kate Tidbury – have been involved with AIM since its inception in 1995. The team as a whole, which also includes Chris McVey, Stephen Henderson, Edward Griffiths, Mark Symington, Dominic Weller, Jessica Sweeney and Charles Lucas has over 150 years of collective experience and a strong track record of performance. The team works exclusively on AIM and small cap mandates.

The Smaller Companies team is composed of the following people:



Richard Power

Head of Smaller Companies

Richard started his career at Duncan Lawrie, where he managed a successful small companies fund. He subsequently joined Close Brothers to manage a smaller companies investment trust before moving to Octopus Investments to head up the AIM team in 2004. He is involved in the management of AIM portfolios, AIM VCTs and the FP Octopus UK Micro Cap Growth Fund.



Kate Tidbury

Senior Fund Manager

Kate started her City career in 1986 as an investment analyst with Sheppards and Chase and then Panmure Gordon. From 1993 she was an Investment Manager responsible for managing ethical and smaller companies funds with the Co-operative Bank and Colonial First State Investments. She joined the AIM team at Close Brothers in 2000, since then she has been involved in the management of the AIM VCTs as well as other AIM portfolios. She joined Octopus Investments in 2008.



Chris McVey

Senior Fund Manager

Chris joined the team in December 2016. He has been a specialist within the quoted UK Smaller Company market for over 17 years. He joined Octopus from Citigroup where he was most recently a UK Small and Mid-Cap Equity research analyst focusing across a variety of sectors. Prior to this he spent almost seven years on the Smaller Companies team at Gartmore as an investment manager and analyst. Chris is a Senior fund manager on the team, working across all the Octopus Quoted Smaller Company portfolios.



¹Octopus Investments, 30 June 2021.



Edward Griffiths

Portfolio Manager

Edward is an experienced portfolio manager at Octopus Investments, involved primarily in the management of the AIM Inheritance Tax Service portfolios for private individuals. He joined Octopus Investments in 2004 to help launch the Octopus AIM Inheritance Tax Service, having previously worked at Schroders Investment Management and State Street.



Stephen Henderson

Investment Manager

Stephen joined Octopus Investments in 2008. He has particular responsibility for investment management across the Octopus AIM Inheritance Tax Service portfolios and Octopus AIM Inheritance Tax ISA portfolios. Stephen conducts analysis across AIM and has dealing responsibilities.



Mark Symington

Portfolio Manager

Mark graduated from the University of Cape Town in 2010 with a BCom in Economics and Finance. He joined Octopus Investments in 2012 after two years at Warwick Wealth in Cape Town, South Africa. Mark is a portfolio manager focussing predominantly on Octopus AIM VCT plc, Octopus AIM VCT 2 plc and the Eureka EIS portfolio service, and provides analytical support to the team.



Dominic Weller

Fund Manager

Having joined Octopus Investments in 2015, Dominic is a co-manager of Octopus AIM VCT plc, Octopus AIM VCT 2 plc and of the FP Octopus UK Micro Cap Growth Fund. He is responsible for qualitative and quantitative analysis. His professional background is in strategy consulting with Roland Berger and Clevis Research. Furthermore, he worked for Rocket Internet in international venture development. He holds a degree in International Management and is a Chartered Financial Analyst (CFA).



Jessica Sweeney

Portfolio Manager

Jessica graduated from the University of Liverpool in 2014, where she studied International Business. Starting her career at Octopus Investments shortly after, she has worked in multiple operations functions before moving to the Quoted Smaller Companies team to assist with the management of the Octopus AIM Inheritance Tax Service portfolios.



Charles Lucas

Product Development Analyst

Charles joined Octopus Investments in 2011 from LV= Asset Management, having previously worked in the Personal Pensions and SIPP space for GE Life & LV=. Charles initially joined Octopus Investments as a member of the operations team, later working as a Project Manager for MiFID II. He has joined the Quoted Smaller Companies team as a Product Development Analyst to enhance trading capabilities and performance analytics.

Investment strategy

The Octopus AIM Inheritance Tax Service is a discretionary managed portfolio of AIM shares. It is managed by the Octopus Quoted Smaller Companies team who invests in shares in companies that are listed on AIM, that are expected to qualify for Business Property Relief (BPR). BPR was introduced by the government in 1976 and is a popular form of tax relief intended to incentivise people to invest their money into trading businesses. Shares held in a BPR-qualifying company should become free from inheritance tax, provided they have been held for at least two years and are still held at the time of death.

