Octopus Ventures EIS

Powering pioneers

Octopus Ventures Knowledge Intensive EIS Fund 22/23

December 2022

octopus investments
A brighter way

EIS

Important notice

The Octopus Ventures Knowledge Intensive EIS Fund 22/23 (the "**Fund**") is an alternative investment fund for the purposes of the Alternative Investment Fund Managers Directive (2011/61/EU) ("**AIFMD**"). The Fund is not classified as an unregulated collective investment scheme under section 235 of the Financial Services and Markets Act 2000 ("**FSMA**"), or as a non-mainstream pooled investment under the FCA Rules.

The manager of the Fund is Octopus AIF Management Limited of 33 Holborn, London, EC1N 2HT (the "**Fund Manager**"), a firm authorised and regulated by the Financial Conduct Authority as an alternative investment fund manager with firm registration number 615467. The Fund Manager maintains appropriate professional indemnity insurance in accordance with AIFMD requirements.

The Fund Manager is required to manage the Fund in accordance with AIFMD and must disclose certain prescribed information pursuant to Article 23 of AIFMD and the FCA Rules (FUND 3.2.2). This information is incorporated in this brochure and the Customer Agreement.

The Fund Manager has produced a Key Information Document in respect of the Fund which you should read alongside this brochure.

The Fund Manager has delegated portfolio management of the Fund to Octopus Investments Limited of 33 Holborn, London, EC1N 2HT, a firm authorised and regulated by the Financial Conduct Authority with firm registration number 194779 ("**Octopus Investments**"). This means Octopus Investments is responsible for selecting the Enterprise Investment Scheme ("**EIS**") qualifying companies that the Fund invests in. When you subscribe for the Fund, Octopus Investments will hold your subscription monies in accordance with the FCA rules on client money up until they are invested in the investee company shares held by the nominee for your benefit.

The Fund Manager has appointed Thompson Taraz Depositary Limited as depositary for the Fund in accordance with the requirements of AIFMD (the "**Depositary**"). The Depositary will fulfill the duties and responsibilities provided for by AIFMD, including with respect to asset verification and cash flow monitoring. The Depositary has appointed Octopus Investments as custodian and has delegated safekeeping duties to it.

This brochure is issued by the Fund Manager as alternative investment fund manager and by Octopus Investments as portfolio manager. References to "**we**", "**our**" or "**us**" in this brochure are to Octopus Investments. The Fund Manager, Octopus Investments and their respective directors have taken reasonable care to ensure that the facts contained in this brochure are true and accurate in all material respects, and no material fact or opinion has been omitted which would make any part of the brochure misleading. The Fund Manager, Octopus Investments and their respective directors accept responsibility accordingly. All data and factual information is correct at November 2022, unless otherwise stated.

The Customer Agreement associated with this brochure and which governs investment in the Fund (the "**Customer Agreement**") is issued by the Fund Manager. The Customer Agreement contractually establishes the Fund with respect to each investor. The Fund does not have separate legal status.

This brochure and the Customer Agreement are financial promotions under section 21 FSMA and may only be directed at persons to whom interests in the Fund may lawfully be marketed under FSMA. Neither the brochure nor the Customer Agreement constitutes a public offering in the UK or elsewhere.

This brochure and the Customer Agreement do not constitute, and should not be considered to be, an offer to buy or sell, or a solicitation of an offer to buy or sell, any security or shares. Where we refer to a specific company, this is for illustrative purposes only and is not an investment recommendation.

Nothing in this brochure or the Customer Agreement constitutes advice on investments, legal matters, taxation or any other matters. We always recommend you talk to a qualified financial adviser before making any investment decisions.

For UK investors only

Issued by Octopus Investments Limited and the Fund Manager, both of which are authorised and regulated by the Financial Conduct Authority. Registered office: 33 Holborn, London EC1N 2HT. We record telephone calls. Issued: December 2022. CAM012344-2210

Key investment risks

Don't invest unless you're prepared to lose all the money you invest. This is a high-risk investment.

Estimated reading time: 2 min. Due to the potential for losses, the Financial Conduct Authority (FCA) considers this investment to be high risk. Please make sure you read all of the risks below.

What are the key risks?

1. You could lose all the money you invest

- If a business you invest in fails, you are likely to lose 100% of the money you invested. Most start-up businesses fail.

2. You are unlikely to be protected if something goes wrong

- Protection from the Financial Services Compensation Scheme (FSCS), in relation to claims against failed regulated firms, does not cover poor investment performance. Try the FSCS investment protection checker here (fscs.org.uk/check/investment-protection-checker/).
- Protection from the Financial Ombudsman Service (FOS) does not cover poor investment performance. If you have a complaint against an FCA-regulated firm, FOS may be able to consider it. Learn more about FOS protection here (financial-ombudsman.org.uk/consumers/).

3. You won't get your money back quickly

- If a business you invest in is successful, it may take several years to get your money back. You are unlikely to be able to sell your investment early.
- The most likely way to get your money back is if the business is bought by another business or lists its shares on an exchange such as the London Stock Exchange. These events are not common.
- You are investing in a Fund which invests in start-up businesses and are unlikely to receive dividends. You should not expect to get your money back through these.

4. Don't put all your eggs in one basket

- Putting all your money into a single business or type of investment for example, is risky. Spreading your money across different investments makes you less dependent on any one to do well.
- A good rule of thumb is not to invest more than 10% of your money in high risk investments (fca.org.uk/investsmart/5-questions-ask-you-invest).

5. The value of your investment can be reduced

- The percentage of each business invested in by the Fund will decrease if that business issues more shares. This could mean that the value of the investment in the business reduces depending on how much the business grows. Most start-up businesses issue multiple rounds of shares.
- These new shares could have additional rights, such as the right to receive a fixed dividend, which could further reduce your chances of getting a return on your investment in the business.

6. Tax reliefs are not guaranteed

- The ability to benefit from the associated tax reliefs depends on your individual circumstances and may be subject to change in the future.
- Tax reliefs depend on the investment maintaining its qualifying status. Tax reliefs will have to be repaid if the qualifying status is withdrawn.

7. Non-sterling transactions can affect your investment

- The Fund may make or sell investments in non-sterling currencies which may have a negative effect on the performance of your investment.

If you are interested in learning more about how to protect yourself, visit the FCA's website here (fca.org.uk/investsmart).

This Fund has been approved by HMRC as an EIS Knowledge Intensive Fund. The approval of a fund by HM Revenue & Customs is relevant only for the purpose of attracting certain tax advantages provided by section 251, Income Tax Act 2007. Such approval covers only certain administrative matters. It in no way bears on the commercial viability of the investments to be made; neither does it guarantee the availability, amount or timing of relief from income tax or capital gains tax.

An exciting opportunity to access a portfolio of early-stage companies using technology to change industries, selected by one of Europe's largest venture capital firms.

Find it fast

About Octopus

We invest in the sectors we know inside out. And we've built investments that make a real difference to your financial planning.

Renewable energy
We're the largest solar investor in Europe.[1] We also invest in landfill gas sites, wind farms and biomass plants.

Smaller companies
We turn small businesses into big ones, driving the economy and creating jobs.

Healthcare
We help build state-of-the-art care homes and retirement communities.

Property
We provide award-winning finance for property investment and development.

