

PRODUCTS THAT PERFORM PEOPLE THAT LISTEN

OCTOPUS TRUST BUILDER



OCTOPUS
INVESTMENTS

Octopus Trust Builder

employs a two stage investment process that utilises tax exemptions related to Business Property Relief (BPR) to fund discretionary trusts, avoiding the entry tax.

Octopus Trust Builder is aimed at investors who:

- Want to establish large trusts
- Have already used their nil rate band or want to preserve their nil rate band for other financial planning strategies

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It is very important that you read and fully understand the risks involved with this investment so that you can decide whether it is right for you. The key risks associated with this product are explained on page 8 of this brochure.

Please note that all the figures and information provided within this document are correct as at 25 November 2009.

WELCOME TO OCTOPUS

The Octopus Trust Builder is an innovative way to create a discretionary trust without incurring the up front entry tax.

In 2006, the Government made some fundamental changes to the taxation of trusts, effectively closing what it saw as a loophole. This left discretionary trusts as the last remaining type of flexible IHT efficient trust. However, discretionary trusts are subject to a 20% upfront entry tax, called a 'Chargeable Lifetime Transfer'.

Over the past few years, a number of financial advisers and investors have asked us if there is a way of funding flexible trusts without incurring this entry tax. In response to our customers' feedback, we've created Octopus Trust Builder.



SIMON OCTOPUS CEO

Octopus Trust Builder employs a two stage investment process that utilises tax exemptions related to Business Property Relief (BPR) to fund discretionary trusts, avoiding the 20% entry tax.

Since its establishment in 2000, Octopus has built a reputation for creating innovative and successful investment products. We now have more than 20,000 investors and more than £1 billion of customer assets under management. We believe this success is due to the fact that we listen to our customers and design products that meet their needs.

I hope that you find this brochure clear and easy to understand. We always recommend that you seek independent professional advice before you invest in any product, but if you do have any questions, or if it would help to speak to me or one of the fund managers, please call us on **0800 316 2298**.

A handwritten signature in red ink that reads "Simon Rogerson". The signature is written in a cursive, flowing style.

Simon Rogerson
Chief Executive

THE PROBLEM

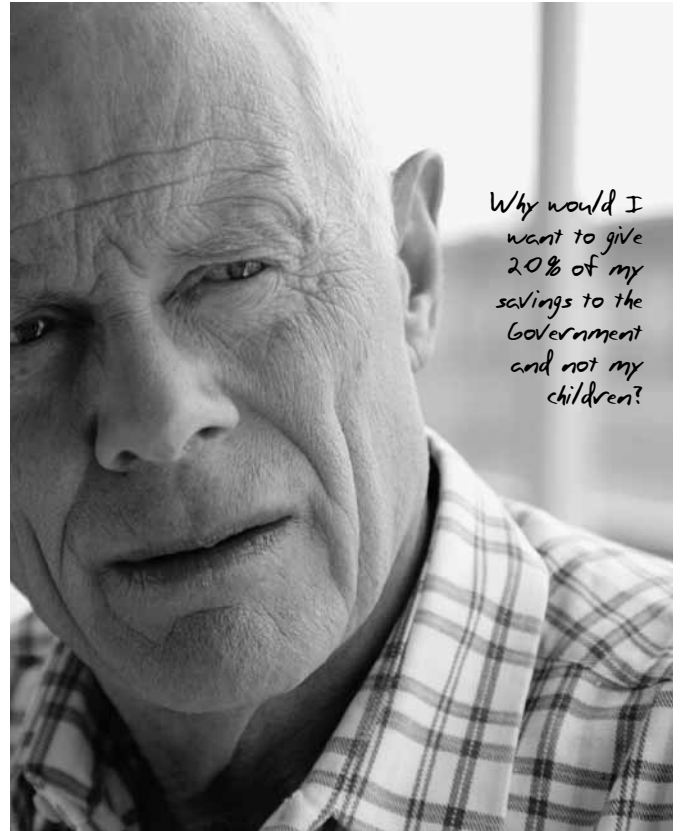
If you put money or other assets into a discretionary trust, it creates what is called a 'Chargeable Lifetime Transfer'. This means that you have to pay an upfront entry tax on the amount you transfer into the trust.