The Octopus AIM Inheritance Tax Service is a discretionary managed portfolio and, as such, Octopus is not mandated to create bespoke portfolios. Each investor will own shares in between 20–30 AIM-listed companies. Having a diversified portfolio of 20–30 stocks helps to spread the risk posed by any particular company or sector.

Octopus invests with a view of holding these companies for the long term and has a low portfolio turnover (historically around 10% of the portfolio per year). A typical driver of turnover is a portfolio company being bought by another company. As soon as this happens and shares in that company become non-BPR qualifying, shares are sold and the proceeds are invested in another AIM-listed company. Some of the current holdings in the Octopus AIM Inheritance Tax Service portfolio have been on the Octopus Quoted Smaller Companies team buy list since the product was launched in 2005. The investment team favours businesses which occupy strong market niches and have a proven management team with a clear record of success in growing a business.

Portfolio construction

Investment objectives:

The Octopus AIM Inheritance Tax Service is invested into AIM-listed companies that are expected to qualify for BPR. Accordingly, portfolio companies are expected to be 100% exempt from inheritance tax after two years, provided the investments are held at the time of death.

The Octopus AIM Inheritance Tax Service will typically invest in a portfolio of between 20–30 established companies. By investing in a portfolio of companies, a level of diversification is added which could reduce the impact of any one company losing value.

The main objective for many clients who invest in the Octopus AIM Inheritance Tax Service is to maximise the wealth available to pass on to their beneficiaries. The Octopus AIM Inheritance Tax Service is designed to do this by investing in established AIM companies that are believed to be capable of delivering solid returns for investors.

AIM is unique in being capable of delivering these three objectives of BPR qualification, diversification and generating returns. For example, shares in companies listed on a main market cannot qualify for BPR.

The potential universe of investments:

There is no definitive list of companies that qualify for BPR; this is assessed by Her Majesty's Revenue & Customs (HMRC) upon death. Among other criteria, companies that mainly deal with securities, stocks or shares, land or buildings or in making or holding investments, do not qualify. Octopus retains PricewaterhouseCoopers (PwC) to give their opinion as to the qualifying nature of holdings. Since the inception of the product, Octopus has not been notified of any instances of BPR not being granted on the portfolio.

Research and selection process:

To understand and evaluate each investment opportunity, the Octopus Quoted Smaller Companies team goes through a rigorous process that involves spending time with a company's management team, evaluating their competitors and assessing their financial projections. The team's involvement in the Octopus AIM Inheritance Tax ISA, Octopus AIM Inheritance Tax Service, Octopus AIM VCTs, Octopus EIS portfolios and the FP Octopus UK Micro Cap Growth Fund means that it can monitor businesses from an early stage and as they mature and grow in size.

Having an experienced team operating at this end of the market means that a relationship is held with all brokers covering the market. As such, the team often has knowledge of new companies entering the market.

This is because the team will often have known a company for several years before it invests on behalf of Octopus AIM Inheritance Tax Service portfolios. All research is completed in-house, but the team makes use of sell-side research notes. The assessment of sell-side models is an important part of the research process. The Octopus Quoted Smaller Companies team has access to a vast range of daily research produced by third-party analysts (both house brokers and independent parties).

Each year, the investment team will carry out more than 800 meetings with AIM-listed companies. To offset stock market risk, the team focuses on selecting businesses with some or all of the following qualities, among others:

- Profitability
- Structural sector growth
- Earnings visibility
- A niche product or service
- A strong management team
- A dividend yield
- A strong balance sheet
- Appropriate share liquidity

The investment team focuses on well-established, growing, profitable and cash-generative companies. Ideally, the investee companies will operate in a niche sector, or provide a proprietary product or service supported by a strong balance sheet. The team also seeks businesses with earnings visibility and asset backing, that are also dividend paying where possible and that have management teams with a proven track record. Sufficient liquidity is required in the shares of the investee companies, as Octopus will be ongoing buyers of the stock in order to invest new portfolios.

The team works as a unit and takes a committee approach to investing. Weekly investment committee meetings are held where the team discuss the portfolio construction and constituents. The team will consult broker or other third-party research alongside any internal research it may conduct. As well as meeting management, a site visit may follow later if deemed helpful.

