

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).

Performance

In the quarter to 31 March 2023, the Company generated a Total Return of 0.6 pence per ordinary share, a 1.0 per cent increase on the net asset value (NAV) at the beginning of the quarter of 61.6 pence per share. AIC data compiled by RAM Capital Partners now ranks the Company second across all generalist VCTs when considering a blended average performance ranking over 1, 3, 5 and 10 years. Total Return at 31 March 2023 was 143.2 pence per share.

We are continuing to see promising potential new investments, as well as opportunities to deploy funds into the existing portfolio to help companies accelerate their growth plans. We look forward to updating investors in the coming quarters on our progress in investing the proceeds from BSC2's recent fundraising.

Investments

During the quarter, £2.4 million was invested into new investment DrDoctor, a patient engagement and communications software platform, and £1.2 million into new investment Xapien, an AI-powered software platform that fully automates detailed background research on individuals and companies. BSC2 has also invested a further £1.6 million into existing portfolio company Quality Clouds, to provide the runway and resources to accelerate the company's sales growth.

Subsequent to the quarter end, £1.7 million was invested into new investment Workbuzz, an agile employee engagement platform. A further £0.5 million was also invested into existing portfolio company Relative Insight, taking the total invested in the year to date to £7.4 million, following the £16.3 million invested in the full year to 31 December 2022.

Realisations

In January the Company completed the successful sale of Wakefield Acoustics, generating proceeds of £0.6 million and an overall return of 1.5x cost. This was a pleasing result, given the investment was valued at £nil at the beginning of the previous financial year, emphasising BSC2's commitment to portfolio companies at all stages through their growth journey.

Fundraising

Alongside British Smaller Companies VCT plc, BSC2 completed a successful fundraising for the 2022-23 tax year. The joint offer was fully subscribed, raising £75 million in aggregate, of which £28.7 million relates to BSC2. The allotment of the related shares took place on 4 April 2023. We would like to thank both existing and new shareholders for their support.

While it has been a challenging period for the UK economy, with pressures from high rates of inflation, rising interest rates and political instability, BSC2's portfolio companies are to date proving themselves to be adaptable and resilient, with key investments demonstrating robust revenue growth.

Investor Workshop

We were delighted to welcome around 200 shareholders to the recent workshop, which was held at One Great George Street, London on 20 June 2023. We heard from YFM, the fund manager, along with investee companies Summize and Vuealta. The presentation slides can be viewed on the website www.bsccfunds.com. An interim Zoom Webinar Workshop is planned for November and invites will be sent out in September 2023.



Thank you again for your continued support.

Eamon Nolan 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.

REGISTRAR DETAILS

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

The 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



xapien^{AI}

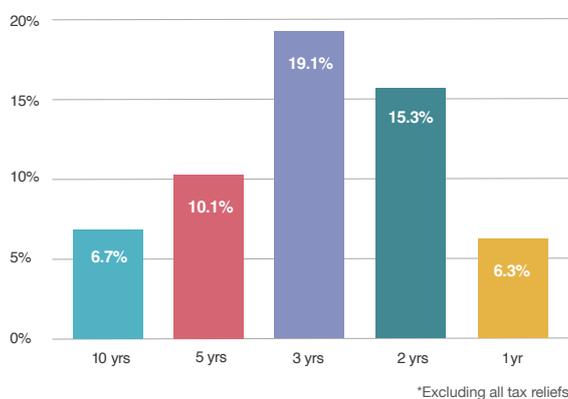
Sector: Application Software
Location: London
Deal type: Growth capital
Investment size: £2.9 million
Investment date: 2023
Website: xapien.com

“YFM really understand the market that we are serving and share our vision to transform it using AI and deep technology. This investment will accelerate our product roadmap, deepen our propriety application of Large Language Models, enhance our Identity Resolution Engine and turbo-charge our growth in sectors where we are experiencing strong demand, including legal, fintech, insurance, private equity and philanthropy. It is an important step in our journey to help the world do better business.”

