

**The investment strategy of the Company is to invest in UK businesses across a broad range of sectors to create a portfolio that blends a mix of businesses operating in established and emerging industries that offer opportunities in the application and development of innovation in their products and services.**

## Dear Shareholder

We are pleased to provide an update on the progress of British Smaller Companies VCT2 plc (BSC2) for the quarter.

It has been, and will continue to be, a challenging period for the UK economy as a whole, with pressures from high rates of inflation, rising interest rates and political instability. This has impacted some sectors more than others with those dependent on UK consumer spending likely to face increasing challenges over the coming months. In the US we have seen the high valuations based on medium term forecasts pulled down, which has rippled through the markets. BSC2's portfolio companies have to date proved themselves to be adaptable and resilient, which reflects in their overall continued growth rates and pleasingly in some cases has translated into realisations.

Despite a drop in underlying multiples that BSC2 applies to its valuations, the Company's Total Return per share was unchanged in the quarter. This has been driven by positive revaluations upon the sale of two portfolio companies, Springboard and Intelligent Office, and by underlying revenue growth from many portfolio companies, which helps offset the impact of lower valuation multiples. It is gratifying that the sales of Springboard and IO, completed at the end of September, delivered proceeds 38 per cent above their aggregate value at the beginning of the year.

In recent days BSC2 has launched its fundraise for the 2022/23 tax year. We have seen that historically turbulent economic conditions often prove to be an opportune time to invest long term capital in fast growing businesses, and therefore this planned fundraising will ensure that BSC2 is well placed to take advantage of new opportunities arising across the United Kingdom.

## Investments

A number of investments within the portfolio are seeking to extend or accelerate their growth plans, which has resulted in further investment of £2.4 million into four portfolio companies in the three months to 30 September, with investments into Vypr, Force24, Vuealta and Wooshii. Having this year already added both Relative Insight and Quality Clouds, subsequent to the period end three further new companies have been added to the portfolio: Summize, a provider of contract lifecycle management software; Plandek, a SaaS platform using big data analytics to deliver insight and metrics to aid software delivery; and Biorelate, a deep tech AI company. Further details on Plandek are given on page 2.

## Realisations

As noted above, during the period BSC2 realised its investments in Springboard and Intelligent Office, generating total proceeds of £9.9 million, realising a gain of £0.5 million over the opening carrying value and £4.2 million over the original cost. The total return from Springboard was £6.6 million over a near eight year holding period, producing an internal rate of return of 23 per cent and a multiple of 4.1x cost, while the total return from Intelligent Office was £5.0 million over an eight and a half year holding period, producing an internal rate of return of 14 per cent and a multiple of 2.6x cost.

## Performance

The Company's Total Return at 30 September 2022 was unchanged at 139.8 pence per ordinary share. A 1.5 pence per share dividend was paid on 3 October 2022 and, following the realisations above, a special dividend of 2.25p per share will be paid on 11 January 2023 to those shareholders on the register at 18 November 2022. Over the first nine months of BSC2's financial year, a total return of 0.5 per cent has been generated; over the same period the FTSE Small Cap Index has fallen by 21.2 per cent.

## Registrars

Over the weekend of 21-23 October 2022 the Company changed its registrar, from Link Group to The City Partnership. The City Partnership has now sent correspondence on this to all shareholders; if you have any queries or need help registering on the City Hub portal, please contact the Registrar at [registrars@city.uk.com](mailto:registrars@city.uk.com) or call them on 01484 240910.

## Fundraising

The Company launched a joint new offer for subscription for the tax year 2022-23 on 30 November 2022, alongside British Smaller Companies VCT plc. A prospectus with full details of the proposed offer is available from [www.bsccfunds.com](http://www.bsccfunds.com).



Thank you again for your continued support.

**David Hall**

Managing Director, YFM Equity Partners



Past performance is no guide to future performance and the value of an investment in British Smaller Companies VCT2 plc may go down as well as up and you may not get back the full amount invested.

## £50 million New Offer – Opened 30 November 2022

For full details of the joint Offer for Subscription – including a downloadable application form - please visit [bsccfunds.com](http://bsccfunds.com). If you require any further assistance please contact our Investor Relations Support Manager, Tracey Nice, whose details are on the back page.



