

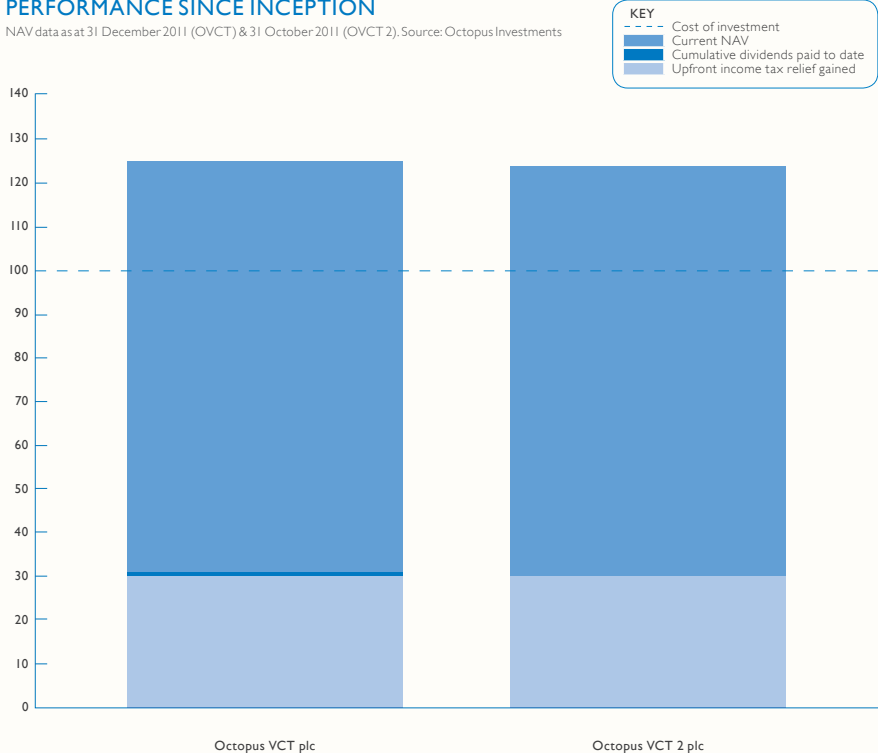
## PERFORMANCE

During the period under review the performance of both Octopus VCT and Octopus VCT 2 was stable. One particular positive has been that the income due and received from loan notes held by the VCTs in investee companies is now covering the costs of the funds. Investing in company debt such as this is lower risk than investing in equity, but still allows us to receive a good level of income. In future we expect this income will exceed the fund running costs and therefore help increase net asset values (NAV).

There has been no change to any of the unquoted equity investments we have made. However, these are all performing to plan. In general, the investments into both Octopus VCT and Octopus VCT 2 are performing well, despite the current difficult economic climate. We therefore expect to see a continued improvement in the performance of the funds.

### PERFORMANCE SINCE INCEPTION

NAV data as at 31 December 2011 (OVCT) & 31 October 2011 (OVCT 2). Source: Octopus Investments



## DATA AT A GLANCE

The table below shows the NAVs of the VCTs. Historic information on dividends is also included. A regular tax-free dividend is one of the major benefits that a VCT can provide to investors.

	Current NAV	Total dividends paid	NAV plus total dividends
Octopus VCT plc	93.7p	1.0p	94.7p
Octopus VCT 2 plc	93.5p	-	93.5p

## INVESTMENT ACTIVITY

We continue to see good investment opportunities within the solar sector, particularly where other developers have taken the decision to exit from the industry, or from installations, because of a lack of funding or where government reductions to solar subsidies (the Feed-in Tariffs) have made projects no longer viable. We're pleased to be able to report that thanks to Octopus' position as the UK's largest commercial investor into solar, we have the necessary economies of scale to make some of these projects profitable. As a result, we're finding opportunities to acquire already developed solar sites.

Octopus VCT 2 has an investment mandate that allows for investment into renewables in general, and this means that alongside solar projects we are also looking into areas such as anaerobic digestion which, in simple terms, is the process which converts waste into energy.

A number of other investments have been made into Borro, Atlantic Screen International and Acquire Your Business all of which have shown robust business models with predictable revenue streams in line with the mandate of the fund.

## TOP 5 HOLDINGS AS AT 31 JANUARY 2012

Octopus VCT		Octopus VCT 2	
1	CSL Dualcom	1	Heluku Power
2	Heluku Power	2	Shakti Power
3	Borro	3	Howbery Solar
4	Shakti Power	4	Acquire Your Business
5	Machibo Power	5	Aashman Power



“It has been a symbiotic relationship in its truest form and it has helped us get to the position we find ourselves today.”