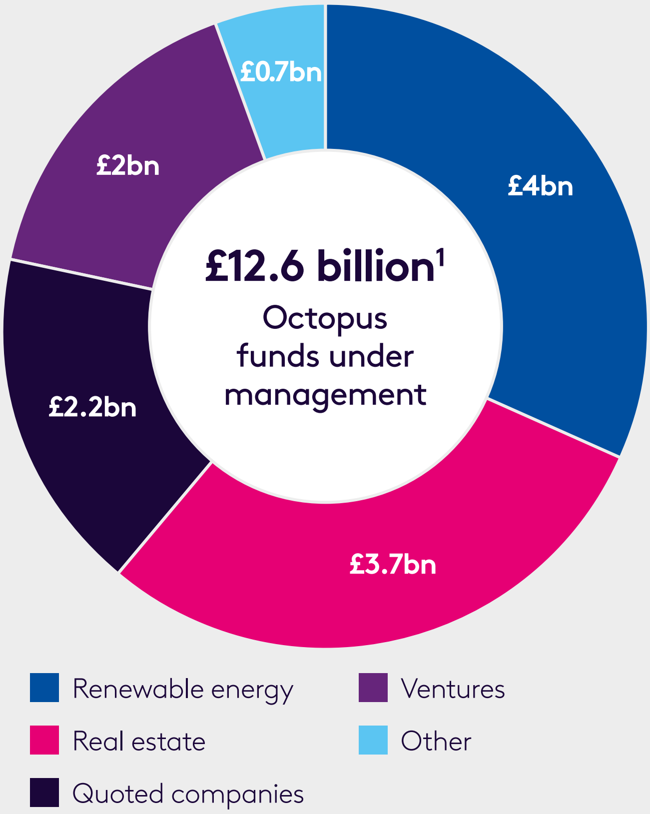
Seen us before?

You may be wondering 'Is this the same Octopus?' Octopus Energy is part of the Octopus family, and is the UK's only Which? Recommended energy provider five years running.

[1]Top 50 European Solar Portfolios 2022, Solarplaza Summit Asset Management Europe, 12 July 2022.

A trusted fund manager

We look after substantial assets on behalf of investors and large institutions.



22 years of Octopus

We launched Octopus in 2000, wanting to create an investment company that put its customers first. We looked at what didn't work well and found ways to do things differently.

Along the way, we've become the largest manager of venture capital trusts and investments that qualify for relief from inheritance tax. And we're still looking for new ways to improve people's financial lives. Today the Octopus Group manages £12.6 billion on behalf of tens of thousands of investors.[1]

Certified B Corporation

Octopus is a Certified B Corporation™. We meet the highest standards of social and environmental consideration, transparency and accountability. Our approach means we can continue to meet the needs of all those that matter to us, from our customers to our communities.

GROWTH INVESTOR 2021 AWARDS | WINNER BEST VCT INVESTMENT MANAGER

WINNER SEVEN TIMES Investment Life & Pensions Moneyfacts Awards 2016 -2022
Best Tax and Estate Planning Solutions Provider

Five star service for the seventh year running.

Have a question?

We've done our best to avoid small print and unhelpful jargon in this brochure, but we do have to include some detailed information. Your financial adviser should be able to answer any questions you might have. But we're always happy to hear from you too.

We're ready for your call

We can't give you financial or tax advice, but we can answer questions about us and our investments. You can call us on **0800 316 2295** or email **investorsupport@octopusinvestments.com**.

[1]Octopus, 30 June 2022. Funds under management data includes funds under advisory mandates, funds monitored and the Octopus Cash service.

What is the Enterprise Investment Scheme (EIS)?

EIS-qualifying investments come with a number of valuable tax reliefs, designed to encourage investment into small businesses with high growth potential.

One of the best ways to significantly increase personal wealth is to make an early investment into shares of a small business that goes on to achieve extraordinary growth. And the earlier you invest in such businesses, the more value can flow to you as a shareholder.

Launched in 1994, the Enterprise Investment Scheme (EIS) makes investing in shares in early-stage businesses even more attractive. That's because investing in an early-stage business that is EIS-qualifying gives you the opportunity to claim a number of tax reliefs alongside your investment, including upfront income tax relief, tax-free capital gains, and loss relief on each investment that returns less than you put in.

These tax reliefs make buying shares in EIS-qualifying businesses distinctly different from buying shares in most other businesses. Typically, when you own shares in a business you risk losing up to the full amount you invest, while any gains you make are taxed. By investing in an EIS-qualifying early-stage business, any growth that you achieve should be tax-free and the tax reliefs can provide some relief if an investment doesn't work out (and some of them won't).

So if you're an investor looking to make high-risk investments that give you the potential for high returns, you could consider including EIS-qualifying investments in your overall portfolio.

Why EIS exists

The Government offers EIS tax reliefs to encourage investment into early-stage businesses with high growth potential. They do this because smaller businesses that mature into successful, established companies create jobs and stimulate valuable economic growth in the UK.

Since EIS was launched, nearly 33,000 qualifying early-stage businesses have benefited from £24 billion of investment.[1] In 2019–20 alone, £1.9 billion was raised by companies that qualify for EIS.

What is a Knowledge Intensive Company?

Certain early-stage companies that qualify for EIS relief are classed by HMRC as 'Knowledge Intensive Companies'. Typically a Knowledge Intensive Company is an EIS-qualifying company that is carrying out research & development (R&D) or innovation at the time of investment to create intellectual property (IP), and that IP is expected to be where the majority of the company's business comes from within 10 years.

Knowledge Intensive Companies tend to be young, innovative businesses often employing skilled individuals as they seek to create new technology or IP. They can span many sectors, from scientific companies creating new treatments, to apps, software, machinery and beyond.

For full details on the tax reliefs that apply to EIS-qualifying investments, see **page 19**. Remember, this is a high risk investment. **Don't invest unless you're prepared to lose all the money you invest.** Make sure you read **pages 28–29** for the risks involved in this type of investment.

[1]National statistics: Enterprise Investment Scheme: Commentary 2021, HMRC, May 2021.

The positive effect EIS investment has had on the UK economy is impressive. Small to medium-sized enterprises accounted for 61% of employment and 52% of turnover (£2.3 trillion) at the start of 2021.[1]

By making an EIS-qualifying investment, you not only have the potential to grow your own wealth, but to support future UK economic growth too.

[1] National statistics: Business population estimates for the UK and regions 2021: statistical release, HMRC, October 2021.

How the Knowledge Intensive EIS Fund works

This Fund has been pre-approved by HMRC as a knowledge-intensive EIS fund. This means that we expect to:

- invest at least 80% of the Fund in companies that are knowledge-intensive at the time the shares are issued.
- invest at least 50% of the Fund within 12 months of the date the fund closes, and 90% within 24 months.

The approval of a fund by HM Revenue & Customs is relevant only for the purpose of attracting certain tax advantages provided by section 251, Income Tax Act 2007. Such approval covers only certain administrative matters. It in no way bears on the commercial viability of the investments to be made; neither does it guarantee the availability, amount or timing of relief from income tax or capital gains tax. We expect to invest the Fund across 15-25 EIS qualifying companies, and the Fund rules require that no more than 50% of the Fund is invested in any one company.

Provided these requirements are met, all investments made by the Fund will be treated for income tax purposes as though they were made on the date the Fund closes.

While we expect our investments to meet the criteria necessary for this Fund to be a knowledge intensive EIS fund, the world of early-stage investments can be unpredictable and we cannot guarantee it. If the Fund does not meet the requirements, each EIS-qualifying investment will be treated as made in the tax year in which the funds are invested into that company, rather than the year the Fund closes. This may impact the tax year for which you can claim income tax relief, depending on your personal circumstances.

Withdrawing from the Fund

You may request to end your investment in the Fund at any time, but in order to return money to you, we must sell all the shares that are allocated to you and held on your behalf. You may not elect to sell only certain shares.

However, as the Fund will be investing into the shares of early-stage companies that cannot easily be sold, it is likely to be difficult for you to withdraw from an investment in the Fund before full exits have been achieved for all EIS companies held by the Fund.

You will appreciate that finding a portfolio of high-quality smaller companies takes time and the companies we invest in need certainty of funds. Once we have accepted your application and received your money, it will not be possible for us to return any uninvested cash at your request.