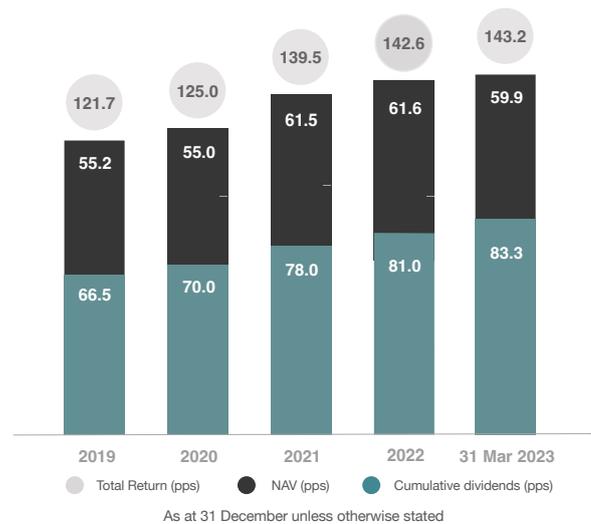
CHRIS GREEN, CEO OF XAPIEN

BSC2 Investment Rate Of Return

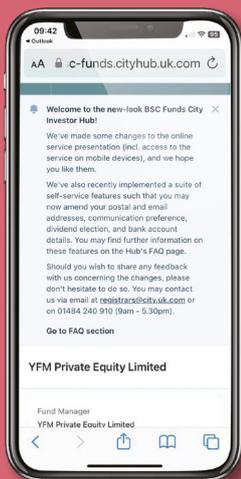
Annualised rate of return per annum over 10, 5, 3, 2 and 1 year periods* to 31 March 2023.



BSC2 Total Shareholder Return



REGISTER REMINDER : DON'T FORGET TO SIGN UP TO THE HUB



Our share registrar City wrote out to all shareholders in both BSC2 and BSC in October 2022 with unique CIN numbers and an Investor Access Token which were needed to register for a new account on the Shareholder Hub. If you haven't already done so, 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 a relevant Investor Access Token for each VCT. If you have any problems and/or you need a new Access Token, then City will be able to assist. Their telephone number is **01484 240910** or you can email them at registrars@city.uk.com

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

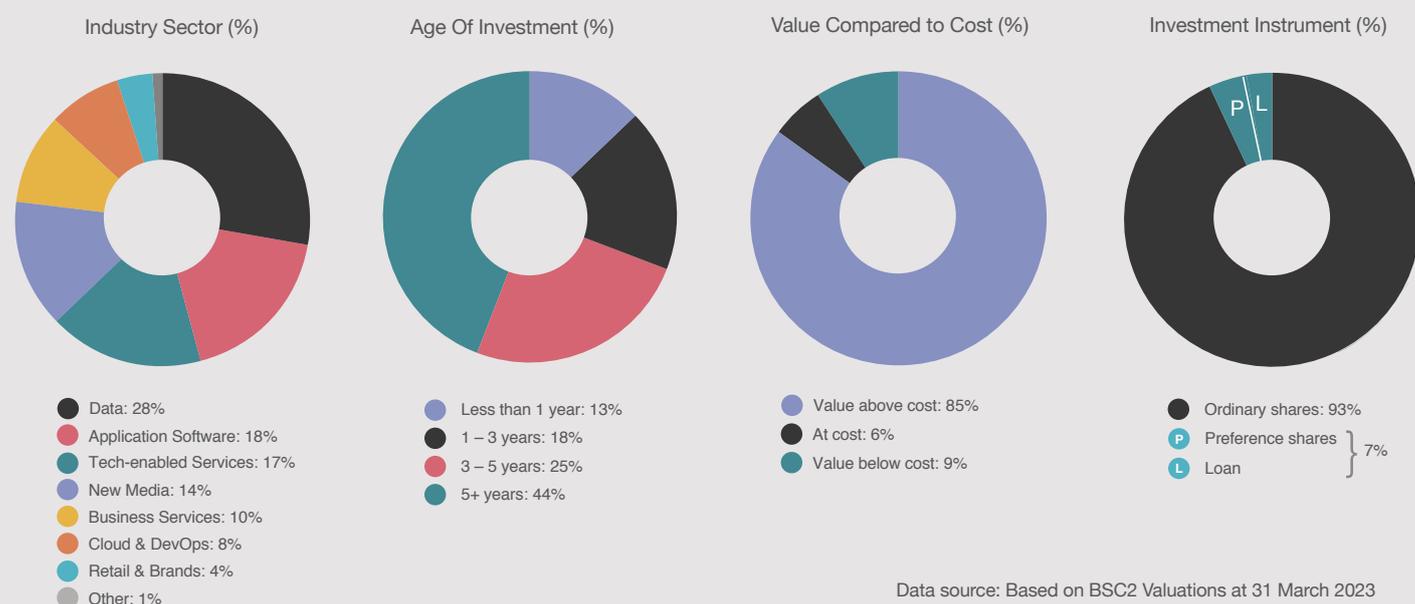
- View your shareholding and associated indicative valuation
- View your transaction history, share certificate details and dividend information
- Change your personal details as held on the register (including your address, email and bank account details)
- Select how you wish to receive shareholder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

