

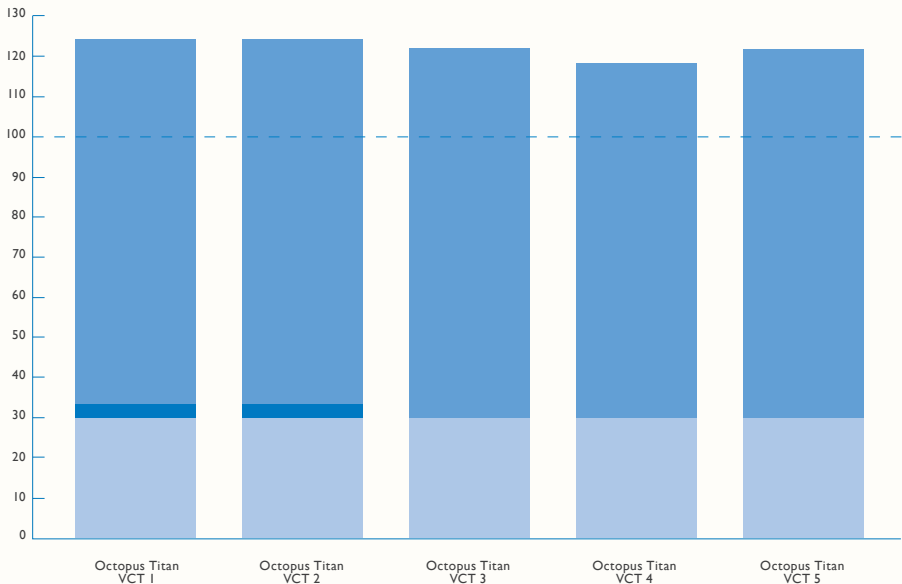
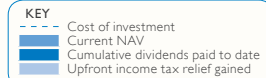
PERFORMANCE

The total returns (net asset values plus dividends) of each of the Titan funds have decreased slightly since the last update. This is largely due to the standard running costs of the funds currently outweighing the income generated by the underlying holdings. Many of the companies in which the VCTs are invested are still in their early stages, and we're confident that the net asset values (NAVs) will increase in the years ahead. We've seen a number of our portfolio companies continue to make significant strides over the review period - despite the economic environment - and with all five Titans currently open for subscription, we consider this an excellent time to invest.

Titans 1 and 2 have declared dividends, which will be payable on 13 April 2012 to shareholders on the register on 9 March 2012. Titan 3 reached its requirement to invest 70% of the funds into qualifying investments by 31 October 2011. Titans 4 and 5 are continuing to invest into qualifying companies, and we therefore anticipate no problems with both funds reaching their 70% investment hurdle as required.

PERFORMANCE SINCE INCEPTION

NAV data as at 31 October 2011. Source: Octopus Investments



DATA AT A GLANCE

The table below shows the NAVs of the VCTs. Historic information on dividends is also included. Regular tax-free dividends are one of the major benefits that VCTs can provide to investors.

	Current NAV	Total dividends paid	NAV plus total dividends
Octopus Titan VCT 1	91.5p	3.5p	95.0p
Octopus Titan VCT 2	91.5p	3.5p	95.0p
Octopus Titan VCT 3	92.9p	-	92.9p
Octopus Titan VCT 4	89.0p	-	89.0p
Octopus Titan VCT 5	92.6p	-	92.6p

INVESTMENT ACTIVITY

One of the most rewarding aspects of our job is when we back companies that then offer something truly innovative or exciting to the marketplace. One of our investee companies, True Knowledge (Titans 1-5), based in Cambridge, made global headlines in the last quarter with the launch of 'Evi', an artificial intelligence mobile phone application that competes with Apple's own personal assistant application, Siri.

Evi is 'smarter than a search engine' because when asked a question it gives a direct answer rather than a list of websites, often a source of frustration for Siri users. It accesses its own database of more than 635 million facts carefully assembled by the True Knowledge team. Evi offers other clear advantages over the Apple application. Whereas Siri is currently only available on the iPhone 4S model, Evi will run on any iPhone or Android phone. Given that there are some 60 million iPhones currently in use that do not have built-in Siri software, clearly there's an immense opportunity for Evi.

Evi soon entered the top 10 app charts for both Apple and Android, and is approaching half a million downloads since it was first made available. Such a positive initial response from the market is very encouraging and we are looking forward to working with the company to capitalise on this success.