How the shares in investee companies are held

You will be allocated a number of shares in each investee company, calculated by reference to the proportion that your subscription to the Fund bears to the total subscriptions of all other investors in the Fund. You will be the beneficial owner of the shares allocated to you, being entitled to a whole number of shares in each company and not just having a proportionate interest in all the shares in which the Fund capital is invested. The shares will be held for your benefit in an account administered by our nominee company or an eligible custodian. This structure allows the shares to be treated as subscribed for, issued to and held by you personally for the purposes of EIS income tax relief.

LifeScore

Sector: Deep tech

Imagine a world where your every sensation is augmented with music. When you pick up speed while running, the music responds.

LifeScore is a business-to-business company creating a new way to experience music. With LifeScore, music is produced as it plays, adapting to contexts, personal needs, and the state of the listener.

This company is for illustrative purposes only. It's an example of a knowledge intensive company which our investment team has facilitated an investment into.

Key reasons to invest

Investing in early-stage businesses changing industries through intellectual property innovation.

The Octopus Ventures Knowledge Intensive EIS Fund gives investors the opportunity to invest in early-stage businesses with high growth potential. The companies are handpicked and managed by our expert investment teams and we tend to like them because they develop their own unique intellectual property. This includes things like technology and branding.

We believe that there are three stages to achieving capital growth from investments in early-stage businesses, which the Fund is well placed to provide:

1. **Access to investment opportunities that have the potential to achieve high growth.**
2. **Effective nurturing and support of a business as it matures.**
3. **The ability to manage a successful exit.**

For someone investing on their own, each of these stages would pose a challenge.

Access to high growth investment opportunities

The UK has many brilliant entrepreneurs with game-changing ideas, and there are a range of funding options available to those seeking to build and grow their business. For those seeking venture capital funding, many often choose to work with a larger, more experienced venture capital investor. We are fortunate that through over 20 years of investing in smaller companies, we have established a reputation that means many talented entrepreneurs approach us with their ideas when they are looking for a first investment into their business.

We also have access to an exciting range of follow-on investment opportunities in smaller companies seeking additional funding for further expansion. Some of the Knowledge Intensive Companies that our team are currently supporting include Quit Genius, ManyPets, Orbex and Permutive.

Nurturing Knowledge Intensive Companies

Entrepreneurs tend to prefer investment from experienced investors as they can help nurture the business to its full potential. We provide practical support to the businesses in which we invest, in areas like business strategy and hiring the best senior team to ensure their technology and intellectual property is developed in the best way. This type of support increases the likelihood that the business will grow, and that the investment will deliver a positive return. We can connect Knowledge Intensive Companies to third parties in our network to assist with claims for research and development tax credits.

Securing a successful exit

To realise the value of a successful investment in an early-stage company, you need to be able to find a buyer for your shares and negotiate the best price you can for them. While some companies grow to a point where they choose to list on a stock exchange, many do not go down that route. So how do you sell?

In many cases, it will involve selling to a larger business in a related industry, like when we sold our stake in dog-food maker Tails.com to Nestlé Purina PetCare, SwiftKey to Microsoft, Evi Technologies to Amazon, and Depop to Etsy. Or it might mean selling to another investment firm looking to back the now more mature business, as we did with our stake in Calastone that we sold to Carlyle, and with part of our stake in Secret Escapes that we sold to Old Mutual. We drive successful exits for our investors, as we have the contacts to find buyers and the skills required to negotiate the best price possible for those shares.

We drive successful exits, as we have the contacts to find buyers and the skills required to negotiate the best price possible for your shares.

How the Fund works

We expect to invest in around 15-25 handpicked early-stage businesses, all or nearly all of which will be classified as Knowledge Intensive Companies. These businesses may be from different industries and sectors, providing you with a range of companies with high growth potential. The majority of companies will create value from intellectual property through research and development or innovation at their heart. The amount invested into each company in your portfolio may vary.

We hope that some of the investee companies will grow to be several times larger, and will therefore significantly increase the value of your overall investment. We select companies we believe have the potential to deliver 10 times the amount invested at the initial funding stage. We also target significant multiples for follow-on investments at later investment rounds. However, we fully expect that not all investments made by the Fund will work out as planned, and these will be a loss in the portfolio.

Investing your money

We won't start to invest your money until the Fund closes, expected to be on or before 5 April 2023. It will then typically take around 12 months for us to invest all money raised by the Fund. This is to allow time for us to scrutinise potential deals in early-stage companies, and get the Fund invested into the best opportunities we can.

Returning value to you

Money will be returned to you following the sale of any company in the Fund. As these are long-term investments, you should expect to hold your investment in the Fund for five to 10 years, and possibly longer. This will give each business the chance to fulfill its growth potential.

EIS-qualifying investments

When shares in an EIS-qualifying company are sold, the proceeds will be free from capital gains tax, subject to the EIS conditions being met by that company. You can claim loss relief on each company that fails regardless of how the Fund has performed overall. The tax reliefs that investors in EIS-qualifying companies have available to them are designed to encourage investment into what is known to be a high-risk sector. For more details on EIS tax reliefs, see **page 19**.

We are aligned with you

The annual management charge (AMC) on each of the Fund's holdings is deferred until a company is sold. We will only collect an AMC if a company has delivered a positive return and only from the proceeds in excess of the Fund's investment in that company. That way, you know that we are directly incentivised to invest your money into the best opportunities we can find for you.

It is essential to understand that investing in small companies seeking high growth is high-risk and you **could lose all the money you invest**. Some of the shares held for your benefit will end up being worth less than you pay for them. In some cases, they could end up being worth zero. For more details on risks, please see **pages 28–29**.

Key benefits

High growth opportunity

We are only looking to back those companies that are capable of being the 'next big thing' in their space, with the potential to achieve significant returns, in most cases from the intellectual property they are creating.

We have a strong track record of supporting Knowledge Intensive Companies from the start of their journey, e.g. Quit Genius, ManyPets and Permutive.

Strong pipeline of companies

We have an established reputation for backing and building great businesses, which gives us access to a diverse and exciting range of early-stage businesses seeking investment from us.

Driving maximum growth

We do everything we can to maximise the potential of every business in which we invest.

As one of Europe's largest venture capital firms, we use our experience to offer strategic advice, expertise and practical support, including in relation to intellectual property development, founders and management teams. We are able to help companies enter new markets and achieve global ambitions, too, through our network of offices around the globe.

Valuable tax reliefs

EIS investments qualify for the following tax reliefs:

- 30% upfront income tax relief on the amount invested.
- Tax-free capital growth.
- Loss relief against income tax or capital gains tax on a company-by-company basis, irrespective of the overall performance of your portfolio.

See **page 19** for a summary of all EIS tax reliefs.

We are aligned with you

We only take our AMC when an investee company is sold for more than the amount invested in it, and only from the growth achieved. Therefore, we are incentivised only to invest in those companies that we think can succeed.

Key risks

Your capital is at risk

Don't invest unless you're prepared to lose all the money you invest. This is a high risk investment.

Tax rules could change in the future

This brochure is based on current tax legislation and interpretation. Tax rules could change in the future.

The value of tax relief will depend on your personal circumstances.

Companies could cease to qualify for EIS

A number of EIS tax reliefs depend on the investee companies maintaining their EIS-qualifying status for at least three years.

Due to the nature of this investment, it is possible that a company and your investment itself might cease to be EIS-qualifying. EIS relief previously granted could be repayable to HMRC.

Your investment is illiquid

The Fund will be investing into the shares of early-stage companies at the start of their journey. We expect the Fund's investment in each company to last for at least five years. Shares in unquoted companies cannot easily be sold. The Fund will return the proceeds of sale to you when an investee company is sold. However, this limited liquidity will make it difficult for you to withdraw further amounts from the Fund.

The investment could be volatile

Smaller companies are considered high-risk investments. The individual companies in the Fund will not be listed on a stock exchange and their value can fall or rise much more sharply than shares in larger, more established companies. This means the value of your investment in the Fund may also fall or rise more sharply than investments in more stable or established assets.