Portfolio Update

The quarter to 31 March 2023 continued to show underlying growth for many of the services and products offered by our companies and delivered a gain of £1.5 million (after adjusting for additions and disposals) of which £1.2 million came from the top ten investments, as shown below. In the quarter, BSC2 has made new investments totalling £5.1 million and realised its investment in Wakefield Acoustics.

Company	Website	Unaudited investment valuation at 31 Dec 2022 £000	Proceeds £000	Additions £000		Valuation gains (losses) including profits on disposal £000	Unaudited investment valuation at 31 Mar 2023 £000	Cumulative % of net asset value of £109.3m
Matillion	matillion.com	21,874	–	–	↓	(593)	21,281	19.5%
Unbiased	unbiased.co.uk	6,072	–	–	↑	580	6,652	25.6%
Outpost	outpost-vfx.com	6,202	–	–	↑	78	6,280	31.3%
Wooshii	wooshii.com	4,197	–	–	↑	564	4,761	35.7%
DisplayPlan	displayplan.com	4,109	–	–	↑	145	4,254	39.5%
Elucidat	elucidat.com	4,039	–	–	↑	145	4,184	43.4%
ACC Aviation	accaviation.com	3,575	–	–	↑	39	3,614	46.7%
Force24	force24.co.uk	3,091	–	–	↑	81	3,172	49.6%
Quality Clouds	qualityclouds.com	1,000	–	1,610	↑	106	2,716	52.1%
Vypr	vyprclients.com	2,598	–	–	↑	103	2,701	54.5%
Top 10 total		56,757	–	1,610	↑	1,248	59,615	54.5%
Remainder of unquoted portfolio		24,628	(648)	3,537	↑	296	27,813	80.0%
Total portfolio		81,385	(648)	5,147	↑	1,544	87,428	80.0%

Portfolio at a Glance



Key Dates



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	Date paid	Pence per share	Date paid	Pence per share
Cumulative to 31 December 2010	26.00	28 September 2015	2.00	12 May 2020	2.00
10 June 2011	2.00	9 May 2016	2.50	21 September 2020	1.50
8 September 2011	2.00	26 September 2016	2.00	5 March 2021	1.50
22 May 2012	2.00	12 May 2017	1.50	25 October 2021	1.50
26 October 2012	2.50	29 September 2017	1.50	16 November 2021	5.00
5 June 2013	2.50	11 May 2018	1.50	6 May 2022	1.50
27 September 2013	2.00	28 September 2018	1.50	3 October 2022	1.50
30 June 2014	2.50	15 February 2019	5.00	11 January 2023	2.25
7 October 2014	2.00	10 May 2019	1.50	Cumulative to 31 March 2023	83.25
8 June 2015	2.50	13 September 2019	1.50	26 June 2023	1.50

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 shareholder workshop webinar.

- Dividends
- Registrar
- General

Tracey Nice

Investor Relations Manager

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