While discretionary trusts provide a great vehicle to pass on wealth to future generations, the upfront 20%* entry tax is considered a large burden to overcome.



Chris Hulatt
Director, Octopus

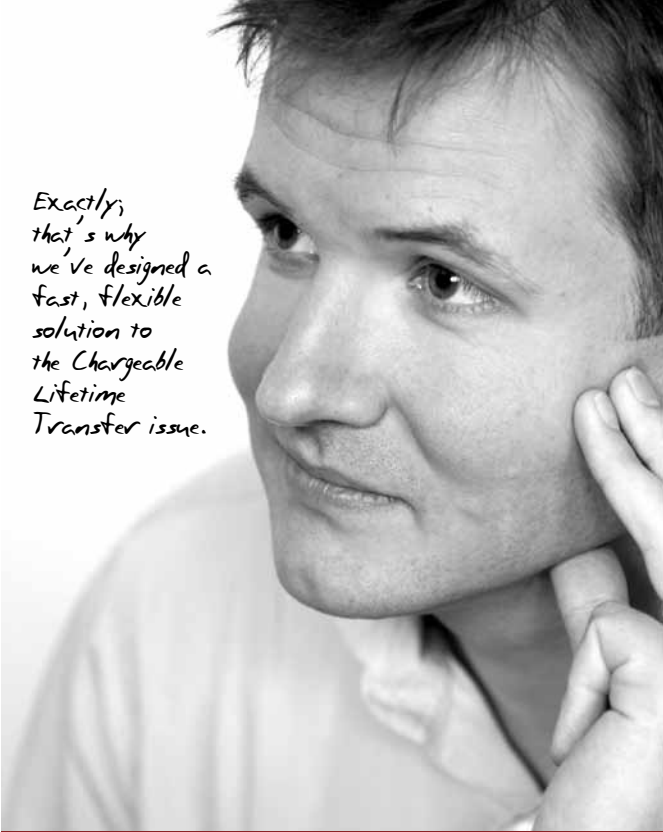


OLLY INVESTOR

Trusts have been used for decades as a means for individuals to pass their wealth on to others. Discretionary trusts have proved one of the most popular types of trust, as they allow investors to maintain control over their money and flexibility over their final beneficiaries. These trusts can be especially useful in passing on wealth across several generations without triggering inheritance tax each time the money is passed to the next generation.

Unfortunately, investors incur a 20%* upfront entry tax, known as a Chargeable Lifetime Transfer, when they move money into a discretionary trust.

* The exact rate of tax you will have to pay will depend on your personal situation. For most types of transfers into trust you can estimate your entry tax by adding the value of the transfer to any chargeable gifts made in the previous seven years and calculating a 20% tax on everything above your nil rate threshold (£325,000 in 2009-10).



*Exactly,
that's why
we've designed a
fast, flexible
solution to
the Chargeable
Lifetime
Transfer issue.*

GUY OCTOPUS

Octopus Trust Builder allows you to put money into a discretionary trust without paying the 20% entry tax. By first investing into a Business Property Relief (BPR) qualifying asset, holding this asset for the two year qualifying period and then transferring the asset into a trust, you are able to qualify for BPR related tax exemptions that eliminate the entry tax for trusts.

Until recently, the only BPR qualifying assets easily available to non business owners were shares listed on the AIM market. Whilst some investors have used AIM shares to fund trusts, many have elected not to because of the volatility of the AIM market and therefore uncertainty as to the value of their assets after two years.