For more details about the risks involved with this type of investment see **pages 28–29**.

Why Octopus can help you make the most of the EIS opportunity

We have the reputation, relationships and expertise necessary to find the best early-stage businesses and help them grow.

Octopus has been investing in UK smaller companies for more than two decades, and is one of Europe's largest venture capital firms. We have invested over £2 billion in early-stage companies, including those categorised as Knowledge Intensive Companies for EIS purposes.[1] We have a strong reputation among UK entrepreneurs for being an excellent investment partner for those wishing to grow, and we are well connected within the ecosystem of innovation, entrepreneurs and start-ups. This benefits investors in the Fund in two ways.

Firstly, it helps us get you access to the best investment opportunities. We are often approached by successful entrepreneurs we have previously backed to invest in their next business. We have successfully taken advantage of several such opportunities, and delivered further returns for investors as a result.

Secondly, we know what it takes for an early-stage business to grow. Twenty years ago, Octopus was an idea being developed in the front room of one of our founders. Today, we manage more than £12 billion.[1] The ups and downs along the way have taught us a few things, and give us a unique perspective among EIS investment managers into what it actually takes to turn an idea into a high growth business worth hundreds of millions of pounds.

Expertise from one of the largest venture capital firms in Europe

As an investor in the Fund, you benefit from our deep specialist expertise in smaller company investing, including that of Octopus Ventures, the investment team that manages Octopus Titan VCT – the UK's largest VCT.[2]

Octopus Ventures is now a team of over 90. Octopus continues to increase its resource commitment to manage the ventures products by expanding the investment team as well as adding further portfolio, legal and operational support. We also have an external network of experienced entrepreneurs who regularly share their advice and expertise with the founders we work with. All this expertise provides practical support to the companies we back, helping them grow, find the right people to hire, expand overseas and be introduced to valuable contacts.

This firepower allows us to scrutinise more potential deals, and in greater detail than most EIS managers could attempt. For example, when evaluating Knowledge Intensive Companies, we may undertake more detailed due diligence on the business's technology or patents. As our investment team is divided into five key areas of focus, this allows us to build and maintain specialist skills and expertise, to better support Knowledge Intensive Companies in the best and most appropriate way within each sector. This also helps attract the best entrepreneurs, who tend to have a preference for investors who specialise in their sector. It also means that when the time comes to sell the shares held on your behalf, we have the contacts to find a buyer and the experience to negotiate the best possible exit.

[1] Octopus Investments, 31 October 2022.

[2] Association of Investment Companies, 30 November 2021.

Practical support to help businesses grow

Investing in early-stage businesses with the potential for high growth is about much more than providing finance. It also concerns providing practical support to maximise the chances of success, because growing any business to its full potential involves overcoming many and varied challenges.

Octopus provides practical support to the businesses we back in several ways. We work with them to recruit key talent because, more than anything else, it's the people working in the business who will determine whether it succeeds or fails. We also provide access to our extensive network of contacts, making introductions to the likes of patent attorneys and/or intellectual property consultants. These types of people help inform strategy in this very specific area. We sit on company boards and contribute to their strategy, helping them develop responses to challenges.

Because world-changing ideas are often global ideas, we have offices in London and New York and a network that spans from San Francisco to China. This worldwide presence has enabled us to support investee companies as they've expanded internationally. We have also been able to successfully exit investments to buyers outside the UK.

Our areas of investment

Octopus Ventures backs pioneering entrepreneurs who are changing the world, focusing predominantly on five key areas: health, fintech, deep tech, consumer, and business-to-business software.

Health looks to back pioneers who are transforming the health industry from digital therapeutics through to biotechnology.

Fintech looks to back businesses that push us towards a future of safe and efficient transactions that occur faster than the speed of thought.

Deep tech looks to focus on the tools and technologies that will power the next industrial revolution. These include quantum computing, robotics and drones, sensory human augmentation and 3D printing.

Consumer looks to back the innovators who influence the way we live, work, travel, play, rest and recuperate.

Business-to-business software looks to invest in companies driving digitalisation and automation across traditional and nascent industries.

This focus helps attract the best entrepreneurs, who tend to have a preference for investors who specialise in their sector. It also allows us to find the best opportunities in each area more efficiently while continuing to build specialist skills and expertise. We also expect the majority, if not all, of companies backed by this Fund to be creating intellectual property through research and development or innovation at their heart.

Sector: Health

10% of UK adults are on the waiting list for surgery.[1]

Ufonia uses artificial intelligence to conduct routine medical appointments. This aims to increase patient engagement and free up more time for medical staff to focus on patients that need the most attention.

Ufonia

[1]NHS waiting list tracker, NHS, June 2022.
This company is for illustrative purposes only. It's an example of a knowledge intensive company which our investment team has facilitated an investment into. Photo by Christina @ wocintechchat.com on Unsplash.

Our investment process

Starting from a huge selection of exciting investment opportunities, we follow a rigorous process when choosing investments.

Engage

1

We interact with thousands of companies.

In a typical year, we receive thousands of business plans from companies looking for funding, but we only engage with the very best candidates. We also proactively source investment opportunities through our extensive network of partners and venture capital experts, through the wider entrepreneurial community and by attending major global conferences and events.

Filter

2

We make sure that only the best pass the test.

Our investment teams review each potential opportunity and meet over 300 different companies a year, undertaking early-stage due diligence and research in order to identify the opportunities with the most growth potential. When we believe one meets our high bar, and our investment committee approves, we look to agree terms for investment with the business.

Analyse

3

We give each selected opportunity a full and proper health-check.

Following a first-stage investment committee approval, each company is subject to a more thorough and detailed due diligence, which may include financial, commercial, technology, legal and/or other investigations as necessary.

Invest

4

We take your money really seriously.

Once we're satisfied that the due diligence and the legal process is complete, the Investment Committee reviews the investment again for final approval. The governance, formality and scrutiny of our Investment Committee on the activity of all our investment teams throughout the investment process is really important to us. It ensures that we remain consistent and continue to meet the promises we made to our investors. Companies that are expected to qualify as Knowledge Intensive Companies will then be selected for this Fund.

Develop

5

We invest more than just money.

We work closely with each company during its growth journey to maximise its chances of success. We offer access to our expertise, operating consultants, our extensive network, strategy workshops, sales and marketing advice and help with finding new talent. We may also sit on the boards of the investee companies and we will track progress with regular management reports and financial information.

Exit

6

We're good at knowing when to sell.

Knowing when to sell is a hugely important skill and exit opportunities are actively monitored throughout the lifetime of each investment. Any potential exit strategy will be submitted to the Investment Committee for final approval, where we seek to achieve the best outcome for investors.

EIS tax reliefs

Investing in early-stage companies is high risk. The tax reliefs provide some compensation for the additional risks involved.

Income tax relief

You can claim income tax relief to the value of 30% of your EIS investment. Income tax relief is usually limited to £1 million of EIS investments per tax year. However, where money is invested into 'Knowledge Intensive Companies', relief on up to £2 million of EIS investments may be claimed, provided that at least £1 million of the amount has been invested in Knowledge Intensive Companies. EIS income tax relief is also restricted to an amount that reduces the investor's income tax liability in the tax year to nil.

This Fund has been approved by HMRC as an EIS Knowledge Intensive Fund, so income tax relief is available in the tax year that the Fund closes (2022/23). You can choose to carry back income tax relief to the previous tax year.

The shares in each company must be held, and must remain EIS-qualifying for at least three years in order to retain the income tax relief you claim. While we expect these to be long-term investments, we cannot guarantee this. For example, there may be an attractive offer to buy a company before the minimum holding period has ended. Or a company may need to be restructured to maximise its chances of success. While we expect such cases to be unusual, you will need to pay back the relief you claimed in respect of that company if it ceases to meet qualifying conditions or is sold within the minimum holding period.