Phil Hollett, Managing Director CSL

**CSL DualCom**  
([www.csldual.com](http://www.csldual.com))

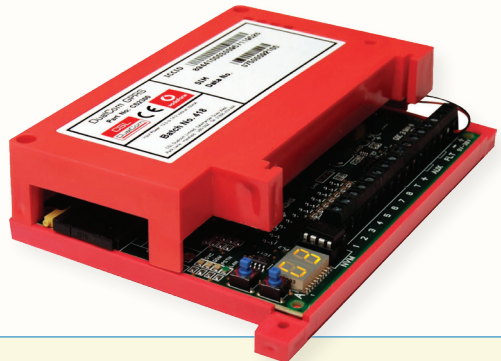
CSL pioneered dual-signalling technology, whereby signals are transmitted over both a traditional fixed telephone line and a wireless network, in the late 1990s. This is now regarded as the standard format for alarm signalling and is specified by all leading insurance companies.

In March 2011 Octopus VCT invested £1.3m alongside £3.95m from the Apollo VCTs (funds also managed by Octopus) in order to both refinance some loans that were due to be repaid and to buy a small amount of equity. The Octopus Eclipse VCTs had also invested in CSL. In December 2011 Bowmark, a leading UK private equity house acquired the equity of the business from Octopus Eclipse VCTs. Because we like the recurring revenue nature of the business we decided to retain the Apollo VCT and Octopus VCT investment in the business. We also chose to invest a further £2.475m from Octopus VCT to support the transaction. OVCT's investment now totals £3.775m. Nearly all of this investment has been made as a loan and the Funds' are receiving regular interest payments from the company.

The company continues to grow rapidly. Today, CSL manages the signalling for over 125,000 intruder alarms located in commercial, retail and residential premises across the UK. These are connected to alarm receiving centres via its proprietary communications network, which it has developed in partnership with Vodafone.

The management team is led by CSL's managing director, Phil Hollett, who has over 25 years' experience in the security industry, and Simon Banks, commercial director, who co-founded the business in 1996.

Commenting on our relationship with CSL via our debt funding Phil wrote, “It has been a symbiotic relationship in its truest form and it has helped us get to the position we find ourselves today.”



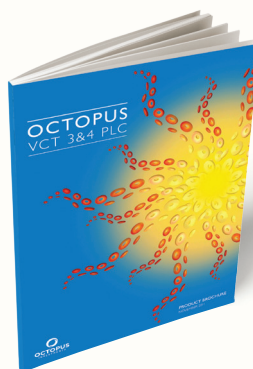
## OCTOPUS VCT 3&4: MUST CLOSE TO INVESTORS BY 5 APRIL 2012

Octopus VCT 3&4 offers investors access to stable, attractive revenue streams through the government backed Feed-in Tariff (FiT) scheme, which supports investment in the UK solar energy sector.

But from 6 April 2012, new investment in solar companies will no longer be a qualifying investment for VCTs. This means it really is the last chance to take advantage of the generous tax-reliefs that investment in a VCT offers combined with the predictable returns provided through the government approved FiTs.

So, if you want to make hay while the sun shines, you'll need to get in quick. Octopus VCT 3&4 remains the UK's only solar-focused VCT open for new investment but will close at noon on 5 April 2012 or earlier if capacity is reached in advance.

If you are interested in investing or for more information please speak to your financial adviser or call us on 0800 316 2295.



## TALK TO OCTOPUS

We want to make sure the information we send you is interesting, useful and easy to understand. And we take your feedback very seriously. If you have any comments about this update or any questions about your investment we'd love to speak to you. Just call 0800 316 2295 or email [comms@octopusinvestments.com](mailto:comms@octopusinvestments.com)

**FOR UK RETAIL INVESTORS ONLY** – This document is specifically for the recipient and should not be relied upon by any other person. The value of an investment in a VCT may go down as well as up and you may not get back the full amount invested. Past performance is no guide to future performance. This document is a financial promotion and has been approved for the purposes of section 21 of the Financial Services and Markets Act 2000 by Octopus Investments Ltd. Investors should seek their own personal financial advice from an appropriately authorised independent financial adviser. Any investment should be made solely on the basis of the information contained in the product prospectus and product terms and conditions attached to the application form. Shares quoted on AIM may be higher risk than companies listed on the London Stock Exchange Official List. Octopus Investments is authorised and regulated in the UK by the Financial Services Authority, 25 The North Colonnade, London E14 5HS. Registered in England & Wales under No. 3942880. All information correct as at <date>unless otherwise stated.1564-01-VCT-0212.