Once cleared funds have been received, a portfolio will be constructed of between 20–30 holdings. Initially, an equal percentage will be allocated to each stock. Top-up investments will normally be applied in a similar fashion, apart from when new stocks have been added to the buy list, and the portfolio can be diversified further by allocating more of the top-up allocation to this holding. This is carried out on a portfolio-by-portfolio basis and will depend on the timing of the extra money being received.

Key risks

Capital is at risk

The value of an investment, and any income from it, can fall as well as rise. Investors may not get back the full amount they invest. Investing in AIM-listed shares normally involves more risk than investing in shares of companies listed on the main market of the London Stock Exchange.

An investment could experience volatility

The performance of AIM-listed shares can be volatile.

Inheritance tax relief cannot be guaranteed

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

An investment could take longer to sell than expected

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

Product administration

Minimum investment amount:

The minimum investment into the Octopus AIM Inheritance Tax Service is £25,000 and there is no maximum investment amount.

Top ups:

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.

Timing of the investment process:

Investments in the Octopus AIM Inheritance Tax Service should be made with a long time horizon in mind (shares must be held for at least two years to qualify for BPR).

Octopus aims to invest new subscriptions within eight weeks of receiving cash, being mindful that until investment into qualifying shares has been made, the two-year BPR clock will not have started.

Octopus aims to keep the portfolio as fully invested as possible, but keeps around 2% cash on the portfolio to cover adviser and management fees. Any cash held in the portfolio at the time of death will not qualify for BPR.

Portfolio monitoring:

Portfolios are monitored on a daily basis and are rebalanced ad-hoc to ensure that no individual holding occupies too large a position. Typically, this may be once a holding doubles in size from the original investment, but it can depend on other factors at that particular moment in time, such as future prospects for the company and uses of the funds which have been sold. Octopus uses the following techniques and systems in its monitoring process:

- Libris Financial is used for portfolio management (stock allocation), risk management (stock holding percentages) and portfolio pricing (available on a daily basis).
- Factset is used as a source of live price feeds and as a newswire – portfolios are built on this system, which facilitates the ongoing monitoring of specific holdings.
- The team has access to a vast range of daily research produced by third-party analysts (both house brokers and independent parties).

- Regarding the BPR qualification of holdings, Octopus retains PwC to provide independent tax advice on the ongoing BPR-qualifying status of investments made.

Besides these tools, the team engages in more manual approaches to investment management, including meetings with management and analysts, appraisal of analysts' models and forecasts, and company site visits. The team typically holds more than 900 meetings each year with AIM-listed companies.

Withdrawals:

Unlike some other estate planning solutions such as making gifts or settling trusts, an investment into the Octopus AIM Inheritance Tax Service is simply an investment, and so it remains in the name of the investor. Therefore, investors retain access to their assets. If circumstances change and an investor wants to dispose of their holding, they can, although money withdrawn and not spent will remain in their estate and be subject to inheritance tax.