To overcome these concerns, Octopus has established a lower risk BPR qualifying investment, Octopus ITS, that can be used within Octopus Trust Builder. We've developed this lower risk investment with a focus on capital preservation because many of our investors have told us that protecting the value of their initial investment is just as important as saving tax. We explain this product on pages 6 and 7. We also offer a number of other products which can be used with Octopus Trust Builder. For further details please speak to your financial adviser.

OUR SOLUTION

Octopus Trust Builder provides an innovative solution to the entry tax problem.

Once the minimum holding period has been met the investment can be transferred, without an entry tax, into a trust with the following benefits:

- Control of the assets within the trust
- Avoidance of probate delays
- Ability to obtain annual income from the trust
- Increased flexibility and control versus traditional wills
- Loans from the trust can provide benefits without income tax
- Ability to preserve your inheritance tax nil rate band

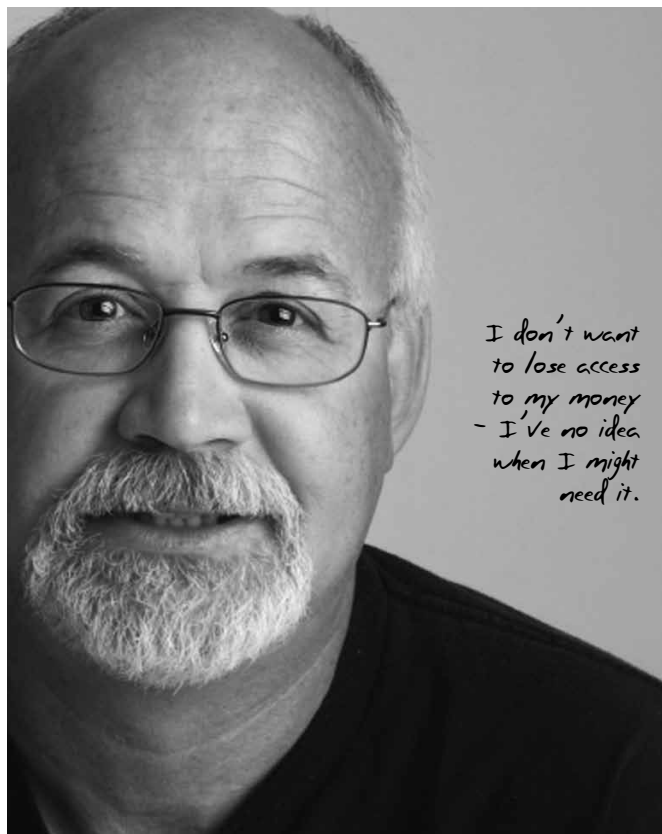
OCTOPUS ITS

Octopus is the largest provider of BPR inheritance tax solutions, with over £400 million already invested in our range of products.

- Targeted 3% pa return
- Lower risk investment with a focus on capital preservation
- Risks mitigated using insurance and deal structure
- Control of and access to the investment is maintained*
- Returns can be taken as income or growth
- Two year holding period

For more information, please refer to the Octopus ITS product brochure.

* Please note, once your money moves into trust, your access will be restricted in accordance with the rules you establish when you set up the trust.



BILL INVESTOR

INVESTMENT OBJECTIVE

The Octopus Inheritance Tax Service (ITS) is designed to provide investors with a targeted net return of 3% through investments in BPR qualifying companies, with risks mitigated using insurance and deal structure. The investment is designed to be held for at least two years in order to benefit from tax relief (BPR).

We've also chosen to align our interests with investors, with Octopus contributing up to 3% each year towards any shortfall in the 3% per annum targeted return.

SPEED

After just two years the investment qualifies for all the benefits of a BPR qualified asset. This means you can avoid the entry tax of 20% when transferring it into a trust. Once the asset is in the trust, the investor can decide what form they want the investment to take. However, any element in the trust that is retained within Octopus ITS will be completely exempt from inheritance tax, even if the investor dies the day after funding the trust. Please note, when you transfer your assets into Trust this will be deemed as a disposal for Capital Gains Tax (CGT) purposes and any gains made on your investment may be subject to CGT (currently 18%).