Tax-free growth

The Fund will invest into companies that have the potential for significant growth. A valuable benefit of EIS relief is that all growth is free from capital gains tax.

So, if the value of a company in the Fund increases, you won't have to pay any tax on the profit you make when that company is sold, no matter how much it has grown by. This relief is available, provided that the shares have been held for at least three years and the company still qualifies for EIS when sold. You also must have claimed income tax relief in respect of the company.

Loss relief

As the Fund is making investments into early-stage companies, we expect that some companies will not be successful. If a company is sold at a loss or its value falls to zero, you can claim loss relief on the amount invested in that company (reduced by income tax relief claimed). You can choose to set this loss against income tax in the current or previous tax year (with relief at up to 45% for additional rate taxpayers) or against gains (current or future). And, importantly, this loss relief is available regardless of how well other companies in the Fund are performing, or the Fund overall.

Capital gains deferral

A gain made on the sale of an asset (e.g. another share portfolio or a second home) can be deferred by investing it in an EIS-qualifying company. The gain will remain deferred for the lifetime of the EIS investment. When shares are sold, the deferred gain will be liable for capital gains tax again, even if they are sold at a loss. If the shares are held at death, the deferred gain is eliminated. The gain must have been realised within a year after, or three years before the purchase of EIS shares by the Fund (please note that this is not the date of your investment into the Fund or the date the Fund closes).

Inheritance tax relief

Shares in EIS-qualifying companies qualify for Business Property Relief. This means that they can be left to beneficiaries free from inheritance tax, provided that they have been held for two years or more at the time of death. The relevant date will be that on which the Fund invests into each EIS-qualifying company.

We go into more detail about how to claim reliefs on page 34. Tax reliefs also depend on personal circumstances. Please see pages 28–29 for details on risks.

A worked example

The best way to understand how to use the tax reliefs available through an investment in the Octopus Ventures Knowledge Intensive EIS Fund is to look at an example.

Sarah, 55, is a high earner who wants to invest in early-stage businesses that have the potential to achieve significant returns. She likes to know that she is supporting exciting, growing businesses. She also sees this as part of her portfolio that helps to complement her other long-term investments. She understands that it will take time to achieve the returns she wants and she's also willing to take high risk with these particular investments.

Sarah's financial adviser suggests that she considers the Octopus Ventures Knowledge Intensive EIS Fund, which could provide her with access to some of the best early-stage opportunities.

Her financial adviser discusses the risks of investing in early-stage businesses. Sarah is comfortable with how the investments work and understands that these investments are high-risk, and that while the Fund targets investments with high returns, the failure rate for early-stage companies is high. The adviser outlines that Sarah can reduce her income tax bill, as she can get 30% income tax relief – which she should see as an incentive to take some of the risk associated with investing in early-stage businesses.

Sarah decides to invest in the Octopus Ventures Knowledge Intensive EIS Fund 22/23. After the initial fee and dealing fee have been paid, the amount Sarah invests into EIS companies via the Fund is £97,030. Over the next six months, Sarah's money is invested in different proportions across ten early-stage companies operating in a range of sectors. She claims 30% income tax relief on each company, totalling via the Fund £29,109, which she offsets against her income tax bill.

Over the course of the next eight years, the companies perform very differently. Two companies are very successful and achieve ten times the initial investment; two achieve three times the initial investment; two return the initial amount invested; and the capital invested is lost in the final four. Sarah benefits from capital gains free growth on the sale of the shares that have grown in value, and claims relief against income tax for the companies that she lost money on. She also pays no AMC or performance fee to Octopus on the six companies that did not return more than the amount invested.

The example on the following page illustrates a similar performance scenario, simplified by assuming that the Fund is invested equally and across just five companies. Again, for simplicity, we have assumed that all companies are sold in year eight, and that growth occurs evenly throughout the investment period to deliver the multiples on investment shown at the top of the table.

In this example, Sarah's investment gain is £96,174, and she claims a total of £41,510 in income tax relief and loss relief.

Sarah wants to invest in early-stage businesses that have the potential to achieve significant returns, and is comfortable that these are high-risk investments.

Tax reliefs are shown for illustrative purposes only as each investor's tax situation may be different. Tax benefits shown assume investments maintain their qualifying status and that the relevant legislation does not change. To understand the key risks please see pages 28–29.

	Total	Performance of a Fund comprising five EIS companies				
Amount invested	£100,000	10x	3x	1x	0x (loses all value)	0x (loses all value)
Octopus initial fee (2%)	(£2,000)					
Dealing fee (1%)	(£970)	(£194)	(£194)	(£194)	(£194)	(£194)
Amount invested in EIS companies	**£97,030**	**£19,406**	**£19,406**	**£19,406**	**£19,406**	**£19,406**
Proceeds from sales	£271,684	£194,060	£58,218	£19,406	–	–
AMC (2%+ VAT) accrued for 8 years	(£21,561)	(£14,739)	(£6,822)	–	–	–
Performance fee[1] (20%+ VAT)	(£51,232)	(£41,917)	(£9,315)	–	–	–
Dealing fee (1%)	(£2,717)	(£1,941)	(£582)	(£194)	–	–
Gain or (loss) on each EIS company		**£115,863**	**£21,899**	**(£388)**	**(£19,600)**	**(£19,600)**
Gain or (loss) on investment	**£96,174**					

EIS tax reliefs on Sarah's investment

All growth of the companies in Sarah's portfolio is free from capital gains tax. Had they not been EIS-qualifying, she would have owed a total of £42,111 at a rate of 20%.

	Total	10x	3x	1x	0x	0x
Income tax relief (30%)	£29,110	£5,822	£5,822	£5,822	£5,822	£5,822
Loss relief against income tax (45%)	£12,400	–	–	–	£6,200	£6,200
Total tax reliefs	**£41,510**	**£5,822**	**£5,822**	**£5,822**	**£12,022**	**£12,022**

Investing in EIS-qualifying companies is high risk and you could lose all the money you invest.

This illustrative example should be used for reference only to show the impact of fees and charges on, and the potential tax treatment of, an investment in the Fund. There is no target for this Fund, so this illustration is based on our experience of investing in smaller companies and an investment in the Fund may return more or less than this example. The example shows the impact of charges paid to Octopus, but it does not include any charges paid to an adviser.

In an illustrative scenario where of five EIS companies, two return the initial amount invested and three lose all value, the loss on investment would amount to £61,576, returning £38,424 of the initial amount invested. Income tax and loss reliefs could total £47,710 (if claimed by an additional rate tax payer).

[1] Performance fee is calculated based on the difference between the proceeds from sales and the amount invested into each company.

What makes a great early-stage business?

The UK is a talent pool of forward-thinking entrepreneurs with bold new business ideas.

So how do we zero in on those early-stage businesses that have what it takes to deliver on their potential? It requires experience, skill and expertise to find the best opportunities. We have five critical criteria that any business seeking investment from us has to meet before we'll consider investing in it.

Talented entrepreneurs and management team

We want to see vision and belief at the top of the company. We need to see that there's a deep-seated passion for the idea, knowledge of the relevant industry and an appreciation of how big the opportunity is. We like a management team that can be adaptable, while keeping everyone focused on the overriding goal.

The world re-imagined – meet the game changers

Welcome to the future. We look for those ideas that can turn an established industry upside-down, find brand new solutions to everyday problems, or create something that didn't exist before. In our experience, this kind of disruption is what it takes to build a large, valuable business.

An enormous market opportunity

We look for those companies that could grow to be much, much bigger than they are today. The potential market for what they do needs to be huge – national, international, global – to give them plenty of room for future growth. This could include businesses that have already brought their product or service to market successfully, have won and retained customers and are growing their customer base.

Competitive edge

Strong credentials and a clearly defined business model are one thing, but what really sets a great company apart from its lookalikes is competitive edge. Proprietary technology, industry-leading innovation, genuinely original ideas or creating totally new and viable markets are all big ticks.