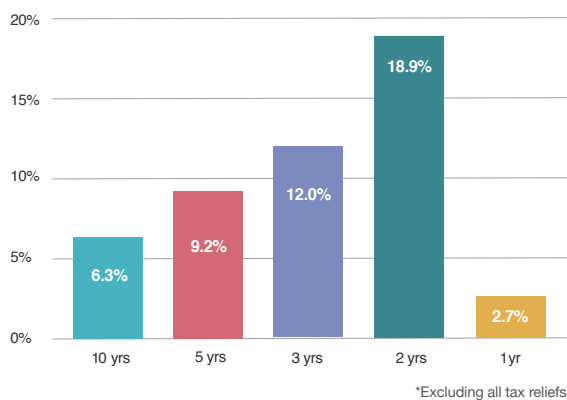
**Sector:** Cloud & DevOps  
**Location:** London  
**Deal type:** Growth capital  
**Investment size:** £3.45 million  
**Investment date:** 2022  
**Website:** plandek.com

“This fundraise enables us to leverage our global reputation - by extending our intelligent analytics IP and scaling our sales and marketing effort across Europe and North America. We were looking for a thoughtful investment partner who is in it for the long-term to provide intelligent, patient capital to help us on our journey. We believe we have found that partner in YFM.”

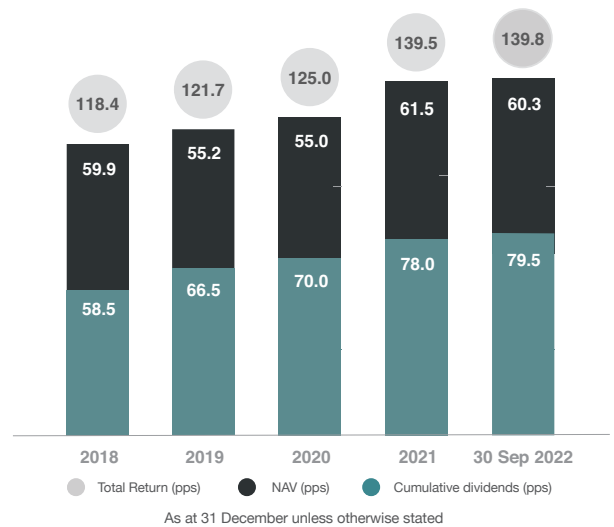
CHARLIE PONSONBY, CEO, PLANDEK

## BSC2 Investment Rate Of Return

Annualised rate of return per annum over 10, 5, 3, 2 and 1 year periods\* to 30 September 2022.



## BSC2 Total Shareholder Return



## A NEW REGISTRAR

On the 21 October 2022 the Company (along with British Smaller Companies VCT) changed its share registrar from Link to The City Partnership (UK) Limited (City).

Their contact details are:

The City Partnership (UK) Limited  
 The Mending Rooms, Park Valley Mills  
 Meltham Road, Huddersfield HD4 7BH

Tel: 01484 240910

Email: [registrars@city.uk.com](mailto:registrars@city.uk.com)



## A NEW SHAREHOLDER HUB

City has recently written to all shareholders in both BSC and BSC2 with unique CIN numbers and an Investor Access Token which you will need to register for a new account on the Hub. You can register for the Hub by visiting <https://bsc-funds.cityhub.uk.com/> and clicking on the Register tab. If you are a shareholder in both BSC2 and BSC you will need to enter the relevant Investor Access Token for each VCT. If you have any problems, City will be able to assist.

The Hub is an on-demand online tool that allows you to:

- View your shareholding and associated indicative valuation
- View your transaction history, share certificate details and dividend information
- Change your personal details as held on the register (including your address, email and bank account details)
- Select how you wish to receive shareholder communications

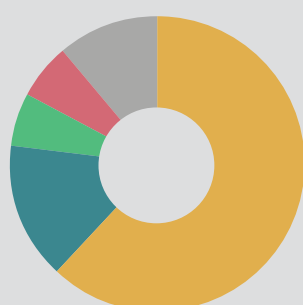
## Portfolio Update

This quarter continued to show underlying growth for many of the services and products offered by our companies and delivered a gain of £0.4 million (after adjusting for additions and disposals) of which £0.5 million came from the realisations of Springboard and IO, with gains from other portfolio companies including Wakefield and ACC Aviation offset by a decrease in Matillion.

