

Welcome to British Smaller Companies EIS Fund Investor Update – March 2016

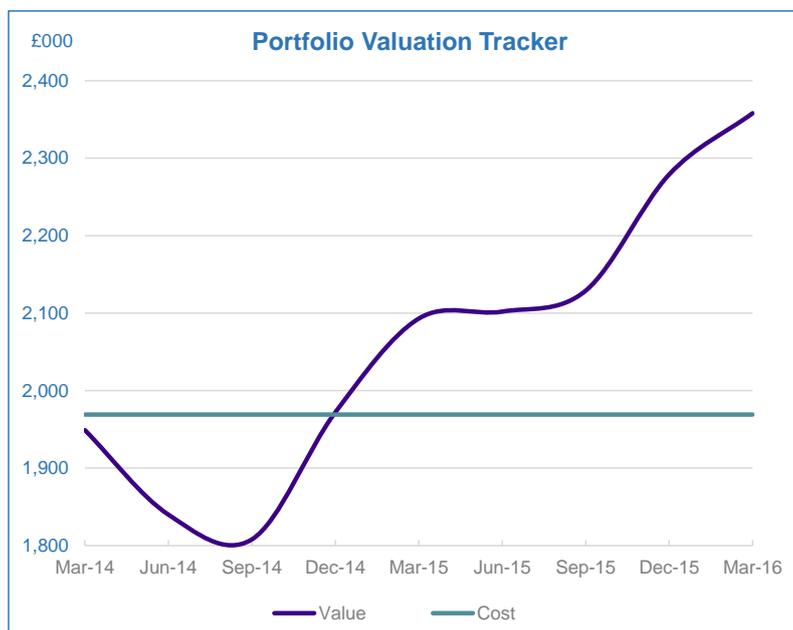
Dear Investor

Portfolio Value: £2.36 million: Cost £1.97 million

I am pleased to say that the portfolio's value has increased by a further 3.5% in the quarter, with particularly GTK and Seven Technologies delivering improved trading and cash generation. As a consequence the total value at 31 March 2016 of £2.36m is 20% above original cost.

Total portfolio turnover of £50m is 11% higher than the comparative period and total employee numbers are now 10% higher than when the fund first invested.

We report on the five companies as if BSC EIS is a fund, although in reality the investments will be realised separately in order to maximise your returns. The tax-free 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@yfmep.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			
Valuation*	£754,147				
Basis of valuation	Earnings multiple				
Date of investment	January 2014				
Quarterly commentary: Mangar has continued to see sales growth from its core local authority customers in the UK. Further progress has also been made in developing its sales channels into North America and Germany which will hopefully lead to a step up in export sales soon.	£m	2015	Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost
	Sales	7.39	32%	1% ↑	51% ↑
	EBITA	1.41			

Gill Marine Holdings Limited: Manufacturer and retailer of branded clothing for sailing enthusiasts					
Cost	£600,000	Audited accounts: year ended 30 September			
Valuation*	£696,156				
Basis of valuation	Earnings multiple				
Date of investment	September 2013				
Quarterly commentary: Good progress continues to be made in key strategic areas, with a re-launch of the direct sales website and expansion of the product range into adjacent markets.	£m	2015	Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost
	Sales	12.34	30%	1% ↑	16% ↑
	EBITA	1.52			

* These investments have been valued on the same basis as for British Smaller Companies VCT plc and British Smaller Companies VCT2 plc, which co-invested with BSC EIS and report quarterly to the London Stock Exchange.

GTK (Holdco) Limited: Manufacturer and distributor of specialist electronic components					
Cost	£250,000	Audited accounts: year ended 31 July			
Valuation*	£460,236				
Basis of valuation	Earnings multiple				
Date of investment	October 2013				
Quarterly commentary: GTK has seen further revenue and profit growth, benefiting from the ongoing investment in new sales resource and new products. The new AS9100 accreditation enables them to also supply products to the Aerospace and Defence industry, a key focus.	£m	2015	Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost
	Sales	10.61			
	EBITA	0.78	19%	10% ↑	84% ↑

Seven Technologies Holdings Limited: Specialist technical surveillance and cyber security solutions					
Cost	£370,000	Audited accounts : year ended 30 September			
Valuation*	£412,497				
Basis of valuation	Earnings multiple				
Date of investment	June 2013				
Quarterly commentary: Seven Technologies has seen a welcome return to defence spending in the US and UK which resulted in a recovery of profits in 2015. Several contracts have the potential for significant further sales.	£m	2015	Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost
	Sales	15.38			
	EBITA	1.41	18%	7% ↑	11% ↑

Dryden Human Capital Limited: International recruitment in the insurance and actuarial sector					
Cost	£250,000	Audited accounts: year ended 31 March			
Valuation*	£35,365				
Basis of valuation	2015 Rights Issue				
Date of investments	February, March, June, August, October 2013				
Quarterly commentary: Progress has been made in rebuilding the company under its new executive chairman. Levels of consultants in London and Hong Kong have increased with a corresponding growth in net fee income.	£m	2015	Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost
	Sales	4.03			
	EBITA	(1.02)	1%	0%	86% ↓

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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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