Tech-enabled and hardwired for growth

We look for companies that are well set up to get their product or service to as many customers as they can, as quickly and efficiently as possible. These companies are often built on solid technology solutions that can scale up quickly at a minimal additional cost.

Past successes

It's not just about backing the right businesses. It's also crucial that we are able to sell your stake in an investment at the best possible opportunity. Here are a few of the most successful exits from the investment teams managing the Octopus Ventures Knowledge Intensive EIS Fund.

2012
- Evi Technology — Sold to **Amazon**
- graze — Partially sold to **The Carlyle Group**

2013
- graze — Partially sold to **Zenith**[1]
- Zoopla — Partially sold to **Zenith**[1]
- secret escapes — Partially sold to **Zenith**[1]
- Calastone — Partially sold to **Zenith**[1]

2014
- RANGE SPAN — Sold to **Google**
- Vega-Chi — Sold to **LiquidNet**

2016
- MAGIC PONY TECHNOLOGY — Sold to **Twitter**
- VisionDirect — Sold to **Essilor**
- SwiftKey — Sold to **Microsoft**

2017
- Zoopla — **Listed on the London Stock Exchange** in 2014, sold final shares in 2017

2018
- Tails.com — Sold to **Nestlé Purina PetCare**
- secret escapes — Partially sold to **Old Mutual**

2019
- zynstra — Sold to **NCR Corporation**
- graze — Sold to **Unilever**

2020
- POP — Sold to **Entertainment Partners**
- ultrasoc — Sold to **Siemens**
- Calastone — Sold to **The Carlyle Group**

2021
- depop — Sold to **Etsy**
- WaveOptics — Sold to **Snap Inc.**
- skew. — Sold to **Coinbase**
- semafone secure voice transactions — Sold to **Livingbridge**

2022
- CB4 — Sold to **Gap Inc.**
- Conversocial — Sold to **Verint**
- glofox — Sold to **ABC Fitness Solutions**
- BehavioSec — Sold to **LexisNexis**

This is not an exhaustive history of exits, and does not reflect failed exits from the portfolio.

These exits relate to sales made by our investment teams investing under a similar mandate to the Octopus Ventures Knowledge Intensive EIS Fund.

Investing in small, EIS-qualifying companies is high risk, and many will go on to fail. Company examples are for illustrative purposes only. They should not be considered as an investment recommendation. For more information on the key risks, please see pages 28–29.

[1]Zenith is an Octopus-managed fund.

Knowledge Intensive Company success stories in the making

The investment teams managing the Fund have made investments in some revolutionary early-stage Knowledge Intensive Companies, which are already changing the way we shop, live and work.

Sector: Health
Funding stage: Series A+

Biofidelity.

What is it?

Biofidelity's mission is to provide access to precise cancer diagnostics for all patients. They've developed a unique blood-based diagnostic test for the earliest possible detection of cancer and genetic mutations, including melanoma, liver, kidney and breast cancer.

They can detect these DNA abnormalities, even when the concentration of the cancer or mutant DNA is too low to be picked up by existing diagnostic methods.

Why we like it

A polymerase chain reaction (PCR) test isn't sensitive enough to detect the low level of floating cancer DNA among the background of other DNA in the blood.

This leaves a gap that Biofidelity fills. Biofidelity's three-hour rapid test is low cost, has higher sensitivity and can be run on standard PCR machines, common in all hospitals. It could allow the earliest possible detection of cancer, up to 18 months earlier than methods currently used, and enable real-time monitoring post diagnosis.

This should reduce the cost of treatment, improve patient outcomes and significantly help to reduce the burden on healthcare systems.

Sector: Fintech
Funding stage: Series A

RAYLO.

What is it?

Raylo is a company that aims to transform the way people access, use, and reuse consumer electronics.

With an initial focus on smartphones, it enables consumers to pay a subscription fee to access a fully insured, SIM-free phone with the option to seamlessly upgrade to a newer device when needed through the same subscription. Its subscription is cheaper for the customer than buying the same phone from a mobile carrier or manufacturer.

Why we like it

The subscription economy is exciting. We're investing at a really exciting point in Raylo's lifetime, where they've solved the vertically integrated leasing model, creating a customer journey that people love.

Not only that, but Raylo guarantees to take back old handsets and reuse them. They estimate that if the life of every smart phone were doubled, it would save 17 million tons of natural resources every year. The CO_2 equivalent to taking 2 million cars off the road.

These companies are for illustrative purposes only. They are examples of knowledge intensive companies which our investment team has facilitated an investment into. They should not be considered an investment recommendation.

Sector: B2B software
Funding stage: Series A

kleene

What is it?

As modern technology architecture becomes increasingly more complicated, companies are increasingly relying on software systems to manage their data and support their business. This creates complexity, and makes it difficult to not only draw insights from data but to ensure basic and appropriate data governance.

Kleene (the trading name of Minoro Limited), provides an end-to-end data pipeline solution to help companies connect all their critical data sources, enabling them to focus on their core proposition whilst drawing on data and critical insights for strategic decision-making.

Why we like it

Kleene operates in the data integration market which, according to Gartner, is estimated to be worth $9.6 billion (of which 66% – $6.3billion – is software), growing to $17.0 billion in 2025.

Kleene provides the tool that empowers analysts to set up and maintain the company's data architecture independently end-to-end; from integration to preparation and analysis of data.

The founding team have an intimate knowledge of the problem they're solving, having experienced it first hand leading data teams at multiple unicorn tech companies.

Sector: Health
Funding stage: Series A

vira

What is it?

Vira Health is a digital health company that combines data, clinical best practice and behavioural studies to solve the central pain points of menopause. By 2025, nearly one billion women worldwide will be coping with menopause, and a recent survey of 250 women going through menopause showed that almost 80% said that symptoms negatively interfere with their daily life.[1] Vira is on a mission to build a personalised menopause care platform, starting with lifestyle and behaviour changes.

Why we like it

Menopause is a prime example of a 'taboo' topic within health, despite it impacting half of the global population at some point in their lives. In the US, women spend on average $20,000[2] in trial-and-error spending on prescriptions, treatments, and products. Yet only 5%[3] of all femtech venture funding over the past decade has focused on menopause (despite symptoms potentially lasting over 10 years).

[1] Female Founders Fund, Suffering in Silence: The Biases and Data Gaps of Menopause, 2020.

[2] Hit Consultantnet, Genneve Raises $4M for Telemedicine Clinic for Women with Menopause, 2019.

[3] PitchBook.com, News and Analysis, Narrative change: VCs are finally ready to talk about menopause, 2020.

Since EIS was launched, nearly 33,000 qualifying early-stage businesses have benefited from £24 billion of investment. In 2019-20 alone, £1.9 billion was raised by companies that qualify for EIS.[1]

[1]National statistics: Enterprise Investment Scheme: Commentary 2021. HMRC, May 2021.

Your investment journey

Closing date for the Fund: 5 April 2023 (latest)

1 Applying for the Fund.

We've made it easy to apply online at **octopusinvestments.com**. The minimum subscription amount is £25,000, and you can invest as much as you like (please bear in mind that the investment limit for EIS income tax relief is £2 million). We'll let you know when we've received your funds in a welcome email – which will include details of the next steps for your investment. You'll need to make sure we have your application form and cleared investment funds by the date the Fund closes, which will be 5 April 2023 at the latest, but could be earlier depending on demand. Your investment in the Fund will be governed by the Customer Agreement.

2 Identifying opportunities for your investment.

Once the Fund has closed, we will start to invest the money raised by the Fund. The number of shares you are allocated in each company will be calculated by reference to the proportion of the total fund that your investment represents. Once we have accepted your application and received your money, it will not typically be possible for us to return any uninvested cash at your request.