Company	Website	Unaudited investment valuation at 30 Jun 2022 £000	Proceeds £000	Additions £000		Valuation gains (losses) including profits on disposal £000	Unaudited investment valuation at 30 Sep 2022 £000	Cumulative % of net asset value of £109.2m
Matillion	matillion.com	22,040	–	–	↓	(1,319)	20,721	19.0%
Outpost	outpost-vfx.com	5,325	–	–	↑	144	5,469	24.0%
Unbiased	unbiased.co.uk	4,229	–	–	↑	101	4,330	27.9%
DisplayPlan	displayplan.com	3,797	–	–	↑	170	3,967	31.6%
Wooshii	wooshii.com	3,248	–	266	↑	138	3,652	34.9%
Force24	force24.co.uk	2,649	–	500	↑	39	3,188	37.8%
ACC Aviation	accaviation.com	2,752	–	–	↑	395	3,147	40.7%
Elucidat	elucidat.com	3,000	–	–	↓	(301)	2,699	43.2%
SharpCloud	sharpcloud.com	2,657	–	–	↑	11	2,668	45.6%
Vypr	vyprclients.com	1,360	–	1,200	↑	101	2,661	48.1%
<b>Top 10 total</b>		<b>51,057</b>	<b>–</b>	<b>1,966</b>	<b>↓</b>	<b>(521)</b>	<b>52,502</b>	<b>48.1%</b>
Remainder of unquoted portfolio		27,104	(9,861)	392	↑	902	18,537	65.0%
<b>Total portfolio</b>		<b>78,161</b>	<b>(9,861)</b>	<b>2,358</b>	<b>↑</b>	<b>381</b>	<b>71,039</b>	<b>65.0%</b>

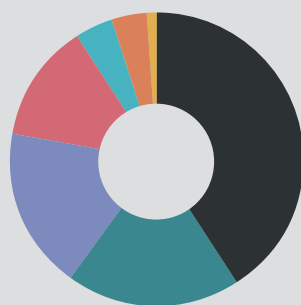
## Portfolio at a Glance

VCT Rules Pre 2015 (%)



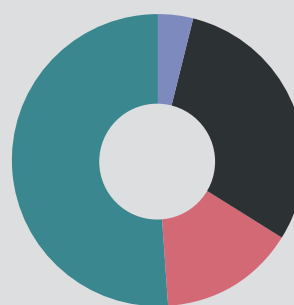
- Business Services: 62%
- Tech-enabled Services: 15%
- Advanced Manufacturing: 6%
- Application Software: 6%
- Other: 11%

VCT Rules Post 2015 (%)



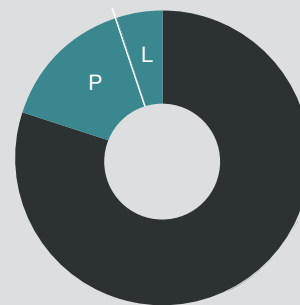
- Data: 41%
- Tech-enabled Services: 19%
- New Media: 18%
- Application Software: 13%
- Retail & Brands: 4%
- Cloud & DevOps: 4%
- Business Services: 1%

Age Of Investment (%)