CONTROL AND ACCESS*

Unlike some other solutions, you retain access to your investment as we are able to create liquidity in the portfolio every month. If your circumstances change and you want to dispose of your holding, you can - although money withdrawn may not be shielded from inheritance tax.



MR MORRIS INVESTOR

Mr Morris is 65 years old and wants to create a trust with his assets. If he transfers his assets directly into a trust he will be hit with a Chargeable Lifetime Transfer bill of £335,000 (20% of £2,000,000 less the nil rate band of £325,000).

Faced with this situation, Mr Morris decides to invest his £2,000,000 into Octopus Trust Builder using Octopus ITS as the entry point. Once he has held the investment for two years it can be transferred straight into a trust and, at this stage, he is exempt from the Chargeable Lifetime Transfer of £335,000. Once the asset is in the trust, he can then decide what form he wants that investment to take. However, any element in the trust that is retained within Octopus ITS will be completely exempt from inheritance tax, even if he dies the day after funding the trust.

After the two year holding period, including all fees, taxes and growth, he will be able to invest an estimated £1,965,000 into the trust. This provides an estimated saving of £198,100 over the option of putting the assets straight into the trust, assuming the trust is earning a net return of 3% pa.

CASE STUDY: TRUST BUILDER WITH OCTOPUS ITS

Mr Morris has investable assets worth £2,000,000 with little taxable income.

ESTIMATED SAVING
£198,100

STRAIGHT INTO TRUST

- ⊕ Trust can be set up immediately
- ⊖ £335,000 Chargeable Lifetime Transfer
- ⊖ Charges every 10 years
- ⊖ Exit charges
- ⊖ If Mr Morris dies within seven years he has already used his nil rate band, increasing the IHT due by £130,000

OCTOPUS TRUST BUILDER WITH OCTOPUS ITS

- ⊕ No Chargeable Lifetime Transfer is due
- ⊕ Any capital retained within Octopus ITS at the time of death is exempt from IHT after two years
- ⊕ Mr Morris maintains control of his assets during the initial two years
- ⊕ No 10 year charge†
- ⊕ No exit charges†

† If investments remain in BPR qualifying assets.
Provided for illustrative purposes only.

THE RISKS

As with many investments, there are risks associated with investing in this product. We've tried to explain these risks as clearly as possible below.

The products described in this brochure may not be suitable for all investors. Potential investors are recommended to seek independent tax and financial advice before investing. Please note that Octopus is not able to provide you with advice about your suitability for this product.

If you are not UK domiciled or resident or ordinarily resident in the UK for tax purposes, it may not be appropriate or advantageous for you to invest in these products.

RISK TO CAPITAL

Past performance is no guide to future performance and there is no guarantee that the investment objectives will be achieved. We can make no guarantee about the level of capital gains or income that will be generated by Octopus products. 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.

Investments made by Octopus ITS, because they are in unquoted companies, are likely to be higher risk than companies on the London Stock Exchange official list. Octopus ITS is not suitable for short term investments.

Along with this brochure, you should ensure you read the product brochure for each Octopus product you wish to invest in, for example Octopus ITS and familiarise yourself with the risks associated with that product. Brochures are available on our website.



MARGARET INVESTOR

CURRENT LEGISLATION

Rates of tax, tax benefits and allowances described in this brochure are based on current legislation and HM Revenue & Customs practice. These may change from time to time and are not guaranteed. In this case, the tax reliefs available on the investment may be lost. Changes in law can have a retrospective effect.

THE TRUST

As a service to investors, Octopus Trust Builder provides trust documentation for a number of different trust structures free of charge. However, the product will work with any discretionary trust structure and investors can use their existing trusts or establish new trusts with their solicitor.