3 Your money will be invested into EIS-qualifying companies.

We expect to have invested all of the money raised by the Fund into companies that we expect to qualify for EIS relief within 12 months. In order to qualify as a Knowledge Intensive EIS fund, at least 80% of these companies will be classified as Knowledge Intensive Companies. However, it could take longer to invest all of your money, as we will consistently follow our investment process (**page 18**) and won't compromise on the quality of the investment opportunities we source and manage. Each time the Fund invests in a new EIS company, we will provide you with details of the company in our online portal.

6 to 12 months

4 Issuing your EIS 5 tax certificate.

You will need an EIS 5 tax certificate in respect of the Fund to claim income tax relief (and capital gains deferral relief, if relevant to you). The relevant date for income tax relief is the date that the Fund closes; for capital gains deferral, it is the date the Fund invests into each investee company.

The EIS 5 certificate is issued by HMRC and will be available on our online portal once we have completed every investment from the Fund and received certificates for each individual investment from HMRC. This could be more than 12 months after the Fund has closed. Please note that timing cannot be guaranteed.

5 Keeping you updated.

It's important to us that you have up-to-date information about where and how your money is being invested. We will provide you with quarterly valuation reports. This will include details on the overall performance of your investment, as well as on each investee company, and useful commentary and insight from our investment teams.

5+ years

6 Exiting your investment.

When we select a company for the Fund, we expect to be invested in it for five to 10 years. However, exits can happen earlier than expected, or we may choose to remain invested in a company for longer than ten years in order to achieve the most attractive exit for the Fund. When we do realise an investment in a company, we'll email you the details and return the proceeds (less any fees) to you. The Fund will close once all investments have been realised and any proceeds have been returned to you.

Understanding the key risks

We want to make sure you understand the key risks associated with this investment before making a decision.

You could lose all the money you invest

This is a high risk investment in early-stage companies. The value of the companies in which the Fund invests could fall to nil. Don't invest unless you're prepared to lose all the money you invest.

There can be no assurance that the Fund will meet its investment objectives or that suitable investment opportunities will be identified.

You are unlikely to be protected if something goes wrong

Protection from the Financial Services Compensation Scheme (FSCS), in relation to claims against failed regulated firms, does not cover poor investment performance. Try this investment protection checker to find out which investments are covered by the FSCS: **fscs.org.uk/check/investment-protection-checker/**.

Protection from the Financial Ombudsman Service (FOS) does not cover poor investment performance. However, if you have a complaint against an FCA-regulated firm, FOS may be able to consider it. FOS was set up to help resolve disputes between consumers and companies. Learn more about FOS protection at **financial-ombudsman.org.uk/consumers**.

Investments in smaller companies can be volatile

The Octopus Ventures Knowledge Intensive EIS Fund allows you to invest in smaller, unquoted companies that are not listed on a stock exchange. Investments in these types of smaller companies can fall or rise in value much more sharply than shares in larger, more established companies. They also have a higher rate of failure. The value of the Fund therefore depends on the performance of the companies in which the Fund invests and other market factors outside our control.

EIS-qualifying status may be lost

There is no guarantee that any of the companies will maintain their EIS-qualifying status. If a company loses its qualifying status, tax advantages on your investment in that company will be withdrawn from that point.

Additionally, if a company loses its status within three years of investment, you will be asked to repay any upfront income tax relief that you have already claimed in respect of that company (and any gains that you deferred into the shares of that company will come back into charge).

Due to the nature of the companies in which the Fund is investing, we cannot guarantee that an investment will remain EIS-qualifying, or that shares in a company will not be sold within the three-year minimum holding period. In addition, if our investments or processes do not meet the criteria for a Knowledge Intensive EIS Fund, income tax relief will be available in the year in which each portfolio company is invested, rather than the year the Fund closes.

Your investment is illiquid

If a business you invest in is successful, it may take several years to get your money back. You are unlikely to be able to sell your investment early.

The most likely way to get your money back is if the business is bought by another business or lists its shares on an exchange such as the London Stock Exchange. These events are not common.

You are investing in a Fund which invests in start-up businesses and are unlikely to receive dividends. You should not expect to get your money back through these.

We do not expect that we will be able to sell your shares if you need to withdraw from your investment in the Fund before an exit. You will not be able to instruct us to sell shares in certain companies. If you wish to end your investment, we will be required to sell all of the shares held on your behalf (subject to the limitations described above).

Don't put all your eggs in one basket

- Putting all your money into a single business or type of investment for example, is risky. Spreading your money across different investments makes you less dependent on any one to do well.
- A good rule of thumb is not to invest more than 10% of your money in high-risk investments: **fca.org.uk/investsmart/5-questions-ask-you-invest**.

The value of your investment can be reduced

- The percentage of each business invested in by the Fund will decrease if that business issues more shares. This could mean that the value of the investment in the business reduces depending on how much the business grows. Most start-up businesses issue multiple rounds of shares.
- These new shares could have additional rights, such as the right to receive a fixed dividend, which could further reduce your chances of getting a return on your investment in the business.

Tax rules can change

The EIS tax reliefs, rates of tax, and tax allowances described in this brochure are based on current legislation, interpretation based on case law, and HMRC practice. We can't guarantee that tax rules won't change in the future. The value of tax reliefs also depends on your own personal circumstances.

This is a long-term investment

While the minimum holding period required for EIS tax relief is three years from the date of investment into each company, you should be prepared to hold your investment in the Fund for at least five years, and potentially up to 10 years or more.

Past performance is no guide to the future

The past performance of our investment teams and any funds they manage is not a reliable indicator of future results. Similarly, you should not rely on any forecasts made about future returns.

Unquoted companies are not valued as frequently as listed companies

The companies in which the Fund invests are unlisted and, unlike listed companies, they are not valued daily. Your quarterly valuation will always show the most up-to-date valuation available for each of the Fund's underlying investments.

Non-sterling transactions

From time to time, the Fund will invest in companies that are not based in the UK (although they will have a UK permanent establishment in order to qualify for EIS) or it will invest with another investor that may not be based in the UK. We might make those investments in other currencies if they're more relevant to the business or transaction. In order to seek a favourable rate, we may convert an amount of the cash you invested into a foreign currency before we buy the shares. Proceeds from the sale of an overseas company might also be received in a foreign currency before being converted into sterling. As a result, you might be exposed to exchange gains or losses.

Legal risks

The legal and regulatory rules governing the Fund may change from time to time in a way that could have a material impact on the Fund or its investments. We may have to give warranties, guarantees or indemnities to third parties in relation to certain transactions that could reduce the assets of the Fund if they are called upon.

Conflicts of interest

Conflicts could arise between our interests and yours, so it's important that you understand what these conflicts are and why they exist.

Conflicts of interest arise when the interests of one group of investors could be at odds (or present a conflict) with the interests of another group, or with the interests of the Fund Manager or Octopus Investments or another member of the Octopus group. Conflicts of interest are sometimes unavoidable; however, we make sure that the interests of our customers are always looked after. In the first instance, we look to prevent them, but if we can't, we'll take action to manage or mitigate any effects. For more information on some of the main conflicts, please see below, and refer to the Octopus conflicts of interest policy, which is available in the document library at **octopusinvestments.com/resources/**.

Investing alongside other Octopus funds

Investments into EIS companies may be made alongside an investment from one of our VCTs such as Octopus Titan VCT. Through this co-investment, investors using the Octopus Ventures Knowledge Intensive EIS Fund 22/23 can have access to investment opportunities that may not have been possible without being part of the larger deal with other Octopus funds.

The role of Octopus employees

We often place an Octopus employee on the board of the companies in which we invest. This means that we are able to closely monitor the investment the Fund has made. However, this also means that, as company directors, those employees have obligations to all shareholders of the company and not just Octopus investors.

Managing conflicts

We have agreed policies and processes to make sure that conflicts of interests between different investor groups are managed fairly. We have a number of controls in place to manage any conflicts of interest where we cannot prevent them.