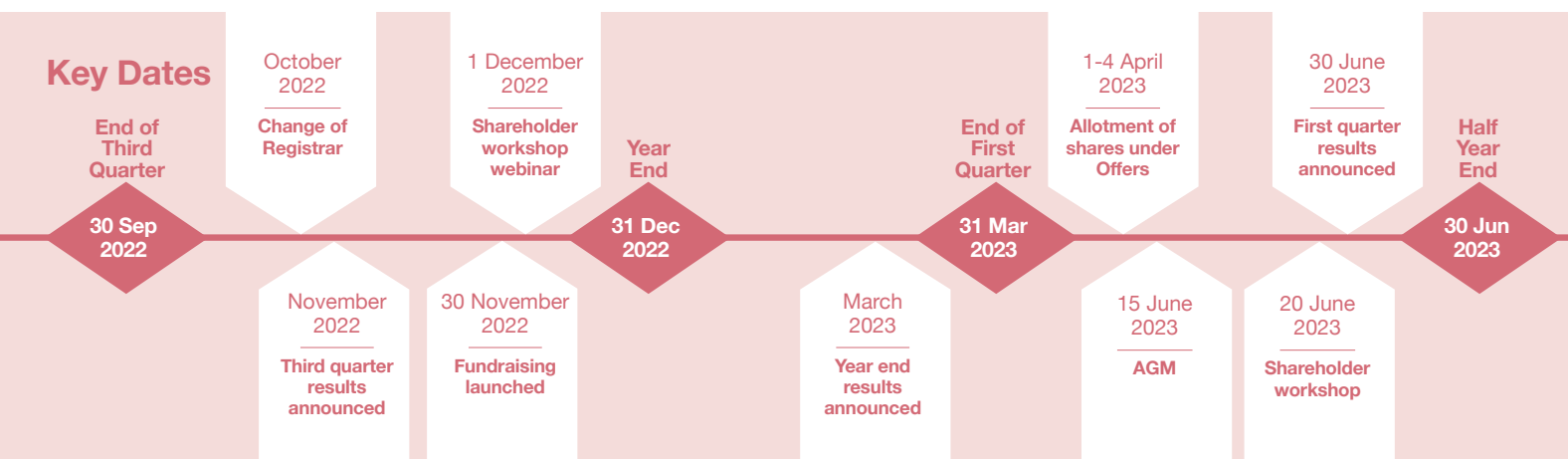
- Less than 1 year: 4%
- 1 – 3 years: 30%
- 3 – 5 years: 15%
- 5+ years: 51%

Investment Instrument (%)



- Ordinary shares: 80%
- Preference shares } 20%
- Loan } 20%

Data source: Based on BSC2 Valuations at 30 September 2022



## For your Records - Dividends and Dates

The table below displays the dates when BSC2 dividends have been, or will be paid, and we hope you find it useful in keeping and checking your records.

Date paid	Pence per share
<b>Cumulative to 31 December 2010</b>	<b>26.00</b>
10 June 2011	2.00
8 September 2011	2.00
22 May 2012	2.00
26 October 2012	2.50
5 June 2013	2.50
27 September 2013	2.00
30 June 2014	2.50
7 October 2014	2.00
8 June 2015	2.50

Date paid	Pence per share
28 September 2015	2.00
9 May 2016	2.50
26 September 2016	2.00
12 May 2017	1.50
29 September 2017	1.50
11 May 2018	1.50
28 September 2018	1.50
15 February 2019	5.00
10 May 2019	1.50
13 September 2019	1.50

Date paid	Pence per share
12 May 2020	2.00
21 September 2020	1.50
5 March 2021	1.50
25 October 2021	1.50
16 November 2021	5.00
6 May 2022	1.50
<b>Cumulative to 30 September 2022</b>	<b>79.50</b>
3 October 2022	1.50
11 January 2023	2.25

### Important notice



This Investor Update is for information only. It has been provided to help you understand how the fund is invested and performing. It is not an offer to invest in the Company and should not be used for making investment decisions. Please contact your financial adviser if you require further explanation or advice.

Past performance is no guide to future performance and the value of an investment in British Smaller Companies VCT2 plc ("the Company") may go down as well as up and you may not get back the full amount invested.

Nothing within this Investor Update should be construed as investment, tax, legal or other advice. Tax treatment depends on individual circumstances, and may be subject to change in the future.

This Investor Update has been issued by YFM Private Equity Limited ("YFM"), which is authorised and regulated by the Financial Conduct Authority (FRN: 122120). YFM is the Fund Manager to the Company. YFM Private Equity Limited is ultimately owned by YFM Equity Partners LLP which is registered in England and Wales No: OC384467. Registered Office: 5th Floor, Valiant Building, 14 South Parade, Leeds LS1 5QS.

## Contact us

Please call or email for further information on any shareholder issue, including switching to direct dividend payments, and for more details on the Fundraising Offer.

- Dividends
- Fundraising
- General

Tracey Nice

Investor Relations Support Manager

☎ 0113 261 6478

✉ tracey.nice@yfmp.com

🌐 bscfunds.com