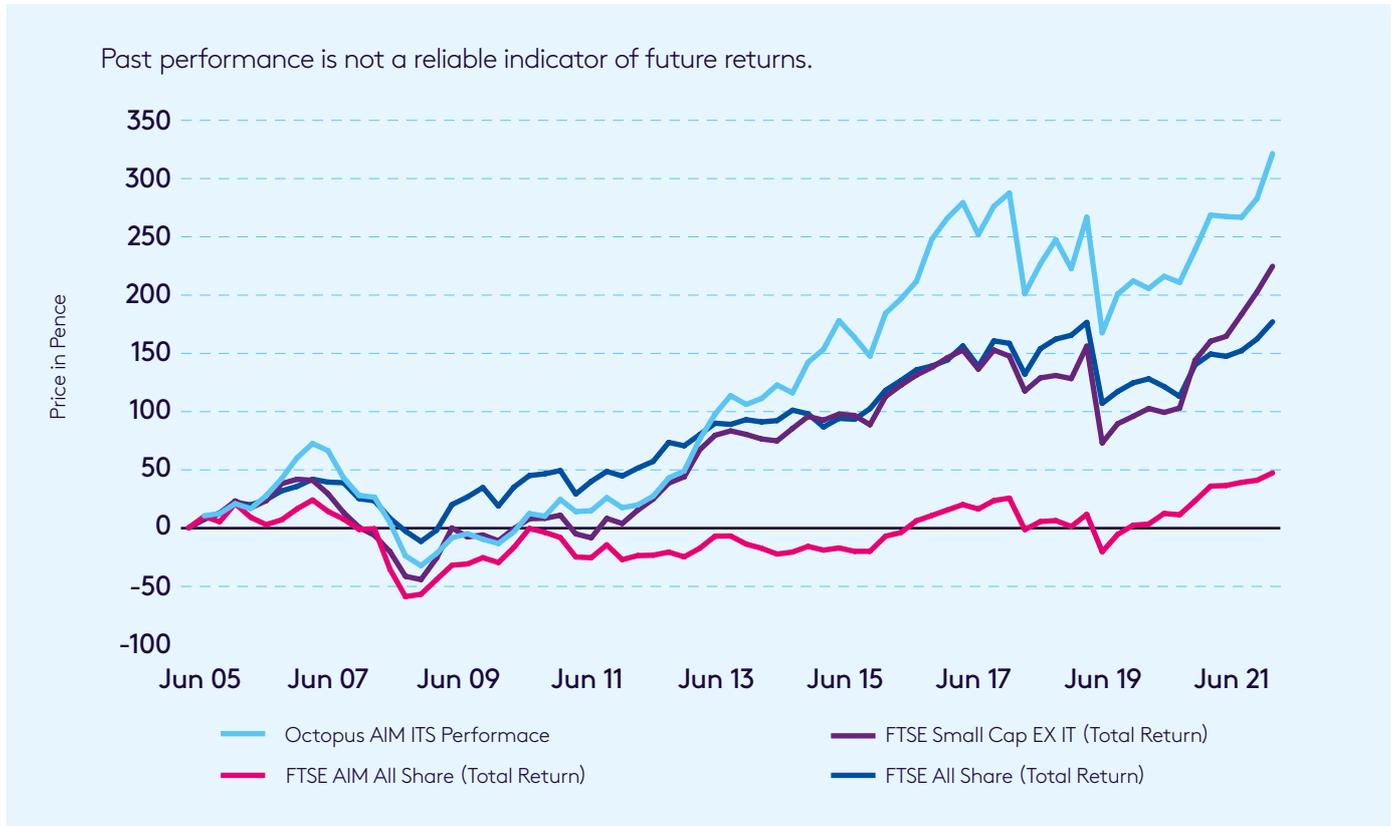
The portfolio is constructed for its growth potential. The natural yield has historically covered ongoing adviser charges and Octopus management fees. Investors can arrange to take regular withdrawals when they set up the account. These withdrawals can be changed or stopped at any time. Such withdrawals will often mean selling part of a holding to raise the required amount.

The shares of AIM companies may be harder to sell than those of businesses that are listed on a main exchange, such as BP or Vodafone. This means that if an investor decides to make a withdrawal, they may not be able to sell the shares immediately.

Performance of the Octopus AIM Inheritance Tax Service

The Octopus AIM Inheritance Tax Service launched in 2005. The chart on this page shows how the portfolios have performed since inception over different market cycles, against a backdrop of the broader AIM index and other recognised UK equity indices.

Octopus AIM Inheritance Tax Service performance since launch



Performance is shown for discrete 12-month periods as a % return for the last five years

	30/06/2021	30/06/2020	30/06/2019	30/06/2018	30/06/2017
Median Octopus AIM Inheritance Tax Service	43.08%	-18.08%	-7.17%	12.90%	18.25%
FTSE AIM All-Share TR	42.47%	-2.78%	-13.90%	13.53%	38.55%
FTSE Small Cap ex IT TR	65.20%	-12.29%	-8.63%	6.36%	28.39%
FTSE All-Share TR	21.45%	-12.99%	0.57%	9.02%	18.12%

Source: Octopus Investments, Investment Association, Lipper, to 30 June of respective year, performance represented by the average fund performance of respective IA total return sectors.

Calculation methodology

- Performance shows the total return of the Octopus AIM Inheritance Tax Service portfolios which is calculated by taking the median monthly returns of all available Octopus AIM Inheritance Tax Service portfolios, going back to 30 June 2005.
- If cash is added or withdrawn during the relevant period, then such portfolios have been removed from the calculation for the respective month.
- We have then compounded those total returns which include the impact of dividend income, interest, management fees, ongoing adviser fees and dealing fees.
- The performance table shows the discrete annual performance (showing the total cumulative returns for each individual year), calculated in the same way as detailed previously.
- The total returns of the FTSE indices are shown as indicative of wider market activity only and are not comparable performance indicators or benchmarks for the AIM Inheritance Tax Service portfolio. This is due to the limited universe of stocks that are eligible and available to the fund manager for these products.