These include:

- Our investment committees make sure investment decisions are in the best interests of investors, including how potential conflicts of interest are managed when they cannot be avoided as well as being responsible for the allocation policy.
- Where there are conflicts of interest, these are reviewed by the Octopus conflicts committee, which is responsible for ensuring conflicts are handled appropriately, and is independent of our investment teams and the Octopus Ventures Knowledge Intensive EIS Fund 22/23.

When could conflicts of interest be harmful to investors?

An example of this could be that when investments are sold, they may be held by a number of different investor groups across Octopus, so investors may be restricted in the timing of an exit and their interests may not be fully aligned.

Fees and charges

We have aligned our interests with yours so you don't pay our ongoing charges unless your investment grows.

Annual management charges (AMC)

The AMC is 2%+VAT and will cover our direct costs of running the Fund, including legal, accounting and taxation costs and other fees incurred by the Fund in connection with potential opportunities that do not proceed to investment. To the extent that any portfolio management fees are due to Octopus Investments, we will meet these costs out of the AMC. AMC will accrue on a daily basis once the Fund closes. After each investment is made, the AMC will accrue on the value of each company separately. However, it will only be collected when a company is sold. Most importantly, the accrued charge will only be deducted if shares are sold for more than the amount invested into that company. AMC is therefore at risk from day one and we are incentivised to select companies for the Fund to invest in that we think have a strong potential to succeed. For those that don't return at least as much as the initial investment amount, investors will not pay any AMC at all.

Performance fee

We are also incentivised to maximise the value of each successful company in the Fund through a 'performance fee'. A performance fee of 20%+VAT of the difference between the proceeds of sale and the amount invested in the company (before AMC has been collected) will be taken when each company is sold. To the extent that any performance fee is payable to Octopus Investments, we will meet these costs out of the performance fee.

If a company in the Fund is sold for more than the amount invested, the AMC and performance fee cannot exceed the profits on sale.

As these investments are illiquid, we do not expect that you will be able to sell your shares if you need to withdraw from your investment in the Fund before an exit. If you choose to terminate your investment in the EIS fund, the annual management charge and performance fee will become payable at that point. The annual management charge and performance fee due will continue to accrue on each qualifying investment until they can be sold.

Where investments are made in non-sterling transactions, the performance fee will be calculated in the relevant currency and then converted to sterling (+VAT).

Adviser charges

We can facilitate a one-off adviser charge. In addition, if you agree to pay ongoing charges to your financial adviser, we'll set aside a proportion of your initial investment to pay for this, covering five years of adviser fees. We will pay these charges to your adviser on a quarterly basis. After the amount set aside has run out, we will no longer pay your adviser on your behalf from this investment. You should be aware that this will reduce the amount available to invest into EIS-qualifying companies.

Please note, initial and dealing fees are also applicable and are shown on the next page.

Three ways to access this investment

If you apply through an adviser

Octopus initial charge:	2%
Annual management charge (deferred and contingent):	2%+ VAT per annum
Dealing fee (for the purchase and sale of shares):	1%
Performance fee:	20%+ VAT
Initial charge to your adviser:	Agreed with your adviser
Ongoing fee to your adviser:	Agreed with your adviser up to 5 years

If you apply through an intermediary who doesn't give you advice (execution-only)

Octopus initial charge (with up to 2.5% payable to your intermediary):	5.5%
Annual management charge (deferred and contingent):	2%+ VAT per annum
Dealing fee (for the purchase and sale of shares):	1%
Performance fee:	20%+ VAT

If you apply directly

Octopus initial charge:	5.5%
Annual management charge (deferred and contingent):	2%+ VAT per annum
Dealing fee (for the purchase and sale of shares):	1%
Performance fee:	20%+ VAT

Our initial fee, dealing fee and adviser charges will reduce the amount available to invest into EIS-qualifying companies.

We encourage our investors to seek financial advice when making investment decisions. Therefore, we charge investors who have not taken advice an ongoing fee and a higher initial fee. If you apply directly or through an intermediary, you'll need to complete a suitability questionnaire. Please contact us on **0800 316 2295** for a copy of this.

How to apply

If you have a financial adviser

They can help you to complete your application online. If your adviser has any questions, they can call us on **0800 316 2067** or visit **octopusinvestments.com**.

If you are applying via an intermediary

We recommend that you speak to the intermediary in the first instance. If you like, you can call our investor support team on **0800 316 2295**.

If you are applying directly

If you have any questions, you can call our investor support team on **0800 316 2295**.

Please remember that we can't offer investment or tax advice, but we'll be happy to talk you through the application process and help you with anything else we can.

This brochure, the terms and conditions and the application form together constitute the customer agreement that governs your investment in the Fund. You can find the terms and conditions and application form on our website at octopusinvestments.com.

Please note that the minimum subscription amount is **£25,000**.

Financial Services Compensation Scheme

Octopus Investments and the Fund Manager participate in the Financial Services Compensation Scheme (FSCS). The FSCS is the compensation fund of last resort for customers of financial services organisations. If an organisation goes out of business, investors can make a claim to the FSCS for losses up to £85,000 resulting from the organisation's bad investment advice, negligence or mis-selling. It is important to understand that the FSCS does not protect against, or compensate for, losses from poor performance, such as when shares in a company have reduced in value.

FSCS
Check with us what protection the Financial Services Compensation Scheme offers you
www.fscs.org.uk

After you apply

Your online account

We will invite you to set up your account in our online portal, where we will provide you with everything you need for your investment. This will include your valuations, EIS 5 certificate and information on companies in which the Fund invests.

Claiming EIS tax reliefs

The timing of EIS tax reliefs is dependent on when investments into the EIS-qualifying companies are made (not when your application is processed).

Income tax relief

You will need an EIS 5 certificate in order to claim 30% income tax relief. You will be issued with one EIS 5 certificate for the Fund. We expect the EIS 5 certificate to be available around three months after the final investment has been made by the Fund. Please note that this could be more than 12 months after the Fund has closed.

On occasion, the Fund may invest into an EIS company that has not yet started to trade. Where this is the case, we will not be able to apply for an EIS 3 certificate until the company has been trading for at least four months. This will delay the availability of the EIS 5 certificate.

Once you have a certificate, relief can be claimed in your tax return or by speaking with HMRC to amend your PAYE code (if applicable).

Capital gains tax-free growth

Where the shares have been held for three years and remained EIS-qualifying, any growth in value will be free from capital gains tax. This does not need to be claimed on your self-assessment tax return; however, you may need to include a note in your tax returns providing details of any sale of shares.

Loss relief

Where shares have been sold at a loss, or have fallen to zero, loss relief can be claimed against your income tax or capital gains tax liabilities. This can be claimed via your tax return.

Capital gains deferral relief

You will need the EIS 5 certificate in order to defer gains that occurred up to twelve months after, or 12 years before, your investment in each investee company. This can be claimed via your self-assessment tax return.

Inheritance tax

Where shares are retained at death, they should be free of inheritance tax, provided that they have been held for at least two years at that time. The claim can be made on the IHT form valuing the estate on death.

Tax reliefs are subject to qualifying criteria and personal circumstances. We go into more detail about EIS tax reliefs of page 19 and about the risks of an EIS investment on pages 28–29.

Giving us feedback and how to make a complaint

Outstanding customer service is at the heart of everything we do. But that doesn't mean we get it right every time. If you're not happy with the service we give you, we'll listen to your complaint and confirm it in writing, as well as outlining how we plan to resolve it.

Our complaints procedures follow the rules set out by the Financial Conduct Authority, responsible for regulating investment companies like Octopus, and the Financial Ombudsman Service, which has been set up to resolve disputes between consumers and companies.

If you want to make a complaint, email **complaints@octopusinvestments.com**, call **0800 316 2295** or write to us at: **Octopus Investments Limited, 33 Holborn, London EC1N 2HT**.

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investorsupport@octopusinvestments.com
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