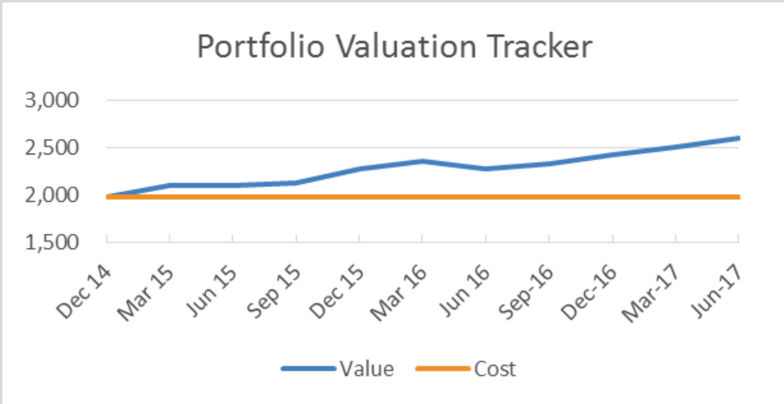
Transforming small businesses

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

Dear Investor

Portfolio Value: £2.60 million   Cost £1.97 million



Portfolio Return is the sum of realised proceeds and the remaining value of the portfolio. The only realisation to date has been the sale of Dryden for nominal consideration, so the Portfolio Return is currently the same as the portfolio value*. Total Cost includes all investments made by the Fund. As the portfolio is realised over the next few years we will report Portfolio Return versus Total Cost as the clearest measure of the performance of the Fund.

This quarter has seen a 4% increase in Portfolio Return driven by further positive progress from the remaining investments in the portfolio. The Portfolio Return at 30 June 2017 was £2.60m, now 32% above Total Cost of £1.97m. Your individual net position, taking account of fees, performance contribution and tax break is shown on page 2.

Mangar and GTK have already delivered significant value growth and are forecasting to continue to deliver growth in sales and profits. Gill is starting to see value growth as it benefits from the management changes made last year. Seven is valued at 16% below cost having struggled with cuts in defence spend whilst at the same time incurring significant development costs for a product with a targeted launch date towards the end of 2019.

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@yfmep.com**

David Hall, Managing Director, YFM Private Finance Ltd

Portfolio Performance

Mangar Health Limited: Manufacturer of specialist lifting devices for elderly patients

Cost	£500,000	Audited accounts: year ended 31 July
Valuation*	£990,000	
Basis of valuation	Earnings multiple	
Date of investment	January 2014	

Quarterly commentary: Mangar continues to see sales growth from its core local authority customers in the UK. The new CEO is investing in a number of strategic initiatives and looks to be making particular progress with UK care homes and US distributors.

£m	**2016**
Sales	7.74
EBITA	1.54

Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost
38%	**5%** ↑	**98%** ↑

Gill Marine Holdings Limited: Manufacturer and retailer of branded clothing for sailing enthusiasts

Cost	£600,000	Audited accounts: year ended 30 September
Valuation*	£744,000	
Basis of valuation	Earnings multiple	
Date of investment	September 2013	

Quarterly commentary: The new CEO is placing significant focus on growth in online sales and expansion of the range into adjacent niche markets. Agreement has been reached with the US distributor to consolidate operations, gaining additional margins and direct access to this key market.

£m	**2016**
Sales	12.23
EBITA	1.45

Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost
29%	**6%** ↑	**24%** ↑

* Gross before all charges—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 distributer of specialist electronic components

Cost	£250,000	Audited accounts: year ended 31 July
Valuation*	£554,000	
Basis of valuation	Earnings multiple	
Date of investment	October 2013	

Quarterly commentary: GTK has seen further 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 and provides a hedge against BREXIT impacts.

£m	2016
Sales	12.19
EBITA	1.08

Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost
21%	**3%** ↑	**122%** ↑

Seven Technologies Holdings Limited: Specialist technical surveillance and cyber security solutions

Cost	£370,000	Audited accounts : year ended 30 September
Valuation*	£309,000	
Basis of valuation	Earnings multiple	
Date of investment	June 2013	

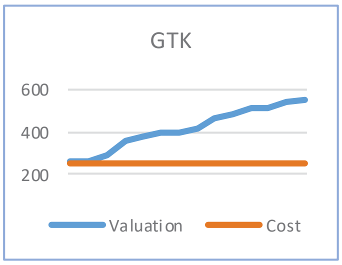
Quarterly commentary: 2016 saw a significant drop in sales with expected orders not materialising and the cost base was significantly reduced. The current year is expect to show a good recovery in profits in spite of a significant loss-making development contract that could still translate into lucrative product sales in future years.

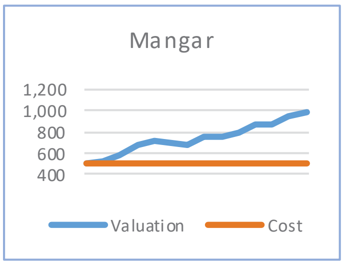
£m	2016
Sales	11.57
EBITA	(3.69)

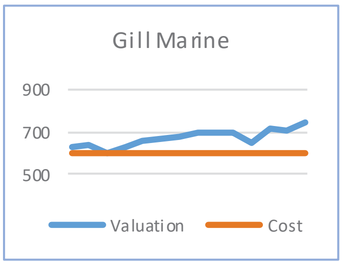
Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost
12%	**6%** ↓	**16%** ↓

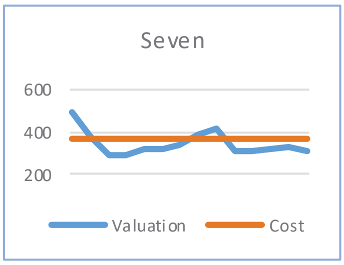
* Gross before all charges—these investments have been valued in accordance with the International Private Equity and Venture Capital valuation guidelines for reporting valuations.

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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British Smaller Companies EIS Fund is managed by YFM Private Finance Limited which is Authorised and Regulated by the Financial Conduct Authority (FRN: 531644).
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