TRUST PLANNING

This product utilises a trust to facilitate planning. Trusts are a legal arrangement and prospective investors are advised to seek legal advice if they are unsure of their rights and obligations. The taxation of trusts can become complicated and investors should seek tax advice from a professional adviser.

The trust deeds provided by Octopus are draft deeds only for the consideration of the Settlor and the Settlor's legal advisers. Octopus can accept no liability for any loss caused as a result of their use. Octopus does not have the authority to give tax or legal advice in relation to the use of these trusts.



JAMES OCTOPUS

**INVESTMENT EXAMPLE, OCTOPUS ITS:
BRACKEN WHOLESALE**

HOW IS MY MONEY INVESTED?

Octopus ITS invests into Bracken Holdings Ltd, which is managed by Octopus Investments on behalf of our ITS investors.

Bracken is focused on capital preservation and uses both insurance and deal structure to mitigate the risks of its business operations.

HOW DOES IT WORK?

Bracken Holdings has a number of subsidiary companies, including a wholesale business. The wholesale business model is based on helping companies to improve their short term cash flows. It does this by purchasing goods from these companies' suppliers, and immediately selling these goods to the company at cost plus a margin, but with favourable (120 day) payment terms.

The main risk is the underlying credit-worthiness of the companies buying the wholesale goods. This risk is mitigated by establishing a pre-agreed credit limit and obtaining credit insurance, with a leading UK trade credit protection company, to insure the wholesale company's transactions.

INVESTMENT EXAMPLES

The main risk associated with traditional BPR inheritance tax products is the possibility of losing money if your investment falls in value (e.g. from a portfolio of companies listed on AIM).

Octopus ITS has been designed to mitigate this risk.



All the investments we make are into companies with a focus on capital preservation, with risks mitigated either by taking out insurance or by deal structure.

James
Octopus



ABOUT OCTOPUS

Octopus is AAA rated for investment planning by Citywire.

INTRODUCING OCTOPUS

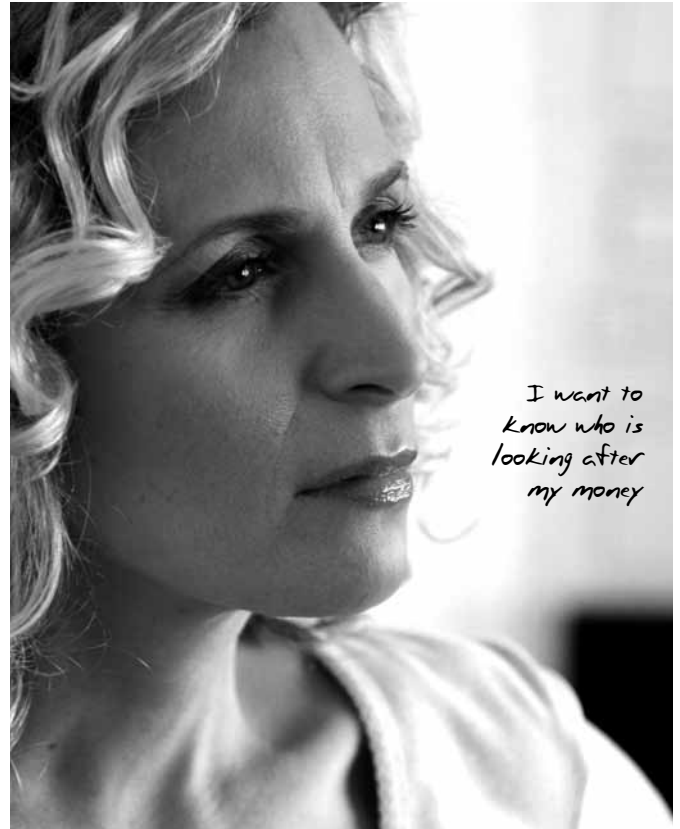
Octopus Investments is an investment company with a difference; we listen to our customers, design products that meet their needs and deliver these products with them in mind. We aim to build long term relationships and help investors meet their financial goals. Octopus was established almost ten years ago and since then we've grown our customer base to over 20,000 investors and built relationships with over 3,000 individual advisers, resulting in more than £1 billion in assets under management.