Aside from innovation, another theme emerging this year is austerity. By this we mean companies that aim to enable businesses to work more efficiently and increase revenues whilst also managing their costs. During the review period we made new investments into Rangespan and Artesian Solutions (more details overleaf), both of which fit neatly into this theme. Rangespan operates a low risk 'pay-for-performance' model that helps retailers such as Argos to expand their online product range without increasing their upfront costs. These companies offer an important service during cost-conscious times, offering businesses a quick return on their investment and allowing them to improve efficiency and enhance profitability to build top line revenue growth (by this we mean the income from its business activities) rather than cutting costs.

OUTLOOK

For the Titan VCTs, this remains a very good time, not only in terms of making new investments, but in helping our existing portfolio companies to continue to grow. A number of businesses have demonstrated their ability to continue to grow aggressively, even when competitors are falling by the wayside.

The economic problems faced by Greece and the rest of Europe continue to cast a shadow over the UK, and confidence has been dented amongst businesses large and small. Just as economic

uncertainty makes consumers reluctant to spend, company finance directors are also in a similar position. Companies are not entering into discussions to acquire new companies in the current climate, despite having enough capital on their balance sheets that could be used for new purchases. As a result, merger and acquisition activity is still weak. However, we expect this to change and 2012 could provide significant opportunities for a turnaround in sentiment towards the second half of the year. The Queen's Diamond Jubilee in June and the London Olympic Games in July and August should be positive, not only for specific sectors such as retailers and hospitality, but also in providing a general 'feel-good factor' across the UK as a whole, and confidence could well pick up in the second half of the year.

PORTFOLIO COMPANY IN FOCUS



Artesian Solutions

During difficult economic times, any businesses that can offer cost and efficiency savings to other businesses are likely to be well received. One such company is Artesian Solutions (Titans 4-5), which provides a software application that helps to simplify the process of looking for sales and marketing intelligence.

The company's technology pools customer information from millions of web pages and through social media (such as blogs and social networks). It then creates highly targeted client lists, offering a much better insight into the potential new customers that a business wants to reach.

The system is currently being used by over 6,000 sales and marketing professionals,

reducing the cost, time and effort they spend on filtering the web and social-media. Customers currently include several well-known high street banks, but the opportunity is there for companies across a wide range of industries and sectors beyond banking and financial services.

We're excited by the prospect for the business, as the market opportunity is significant. Analysts estimate the traditional business information services market alone was worth around \$1 billion last year. We invested £2 million in December 2011, which will be used to accelerate the company's UK presence in various markets, as well as further developing the product offering itself.

TOP 10 OVERALL HOLDINGS AS AT 31 DECEMBER 2011

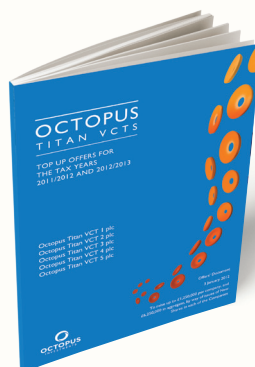
1	Zoopla	6	Michelson Diagnostics
2	Graze	7	TouchType
3	Calastone	8	Surrey Nanosystems
4	True Knowledge	9	Mi Pay
5	Executive Channel	10	Secret Escapes

TITAN VCTS: ACCESS NEW SHARES VIA TOP-UP OPPORTUNITY

Titan portfolio companies such as Zoopla, Secret Escapes and Graze are rapidly becoming household names thanks to the success they're enjoying and high profile advertising supporting their growth. The fund management team continues to see a large number of investment opportunities which could be attractive to investors who take a long term view to investing in early stage UK companies which are run by ambitious entrepreneurs.

In order to make new investments and further support existing portfolio companies we are raising £6.25 million in a new top-up offer. The Titan VCTs offer a great way to be a part of genuinely exciting UK early stage companies and access the generous tax-reliefs which investment in a VCT provides. Portfolio companies are supported by our Venture Partners, a plethora of entrepreneurs and business people able to offer their expertise and experience to start-ups and who co-invest their money alongside the Titan funds.

With limited capacity available we anticipate rapid take-up, so we'll be allocating shares on a first come, first served basis. If you're interested in investing we recommend you speak to your financial adviser. More information can be found on our website www.octopusinvestments.com



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