Attribution analysis:

There is no formal attribution performance; however, stock performance is monitored on a regular basis. A weekly investment committee meeting is held where the team discusses companies met over the week and reviews all current holdings. All stocks are monitored daily and performance is discussed in the meeting.

Valuation methodology:

AIM-listed companies have a valuation starting point in their current share price and market capitalisation. Valuations are provided to investors at the mid-price.

Taxation

This summary is based upon current UK tax law and practice and is intended as a guide only. It is not intended to constitute legal or tax advice, and prospective investors are recommended to consult their own professional adviser concerning the possible tax consequences of subscribing for, purchasing, holding, selling or otherwise disposing of shares in the portfolio. The value of any tax reliefs will depend on the individual circumstances of the investor and may be subject to change in the future.

Stamp duty:

Stamp duty on AIM shares was abolished with effect from 28 April 2014.

Business Property Relief:

Business Property Relief (BPR) was first introduced in the 1976 Finance Act. Individuals can claim full relief from inheritance tax on transfers of “relevant business property”, which includes shares in a qualifying unquoted or AIM-listed trading company.

Conditions apply to prevent the relief being obtained where the business of the company in question mainly consists of dealing in securities, stocks or shares, land or buildings or in making or holding investments.

Shares in companies that are listed on a main exchange anywhere in the world cannot qualify for BPR. Accordingly, the Octopus Smaller Companies team monitors the shares within the portfolio to ensure that the companies do not list on any overseas exchange which would prevent BPR from applying to the shares.

In order to qualify for BPR, investments must be held for at least two years and at the time of death.

Capital gains tax

The sale of shares as a result of portfolio rebalancing, or at the request of the investor to withdraw some or all of their portfolio, may be applicable to capital gains tax and subject to the investors personal circumstances.

Income tax

From time to time portfolio companies pay dividends which are applicable to income tax and subject to an individuals personal circumstances.

Risk management and monitoring

Risk management philosophy:

As an FCA IFPRU firm, Octopus Investments is required to prepare an ICAAP, and where risks have been identified, the company has introduced steps to manage, mitigate or control those risks. The Octopus compliance team has ready access to the Octopus Management Board and is able to escalate any concerns promptly.

Key areas of risk:

Octopus focuses on the following key areas of risk:

- Risk to capital

The level of growth in the Service depends on the performance of the companies in the portfolio. Octopus does not offer any guarantees about the growth a portfolio will achieve and it's important to understand that the value of investments can go down as well as up, so an investor may not get back the full amount invested. Companies listed on AIM normally involve more risk than those on the main market of the London Stock Exchange. Their performance tends to be more volatile, which means their value can rise or fall by greater amounts on a day-to-day basis.

- Current legislation

Rates of tax, tax benefits and allowances are based on current legislation and HMRC practice. These may change from time to time and are not guaranteed. Octopus invests in companies reasonably believed to qualify for BPR, but please note that no commitment is given that any such investment will remain a qualifying investment at all times thereafter. To obtain inheritance tax relief, the executors of an investor's estate will need to complete a copy of probate form IHT412 and return this to HMRC. BPR is assessed by HMRC on a case-by-case basis and cannot be guaranteed. HMRC may require the executors to provide additional information before accepting a claim for relief.

- Liquidity

The shares of AIM companies tend to be harder to sell than those of big businesses, such as BP or Vodafone. This means that if an investor decides to make a withdrawal or transfer from the Service, they may not be able to sell the shares immediately.

- Compliance monitoring

Regulatory monitoring: The Octopus team incorporates an established Compliance function which guides the company's business with particular regard to the regulatory environment in which it operates. The compliance team is responsible for identifying, monitoring and directing the mitigation of regulatory risks.

Legislative risk: The product is managed with strict adherence to the current legislation. Octopus retains PwC to provide an independent review of the BPR qualification of the investee companies. It is, however, impossible to control or influence changes to legislation which may occur in future.

- Responsibility for risk management and monitoring

The product has three full-time portfolio managers working on the portfolios. They are responsible for all aspects of dealing and constructing the portfolios. Constant monitoring of cash balances, individual stocks and weightings of stocks within the portfolio are carried out. The team as a whole takes a decision as to what stocks are on the buy list, and all members have oversight of portfolio weightings to manage investment risks, including concentration risk.

