

Key Information Document

Purpose

This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

Product

'Ordinary Shares of 10 pence' (ISIN: GB0005001796) is manufactured by British Smaller Companies VCT2 plc (the Company). Visit www.bscfunds.com or call Tracey Nice on +44 (0) 113 261 6478 for more information. The Financial Conduct Authority (FCA) is the competent authority of the Company. This KID was produced on 27 November 2018. You are about to purchase a product that is not simple and may be difficult to understand.

What is this product?

Type	The Company is a Venture Capital Trust (VCT). Its shares are listed in the premium section of the London Stock Exchange.
Objectives	<p>The Company's main objective is to maintain its status as a VCT, allowing investors to take advantage of the beneficial tax treatment currently available on your dividend income and investment. The Company's investment strategy is to create a portfolio across a broad range of sectors, with a mix of companies operating in traditional industries and those that offer opportunities in the development and application of innovation. The majority of the Company's investments are in small, unquoted companies. The Company targets the payment of a constant annual dividend, funded by the returns from its portfolio. The Company may also pay additional dividends if it realises an exceptional gain on the disposal of an investment.</p> <p>The Company's returns are dependent on the income generated by its investments, the value of those investments and the value realised on the sale of those investments. The return on your investment is based on the price at which you are able to buy and sell the Company's shares as well as the dividends paid. The share price at any time may be above or below the Company's net asset value.</p>
Intended retail investor	The Company's shares are intended to be held by individuals with at least £3,000 to invest for the long term (at least five years). Investors should understand the Company's long term investment horizon and the risks of investing in a VCT. Investors should be able to bear a 100% loss of their investment.
Further information	<p>As a VCT the Company has a maturity of 5 years and this is subject to a continuation vote by shareholders every year. The Company is not entitled to unilaterally terminate the product. We recommend the Company's shares are held for a period of at least 5 years.</p> <p>Shares of the Company are bought and sold via markets. Typically, at any given time on any given day, the price you pay for a share will be higher than the price at which you could sell it. If you have any queries regarding share issue costs then you should contact the relevant intermediary companies acting as brokers when buying and selling shares.</p> <p>Dividends paid by the Company are not subject to income tax.</p> <p>The acquisition of shares on the secondary market will not attract the income tax relief available on shares acquired directly from the Company as part of a new share issue. If the Company loses its status as a VCT all dividends will become liable to income tax and any income tax relief on shares acquired within 5 years of the loss of VCT status will have to be repaid.</p>

What are the risks and what could I get in return?

Risk Indicator



The risk indicator assumes you keep the product for 5 years. The actual risk can vary significantly if you cash in at an early stage and you may get back less. You may not be able to sell your product easily or you may have to sell at a price that significantly impacts how much you get back.

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you. We have classified this product as 3 out of 7, which is a medium-low risk class. This rates the potential losses from future performance at a medium-low level. Poor market conditions are unlikely to impact your ability to sell your investment, although you may have to sell at a reduced price and the Company's share buyback facility may be withdrawn. This product does not include any protection from future market performance so you could lose some or all of your investment. Please see the Risks section of the Company's website at www.bscfunds.com for a more comprehensive range of risk factors.

Performance Scenarios

This table shows the money you could get back over the next 5 years, under different scenarios, assuming that you invest £10,000. The scenarios shown illustrate how your investment could perform. You can compare them with the scenarios of other products. The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies and are not an exact indicator. What you get will vary depending on how the market performs and how long you keep the product. The stress scenario shows what you might get back in extreme market circumstances, and it does not take into account the situation where we are not able to pay you. The figures shown include all the costs of the product itself, but may not include all the costs that you pay to your advisor or distributor. The figures do not take into account your personal tax situation, which may also affect how much you get back.

Investment: £10,000		1 year	3 years	5 years
Scenarios				
Stress scenario	What you might get back after costs (£)	£5,771	£6,724	£5,925
	Average return each year (%)	-42.29%	-12.39%	-9.94%
Unfavourable scenario	What you might get back after costs (£)	£9,575	£9,917	£10,510
	Average return each year (%)	-4.25%	-0.28%	1.00%
Moderate scenario	What you might get back after costs (£)	£10,544	£11,748	£13,091
	Average return each year (%)	5.44%	5.52%	5.53%
Favourable scenario	What you might get back after costs (£)	£11,654	£13,971	£16,368
	Average return each year (%)	16.54%	11.79%	10.36%

The performance figures are based on share price total return with dividends reinvested. They do not allow for the potential tax relief available on the purchase of newly issued shares including those purchased via the Company's Dividend Reinvestment Scheme.

