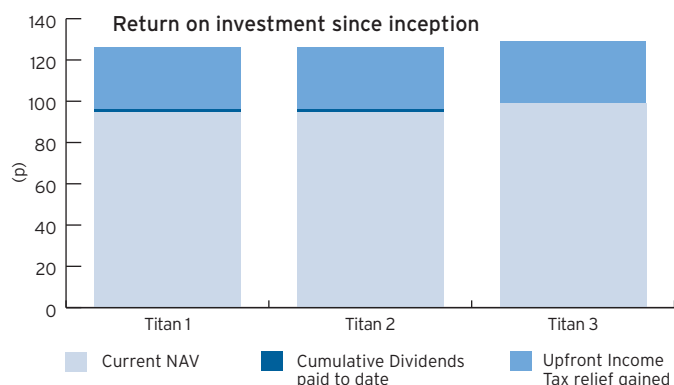


Introduction

Your latest VCT update from us covers the period from February to April 2010, giving information on performance, investment activity and how we're managing your investment. We're always on hand to discuss any aspect of your investment, from portfolio companies to the economic environment. Please just give us a call if you have any comments or queries. Our number is **0800 294 6861**.

Performance



There have not been any major changes in fund values since your last update. We've made several new investments, and the remaining funds are still held in cash and non-qualifying investments. Titan 1 & 2 VCTs have 50% of their funds allocated in qualifying businesses, while Titan VCT 3 holds a larger proportion in non-qualifying investments including our Octopus OEIC funds.

Data at a glance

The table below shows the Net Asset Values ('NAVs') of the Octopus Titan VCTs. Tax-free dividends are one of the major benefits of VCTs and we hope to be able to supply a small dividend stream in the early years of each Fund. Dividends in the early years are largely dependent upon the fund being able to earn income from the cash deposits, which is more challenging in the current low interest rate environment.

	Current NAV	Total dividends paid	NAV plus total dividends
Octopus Titan VCT 1	94.6p	1.5p	96.1p
Octopus Titan VCT 2	94.6p	1.5p	96.1p
Octopus Titan VCT 3	99.1p	0.0p	99.1p

As published in the Interim Management Statement for the three months ended 31 January 2010.

	Octopus Titan VCT 1	Octopus Titan VCT 2	Octopus Titan VCT 3
% invested in qualifying holdings*	50.3%	50.3%	22.4%

*As at 30 April 2010.

Activity and Outlook

It's been a very busy time, with the completion of four new deals in the first quarter of 2010. Two of the new investments are featured overleaf: AQS and its subsidiary, Soil Xchange, operate in the environmental sector, while Metrasens is a technology business specialising in metal detection products. The other new investments are Money Workout, an online business helping customers with mortgages, and Mi-Pay, which provides payment services within the mobile money sector.

In the period, we also made a further investment into portfolio company Calastone. Since our first investment in 2008, Calastone, the UK's only independent transaction service for the mutual fund industry, has been expanding into Europe, recently opening an office in Luxembourg. It also marked the sending of its 2 millionth message across its network in January 2010. Calastone is one of several portfolio companies that have been making excellent progress since we invested. Zoopla!, the online property website which launched in 2008, and into which we invested in 2009, has this year outpaced its rivals to become the UK's fastest growing property portal and the second most visited property website in the UK. These achievements show how effective VCT investments in small, growing businesses can be in facilitating high growth. Portfolio companies can benefit from both our funding and support, including the collective expertise of our Venture Partners (formerly Investor Group) who work and invest alongside us.

While more companies are looking to VCTs for funding, more investors are turning to them as the need for tax efficient products becomes greater. As a market leading VCT provider, we finished the tax year end strongly: almost £1 out of every £4 invested into VCTs last year was into an Octopus VCT (source: Tax Efficient Review), meaning we raised £70 million in total, with Octopus Titan VCT 4 accounting for almost £18 million. It was one of the top ten VCTs for fundraising in the last tax year (source: Association of Investment Companies).

Extension of offer period for Octopus Titan VCT 4

The offer period for Octopus Titan VCT 4 has been extended to 31 August 2010. If you would like to take advantage of this opportunity, please contact your financial adviser. You can also call us on **0800 294 6861** or visit our website **www.octopusinvestments.com**.

AQS

The company

AQS, including its subsidiary Soil Xchange, is a waste management business focusing on soil remediation - recycling and cleaning soil - using its own process and equipment. Soil Xchange's aim is to create strategic hubs across the UK, which will take hazardous soil and waste, and exchange it for recycled, clean soil. It does this using AQS' market leading soil remediation knowledge and equipment, the 'Eco Warrior'.



Demand for Soil Xchange's services is set to increase over the next few years. This is driven mainly by an increase in tax on hazardous construction and utility waste, along with an onerous licensing process for soil remediation. The Government has also set targets to reduce construction waste whilst increasing the recycled content of construction materials.

The investment

We invested £2 million into AQS this year. The investment is being used to finance the roll out of Soil Xchange. With this investment, Soil Xchange will be in a position to drive forward its plan for 13 UK hubs, consisting of seven major hubs within 24 months, including key locations in North and South London, followed by an additional six minor hubs. Soil Xchange has already identified strategic partners for most of the major hubs. When deciding to invest, we were impressed by the experience of the management team, and its offering, which addresses the growing trend for greener solutions to remove hazardous waste. Environmental issues are high on the agenda and, in such a strongly developing market, we believe there are real opportunities for Soil Xchange to grow.

Metrasens

The company

Metrasens is a technology business specialising in metal detection products for the healthcare and security markets. It was founded in June 2005 by two former employees of QinetiQ, a company specialising in defence security and technology. Its core technology was developed within QinetiQ, with which Metrasens maintains strong links, taking advantage of over 20 years' experience at the forefront of magnetic and metal detection technology.



Metrasens' products work by detecting magnetic material. Its Ferroguard® MRI (magnetic resonance imaging) detection system provides visual and audio alarms at the point of detection. It is used in hospitals in rooms containing MRI units, where it's crucial, for health and safety reasons, to detect such material. The Ferroguard® system not only increases safety but also decreases potential costs, through reducing the likelihood of injuries and damage from projectiles in the MRI units. Ferroguard® recently won the award for industrial product design at the 2010 Design Week awards, beating products from major brands including Xerox and Apple. Another key Metrasens product is its FG1 Portable Security Pole. This also detects magnetic material, and has many uses, including in street knife detection operations by police. Both these products are simple to operate and can be set up quickly and easily.

The investment

We invested £1.5 million in Metrasens this year. This funding will enable it to further develop and build sales of both its products. Metrasens has already successfully sold its security pole technology to a UK regional police force. Meanwhile there is established global market demand for the Ferroguard® MRI product. Early indications suggest that the worldwide market for Ferroguard® could be worth in excess of £1.1 billion. This is due to tighter regulation of MRI facility design, combined with President Obama's reforms to reduce US healthcare costs, and the tougher economic environment. We are confident that Metrasens is well positioned to enhance its market reach and product range, along with delivering on customer needs and broadening its customer base.

This update has been designed with you in mind. If you have any feedback please email us at comms@octopusinvestments.com

Website: www.octopusinvestments.com

Tel: 0800 294 6861

General Email: info@octopusinvestments.com

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