

PRODUCTS THAT PERFORM PEOPLE THAT LISTEN

# OCTOPUS VCT PORTFOLIO SERVICE AND SIPP

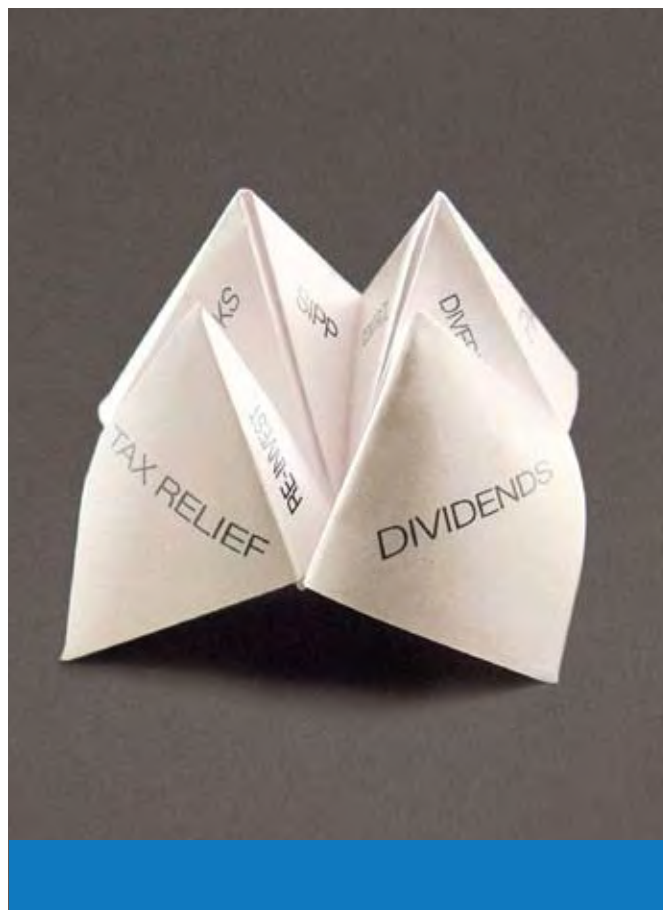
INVESTOR BROCHURE



# THE PRODUCT

The Octopus VCT Portfolio Service delivers a unique solution to investors in VCTs. By transferring the management of VCT shares to Octopus, we can aggregate investor influence and drive significant improvements in VCT management, raising the bar of the industry as a whole. We believe that this will ultimately lead to improved liquidity in the VCT market, and drive VCT performance overall.

We also aim to improve the investor experience by consolidating the reporting and payment processes to deliver a VCT portfolio that is easier to monitor and manage.



# INVESTOR BENEFITS

- **IMPROVED VCT MANAGEMENT**  
Octopus will encourage the adoption of best-of-breed management practices
- **SIMPLICITY**  
Investors get their VCT information in one place for easier portfolio management
- **ADDITIONAL TAX BENEFITS**  
Option to transfer mature VCTs to a SIPP for further substantial tax reliefs
- **POTENTIALLY INCREASED LIQUIDITY**  
As the service grows and creates a secondary market for VCT shares

# ABOUT OCTOPUS

**A DIFFERENT KIND OF INVESTMENT COMPANY**  
At Octopus, our success has come from listening to our customers, designing investment products that meet their needs and providing a level of service which, we believe, is unmatched within the industry.

**PRODUCTS THAT MEET CLIENT NEEDS**  
At Octopus, we design products that offer investment benefits you won't find anywhere else. It's this innovation, coupled with our track record, that has meant our funds under management have risen tenfold over the last four years, at a time when most of our competitors have gone backwards. This extraordinary record of success has also attracted some of the most experienced investment professionals around to work for us. So you can be sure investments with us are in the best possible hands.

**VCT EXPERTISE**  
Octopus is a leading VCT manager in the UK, with 15 VCTs under management, including the largest VCT in terms of fundraising in the 2008-09 tax year. We've been voted 'VCT Provider of the Year' in the Professional Adviser Awards three years running, and are AAA rated in the Citywire Service Index.

# WHAT DO YOU GET?

- Quarterly consolidated dividend payments
- Quarterly portfolio summary by email or post
- 24/7 access to our secure website, featuring:
  - An easy-to-understand overview of your VCT investments
  - Ongoing commentaries on every VCT in the market
  - Links to published VCT information, such as annual and interim reports
- Bespoke reports on our voting activities on specific VCTs

# MAKING YOUR INVESTMENTS WORK HARDER

If you hold VCT shares that have already passed through the minimum holding period to retain the income tax relief (three to five years, depending on when your client invested), you may wish to transfer the VCT shares into a Self Invested Pension Plan (SIPP) in order to benefit from additional tax incentives.

Octopus has designed a SIPP for use by investors in our VCT Portfolio Service. Once the VCT shares have been moved into the SIPP, Octopus will manage these VCT shares on your behalf and will provide you with the same reporting service as if the shares were held in the VCT Portfolio Service.

It should be noted that moving VCT shares into a SIPP is treated as a disposal for tax purposes, and so has implications for investors sheltering CGT gains or whose VCTs have not yet reached the end of the minimum holding period for income tax relief.



# CHARGES

## PORTFOLIO CHARGES

There is no initial charge on VCT shares transferred into the service. There is a 0.75% + VAT annual management fee charged on the value of your portfolio, paid quarterly in advance, although 0.5% of this is waived for VCTs held in the service where Octopus is the VCT investment manager. Octopus will pay your financial adviser trail commission of 0.25% of the value of your portfolio from your annual management fee.