What happens if the Company is unable to pay out?

As a shareholder of the Company you would not be able to make a claim to the Financial Services Compensation Scheme about the Company in the event that it is unable to pay out.

What are the costs?

The Reduction in Yield (RIY) shows what impact the total costs you pay will have on the investment return you might get. The total costs take into account one-off, ongoing and incidental costs.

The amounts shown here are the cumulative costs of the product itself, for three different holding periods. They include potential early exit penalties. The figures assume you invest £10,000. The figures are estimates and may change in the future.

Costs over time

The person selling you or advising you about this product may charge you other costs. If so, this person will provide you with information about these costs, and show you the impact that all costs will have on your investment over time.

Investment: £10,000 If you cash in after...	1 year	3 years	5 years
Total Costs (£)	£300	£1,031	£1,969
Impact on return (RIY) per year (%)	3.00%	3.00%	3.00%

Composition of costs

The table below shows:

- the impact each year of the different types of costs on the investment return you might get at the end of the recommended holding period;
- the meaning of the different cost categories.

This table shows the impact on return per year			
One – off costs	Entry costs	0.00%	This product does not charge any entry fees. Stamp Duty Reserve Tax (SDRT) of 0.5% is payable if the shares are purchased on the secondary market.
	Exit costs	0.00%	This product does not charge any exit fees.
Ongoing costs	Portfolio transaction costs	0.34%	The impact of the costs of us buying and selling underlying investments for the product.
	Other ongoing costs	2.66%	The impact of the costs that we take each year for managing your investments.
Incidental costs	Performance fees	0.00%	A performance fee may be payable to the Company's Investment Advisers, YFM Private Equity Limited (95%) and Chord Capital (5%). The performance fee is 20% of the amount by which the cumulative dividends at the last business day of December, plus the average mid-market share price over the five dealing days prior to 31 December, exceeds 120 pence per share, multiplied by the number of shares in issue at 31 December. The performance fee is payable in the form of ordinary shares. To date no shares have been issued under the incentive agreement.
	Carried interests	0.00%	This product does not charge any carried interest.

All costs will vary from year to year. The biggest element of cost is the fee to the Investment Adviser. This is calculated on the NAV at 30 June and 31 December so the average in any year will depend on the NAVs at those dates.

How long should I hold it and can I take money out early?

Recommended required minimum holding period: 5 years

If an investor acquires newly issued shares in the Company they need to keep their investment for at least 5 years in order to retain the income tax relief on that investment. Whilst shares in the Company can be sold at any time, any sale within 5 years of the initial investment will trigger a clawback of the initial income tax relief. Because of this, and the Company's long-term investment horizon, the recommended holding period is at least 5 years. Even though the purchase of shares on the open market does not attract income tax relief the recommended holding period is 5 years due to the Company's long-term investment horizon.

Disinvestment is possible at any time by selling your shares in the Company. While the Company's shares are traded on the London Stock Exchange and the Company currently operates a buyback facility, the market for the Company's shares is less liquid than for many other listed companies. The Company's shares normally trade at a discount to its NAV. The majority of the Company's investments are in small, unquoted companies and therefore it may not be possible to realise these in a short period of time and the Company may not always be able to realise the maximum value of its investments in an accelerated sales process. There are no additional fees or penalties incurred for disinvestment.

How can I complain?

If you're not happy with the service we give you, please tell us. We'll consider your complaint and acknowledge it in writing, setting out how we plan to deal with it. If you want to make a complaint, please email: tracey.nice@yfmeq.com, call us on +44 (0) 113 261 6478 or write to us at British Smaller Companies VCT2 plc, 5th Floor, Valiant Building, 14 South Parade, Leeds LS1 5QS.

Other relevant information

The cost, performance and risk calculations in this document are based on the methodologies set out in Regulation (EU) No 1286/2014 on Key Information Documents for Packaged Retail and Insurance-based Investment Products (PRIIPs).

If you acquire shares directly from the Company as part of a new share issue you will pay additional charges and your adviser or broker will be able to provide you with details of these.

Further information on the Company can be found at www.bscfunds.com.

British Smaller Companies VCT2 plc

British Smaller Companies VCT2 plc, registered in England and Wales, Co No: 4084003, is registered with the Financial Conduct Authority as a small registered UK AIFM, Registered No 659172. Registered Office: 5th Floor, Valiant Building, 14 South Parade, Leeds LS1 5QS. British Smaller Companies VCT2 plc is advised by YFM Private Equity Limited which is authorised and regulated by the Financial Conduct Authority, FRN: 122120. YFM Private Equity Limited is ultimately owned by YFM Equity Partners LLP.

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