

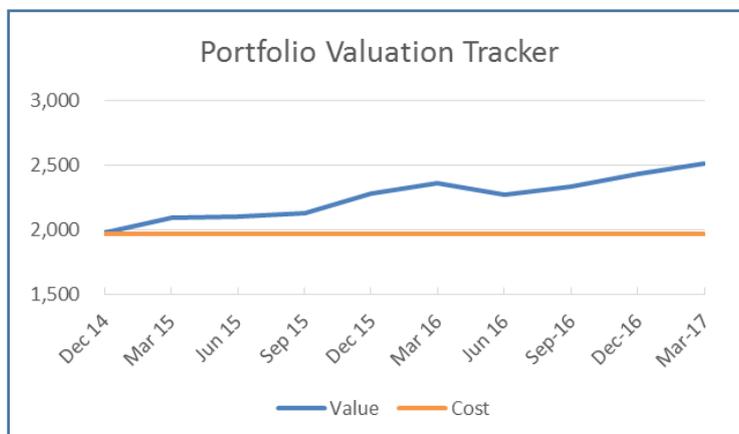
Welcome to British Smaller Companies EIS Fund Investor Update – March 2017

Dear [Investor]

Portfolio Value: £2.51 million Cost £1.97 million

This quarter has seen a 3% increase in the portfolio value driven by further positive progress from the remaining investments in the portfolio, particularly Mangar and GTK. The total value of the portfolio at 31 March 2017 was £2.51m, now 27% above total invested cost of £1.97m.

There are four remaining portfolio companies following the realisation of Dryden in January 2017. Two of these (Mangar and GTK) have already delivered significant value growth and are expected to continue to deliver growth in sales and profits. The other two (Gill and Seven) are still valued at close to cost but have implemented people and strategy changes which we hope will soon translate into value growth.



We report on your aggregate investment as if BSC EIS is a fund, although in reality the investments are treated separately for tax purposes and will be realised separately in order to maximise your returns. The proceeds will be distributed to you as each investment is realised.

I hope you find this update useful but, as always, we welcome any comments and suggestions you may have. Please contact **Tracey Nice** with your feedback by calling **0113 261 6478** or emailing tracey.nice@yfmeop.com

David Hall, Managing Director, YFM Equity Partners LLP

Portfolio Performance

Mangar Health Limited: Manufacturer of specialist lifting devices for elderly patients											
Cost	£500,000	Audited accounts: year ended 31 July	Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost						
Valuation*	£940,000										
Basis of valuation	Earnings multiple										
Date of investment	January 2014										
Quarterly commentary: Mangar has made a strong start to the year, continuing to see sales growth from its core local authority customers in the UK. The new CEO has launched a number of strategic initiatives and is projecting growth from multiple channels in the UK and overseas.		<table border="1"> <thead> <tr> <th>£m</th> <th>2016</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td>7.74</td> </tr> <tr> <td>EBITA</td> <td>1.34</td> </tr> </tbody> </table>	£m	2016	Sales	7.74	EBITA	1.34	37%	7% ↑	88% ↑
£m	2016										
Sales	7.74										
EBITA	1.34										
Gill Marine Holdings Limited: Manufacturer and retailer of branded clothing for sailing enthusiasts											
Cost	£600,000	Audited accounts: year ended 30 September	Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost						
Valuation*	£705,000										
Basis of valuation	Earnings multiple										
Date of investment	September 2013										
Quarterly commentary: Progress continues to be made in key strategic areas, with a gradual growth in online sales and expansion of the range into adjacent niche markets. A strategy has been agreed to consolidate the US distributor to gain additional margins and direct access to this key market.		<table border="1"> <thead> <tr> <th>£m</th> <th>2016</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td>12.23</td> </tr> <tr> <td>EBITA</td> <td>1.07</td> </tr> </tbody> </table>	£m	2016	Sales	12.23	EBITA	1.07	28%	2% ↓	18% ↑
£m	2016										
Sales	12.23										
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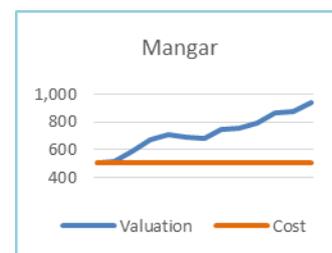
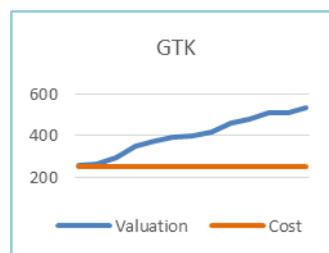
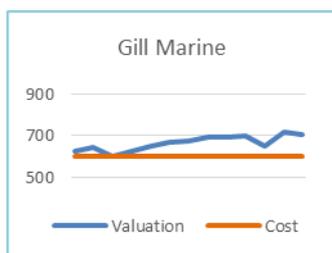
* These investments have been valued in accordance with the International Private Equity and Venture Capital valuation guidelines for reporting valuations.

GTK (Holdco) Limited: Manufacturer and distributor of specialist electronic components						
Cost	£250,000	Audited accounts: year ended 31 July				
Valuation*	£536,000					
Basis of valuation	Earnings multiple					
Date of investment	October 2013					
Quarterly commentary: GTK has maintained strong revenue and profit growth in the current year, following the investment in new sales resource and products. The order book is healthy and the manufacturing facility in Romania opened in 2016 has extended the range of services offered.		£m	2016	Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost
		Sales	12.19	21%	5% ↑	114% ↑
		EBITA	1.08			

Seven Technologies Holdings Limited: Specialist technical surveillance and cyber security solutions						
Cost	£370,000	Audited accounts : year ended 30 September				
Valuation*	£328,000					
Basis of valuation	Earnings multiple					
Date of investment	June 2013					
Quarterly commentary: 2016 saw a significant drop in sales with expected orders not materialising and the cost base was significantly reduced. The current year is expect to show a good recovery in profits with a strategic development project that could translate into future product sales.		£m	2016	Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost
		Sales	11.57	13%	2% ↑	11% ↓
		EBITA	(3.69)			

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Company Valuation Tracker



Important Notice: Past performance is no guide to future performance and may not be repeated. The value of an investment in British Smaller Companies EIS Fund ('the Fund') may go down as well as up and you may not get back the full amount invested. The Fund will include investments in unquoted companies or Non-Readily Realisable Investments for which there is a restricted market and it may therefore be difficult to deal in the investments or to obtain reliable information about their value. You should be aware that there may be difficulty in selling such investments at a reasonable price and, in some circumstances it may be difficult to sell them at any price. Subscription to the Fund should not be viewed as a short-term investment. Any withdrawals within three years of investments into Investee Companies will result in the loss of EIS Relief. Furthermore, due to the relative lack of liquidity – particularly during the early years of the investments – the shortfall versus the original investment could be large. The value of tax reliefs available depends on personal circumstances and is subject to shareholders retaining their shares for a three-year period. In addition, the availability of tax reliefs depends on the companies invested in maintaining their qualifying status. Please refer to the HM Revenue and Customs website for further guidance on the tax reliefs available on EIS investments. Tax reliefs and concessions under the EIS tax regime are not guaranteed to remain unchanged for the life of the Fund, as the regime for taxation of Investors in funds such as the Fund is liable to change from year to year. For further information on these and other risk factors, please refer to page 14 of the Information Memorandum.

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