FOCUS ON SERVICE

At Octopus we place great emphasis on providing outstanding service to all our customers; our aim is to not just serve our customers, but to delight them.

We write all our literature with our customers in mind; we try to make everything clear and easy to understand, and we avoid confusing financial jargon.

At Octopus we don't use call centres or automated touch-tone systems, so you will always get straight through to a 'real' person to talk through any queries you have. Furthermore, our fund managers and senior team are available by phone to talk about your investments. We're always happy to hear from our customers and discuss any aspect of their investment.



SARAH INVESTOR

OCTOPUS CREDENTIALS

Our approach to our customers has had a number of positive results. Octopus has developed a reputation for quality and innovation through designing products that meet the needs of investors. We've established leading positions in many of the markets where we operate, including:

- Largest provider of inheritance tax solutions based around Business Property Relief in the UK, and winner of the Moneyfacts 'Best tax and estate planning solution provider' 2009
- Market leading Venture Capital Trust (VCT) provider, voted 'VCT provider of the year' in 2007, 2008 and 2009 and shortlisted for or won 'VCT of the year' every year since 2004
- Largest provider of Enterprise Investment Scheme (EIS) solutions, including one of the most successful EIS funds ever launched
- Manager of a number of leading Open Ended Investment Companies (OEICs)
- Manager of the £30 million Octopus Capital for Enterprise Fund (OCfE), part of the UK Government's 'Real Help for Businesses Now' scheme designed to help UK SMEs
- A talented multi manager team which boasts an impressive track record within its peer group. The team is currently responsible for eleven funds and over £330 million in funds under management

THE CHARGES

The charges associated with Octopus ITS are set out below. There are no additional charges for Octopus Trust Builder.

OCTOPUS ITS INITIAL CHARGE

There is an initial charge of 5.5%, which will be deducted from the amount invested, of which 2.5% may be payable to your financial adviser, if you have one. If appropriate, your financial adviser will also receive an annual trail commission of 0.5% per annum paid by Octopus.

THE OCTOPUS PROMISE

If the annual return (after all charges) is less than targeted 3% return, Octopus will contribute up to 3%. There is no annual management fee but Octopus retains the right to charge arrangement and monitoring fees to the unquoted companies in which it invests.

DEALING CHARGE

Octopus will apply a 1% dealing charge on all transactions. Withdrawals will be valued by reference to the latest valuations of investee companies.

WHAT NEXT?

If you have any questions, please contact your financial adviser in the first instance. You can contact us on **0800 316 2298** or visit us at **octopusinvestments.com**

If you decide to invest, please complete and return the relevant product application form. If you require additional application forms please visit **octopusinvestments.com** where all of our literature can be downloaded or call us on **0800 316 2298**.

Application packs for products contain a full customer agreement. Please be sure to read through this carefully in order to familiarise yourself with the terms and conditions of investment.

We know how important making the right investment decision is, and we want you to feel comfortable and informed about investing with us. We recognise that in the current climate, many investors have concerns, so please feel free to call us at any time with your questions or queries. We're here to help and we're always happy to hear from you.



IMPORTANT INFORMATION

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 on page 8. Nothing in this document should be regarded as constituting legal, taxation, investment, or other advice and prospective investors are advised to review the relevant Octopus product brochure and consult their own professional advisers before contemplating any investment.

Rates of tax, tax benefits and allowances are based on current legislation and HM Revenue & Customs practice. These may change from time to time and are not guaranteed.

We will make investments which we reasonably believe to be qualifying investments at the time of acquisition. We can make no guarantee that companies in which we invest will continue to qualify. In such cases, the relief available on that investment will be lost.

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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The information in this document was captured on 25 November 2009 and therefore may not be current.

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