There is an initial charge of 5% for cash invested into the service, of which 2.5% is payable to your financial adviser. A dealing fee of 1% will be charged on all purchases and sales of shares held in your Portfolio, which will cover administration, settlement and brokers fees. Stamp duty reserve tax of 0.5% will also be payable on purchases.

## OCTOPUS SIPP

If you choose to open an Octopus SIPP, there is an annual SIPP administration charge of £150 + VAT, paid quarterly in advance. You will also bear the other charges set out above in relation to the management by Octopus of your VCT investments.

The other charges that may be payable in relation to the SIPP are as follows:

- Transfer in £50 plus VAT
- Transfer out (cash) £100 plus VAT
- Transfer out (in specie) £150 plus VAT
- Benefit calculations £100 plus VAT
- Pension payroll £100 plus VAT per annum

# WHO IS THE SERVICE FOR?

- Investors holding more than one VCT, or those expecting to build a VCT portfolio over time
- Investors with VCTs that have passed the required tax relief period and are keen to make their investment work harder
- Investors who have deferred CGT through VCTs and want to avoid crystallising the gain
- Investors holding VCTs where liquidity is low, especially where a buyback option is not available
- Investors seeking tax-free dividends by bolstering their existing VCT portfolio with second-hand VCT shares



MR DANIELS INVESTOR

## EXAMPLE

Mr Daniels pays income tax in the 40% band, and has three VCTs worth a total of £30,000 which have all passed their five year period to qualify for income tax relief. He wants to make his investments work harder, and so moves his shares into the VCT Portfolio Service and opens an Octopus SIPP.

He benefits from an additional 20% income tax relief within the SIPP, and a further 20% tax rebate as he is a higher rate tax payer. This equates to a SIPP value of £37,500 with a further £7,500 in cash.

### MOVE INTO VCT PORTFOLIO SERVICE AND SIPP

Value of VCT shares	£30,000
Value in VCT Portfolio	£30,000
SIPP income tax relief	£7,500*
<b>Total SIPP value</b>	<b>£37,500</b>
Higher rate tax relief	£7,500*
<b>Total value</b>	<b>£45,000</b>

\* 20% of the total amount in SIPP

You should consider a wide range of factors to determine whether the VCT Portfolio Service, and the Octopus SIPP, are suitable for your situation. For example, it is important to review the tax implications of the investment, including any CGT being deferred in the VCTs that would have been crystallised by transferring the shares into the SIPP. Additionally, money in the SIPP will be taxed when it is drawn down.

# FREQUENTLY ASKED QUESTIONS

## **WHAT IS THE MINIMUM AND MAXIMUM THAT YOU CAN INVEST?**

There is no minimum value of holdings in existing VCTs that you can transfer into the Octopus VCT Portfolio Service. If you wish to invest cash in the Service so that we can buy VCT shares on your behalf, there is a minimum investment of £5,000 in cash.

## **HOW DO I CHECK THE PROGRESS OF MY PORTFOLIO?**

A formal valuation will be sent to you every three months, but you can call us at any time. We will also make portfolio information available through the secure area of our website.

## **CAN I REQUEST THAT YOU SELL ALL OF MY VCT HOLDINGS?**

Yes, you can request that we sell the shares that you hold within the VCT Portfolio Service at any time. However you should bear in mind that VCT shares can be illiquid, meaning the sale price might not be as high as that quoted as the market price.

## **WHAT INFORMATION DO I NEED TO INCLUDE ON MY TAX RETURNS?**

Dividends received from VCTs are free of income tax (provided you have not acquired VCT shares above the maximum investment level in any one tax year). Therefore, you do not need to include information on these dividends on your tax returns. In addition, any capital gains made on VCT shares are free of capital gains tax and do not need to be declared on your tax returns.

However, it should be noted that if you invest in the Octopus SIPP and need to claim higher rate tax relief on your SIPP transfer you must do this via the self assessment tax return.

## **WHEN DOES THE SIPP RECEIVE THE TAX BENEFIT?**

The basic rate tax contribution will normally be added into the SIPP by HMRC between six and eleven weeks after the VCT shares are moved into it. Once this money has been received within the SIPP, Octopus will then invest that money (plus the dividend income, less charges) into more VCT shares from the secondary market.

# RISKS

You should not invest into the Octopus VCT Portfolio Service or open a SIPP unless you have carefully thought about whether it is right for you. The service may not be suitable for all investors. Potential investors are recommended to seek specialist independent tax and financial advice before investing. Please note that Octopus is not able to provide you with advice about this product.

## **PAST PERFORMANCE**

Past performance of VCTs is no guide to future performance and may not be repeated. We can make no guarantee of investment performance or the level of capital gains or income that will be generated from a portfolio of VCT shares. 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.

## **CURRENT LEGISLATION**

Rates of tax, tax benefits and allowances described in this Brochure are based on current legislation and HM Revenue & Customs practice and may depend on personal circumstances. Tax rules and regulations are subject to change and are not guaranteed. Investments made into VCT shares traded on the secondary market do not entitle the purchaser to upfront income tax relief, although dividends paid to qualifying investors are free of income tax and any profits made on the disposal of VCT shares are free of capital gains tax (subject to certain limits).

## **QUALIFYING INVESTMENTS**

If you choose to invest cash into the VCT Portfolio Service, or for dividend income or SIPP tax relief to be reinvested into VCT shares, we will acquire for you investments which we reasonably believe to be VCTs that have received approval from HM Revenue & Customs at the time of acquisition, but please be aware that we give no commitment that any such investment in a VCT will remain a qualifying investment at all times thereafter. VCTs could cease to qualify, in which case the tax benefits applicable to that particular VCT will be lost.

# IMPORTANT INFORMATION

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