Octopus operates a Compliance Monitoring Programme and performs internal audits on a risk-based approach.

Custody:

The assets held within the portfolios are held in trust by Octopus Investments Nominees Ltd, on behalf of investors.

All un-invested cash received or held for the account of an investor's portfolio shall be treated by Octopus under the FCA rules as 'client money'. Such cash will be dealt with in accordance with the FCA CASS rules, and cash will be deposited in the United Kingdom with an approved bank, currently HSBC.

The approved bank will hold the cash on the company's behalf in a trust account separate to any account used to hold money belonging to Octopus in its own right. Octopus will not, however, be responsible for any acts or omissions of the approved bank. If the approved bank becomes insolvent, Octopus will claim on behalf of clients against the approved bank. If, however, the approved bank cannot repay all of its creditors, any shortfall may have to be shared proportionately between them.

Administrative systems:

All systems used by the team are bespoke internal systems which have been designed and created to support the team's work.

Risk monitoring policies:

Risk within the organisation is split between business risk (i.e. Octopus) and investment risk (i.e. the risk within the products). Business risk is monitored through the departmental governance structure and the formal risk matrix which is maintained and controlled at the director level.

Overall investment risk is managed through the Octopus risk management process, i.e. the detailed controls and procedures which are employed by the Quoted Smaller Companies team at Octopus.

The Octopus Risk Management Policy is clearly outlined in the staff handbook.

Conflicts of interest:

All conflicts are managed by the Octopus Conflicts Committee, chaired by the head of Compliance. Robust and detailed procedures are in place to manage such conflicts. A copy of the Conflicts of Interest Policy is available on request and/or on our website.

Client safeguards:

The FCA's Client Money and Asset (CASS) rules require Octopus – among other things – to separate clients' money and assets from Octopus-owned money and assets. This means that, even if Octopus ceased trading or became insolvent, its compliance with the CASS rules should ensure that clients' money and assets are protected. There is no protection available for investors in the event of the value of shares falling, or the underlying companies that they have invested in ceasing trading.

Compliance

In-house Compliance team:

Octopus has an in-house team who are responsible for compliance and risk. The SMF16 is John Averill, Head of Compliance. John is supported by the Compliance department, which includes compliance managers.

Broad oversight:

Our Compliance department oversees investment management duties at Octopus. They do so in line with the Firm's obligations under the UK regulatory system, using a programme of internal policies and procedures designed to detect and minimise risk of failure. The Octopus Compliance function operates independently and can take action to address any weaknesses in compliance procedures. Senior management at Octopus are required to ensure that the Compliance function has the necessary authority, resources, expertise and access to information to carry out this oversight role.

Employee codes of conduct:

There are policies and procedures for all staff to follow, including the Octopus Conflicts of Interest Policy, the Octopus Gifts & Benefits Policy and the Octopus Personal Account Dealing Policy. Staff have to complete new starter and annual declarations, and must adhere to all policies and procedures. Adherence to the above, and general conduct is monitored and overseen by the Compliance and Risk teams, and reported to Senior Management via the Octopus Audit and Risk Committee.

Procedures for reporting breaches:

Errors are captured by the relevant operational teams via a centralised error/breach management log. Issues can be raised directly by the line manager to the Operational Risk team, and the log is reviewed by the Operational Risk team directly to ensure compliance breaches are captured.

Disaster recovery:

There are various measures in place depending on the severity of the disaster. In the case of the office and infrastructure being compromised, Octopus has alternative offices where key members of staff, including, (among others) IT and the fund managers, have access to telephones, the Octopus network and independent price feeds.

Financial Services Compensation Scheme:

Octopus is a participant in 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.

Communications

Fund managers:

Octopus fund managers are always happy to speak to or meet investors and advisers to talk about the Octopus AIM Inheritance Tax Service.

Access to valuations:

Both the adviser and the investor can view client portfolios via the secure website **octopusinvestments.com**. Follow the registration instructions to gain access to the system, and the portfolio will be available to view within 24 hours of the investments being made. Current valuations are available daily online and via the client relations team on request.

Written valuation reports are provided four times a year with commentary on each of the underlying holdings.

Other communications:

Investors receive a welcome letter and notification that the portfolio will be constructed once funds have cleared.

The Octopus Quoted Smaller Companies team also produces a monthly AIM factsheet. This is available on the Octopus website.



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