

The Company aims to build a diversified portfolio by investing in a variety of UK businesses spanning both established and emerging industries, all of which demonstrate potential for growth and 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 30 September 2023, BSC2 generated a 0.8 per cent return on its opening Net Asset Value of 57.95 pence, compared to a 0.1 per cent rise in the FTSE Small Cap. The Total Return at 30 September 2023 was up 0.45 pence at 143.15 pence per ordinary share.

Investments

We are continuing to see promising potential new investments, as well as opportunities to deploy funds into the existing portfolio to help our companies accelerate their growth plans. During the quarter, £1.6 million was invested into GEEIQ, a data and market intelligence platform in the gaming space, and a further £0.2 million was invested into portfolio company Elucidat.

Following the quarter end, follow-on investments of £0.5 million into Force24 and £0.3 million into Vuealta have been completed, taking the total invested in the current financial year to £10.0 million, following the £16.3 million invested in 2022, with a strong pipeline of opportunities currently under review.

Realisations

Post-period end, in November 2023, BSC2 exited its investment in E2E, a consultancy in the satellite industry, for £1.4 million, representing a 2.5x return on the company's cost. Also in November, the investment in MacroArt, a large scale branding and signage specialist, was realised for £1.0 million, representing a 2.0x return on cost for BSC2. These were both pleasing outcomes following challenging hold periods, and reflect the ethos of both YFM and BSC2 working hard to generate positive returns from all of their investments.

Dividends

An interim dividend of 1.5 pence per ordinary share was paid on 3 November 2023 to shareholders on the register on 6 October 2023, taking cumulative dividends paid in the year to 5.25 pence, a yield of 8.5 per cent on the NAV at the beginning of the year.

Regulatory Developments

In the Autumn Statement on 22 November 2023, the Government announced it would extend the sunset clause currently in place for Venture Capital Trusts until April 2035, and that it would include legislation to achieve this in the next Finance Bill.

Fundraising

The BSC VCTs invest in growing businesses located across the UK from YFM's five regional offices. YFM has invested heavily in its new deal capability, and this, as well as increased demand for equity investment provided by Venture Capital Trusts, has seen the BSC VCTs deploy c.£66 million over the last two years.

To meet the growing demand for further and new investment and ongoing cashflow requirements, the BSC VCTs are currently raising £65 million, with the option of a £25 million over-allotment facility of new investment funds, to take advantage of the high level and quality of investment opportunities available throughout the UK regions.

At the time of writing applications of c.£60 million have been received, of which c.£24 million relate to BSC2, and the BSC VCTs have announced that the full £25 million over-allotment facility will be utilised. The first allotment of £30 million of gross proceeds will take place between 29 and 31 January 2024. The second and final allotment will take place in early April 2024.

Investment Week Awards

In November we were thrilled with BSC2's award of Investment Company of the year in the VCT Generalist category of the Investment Week Awards 2023.



Investor Workshop

We were delighted to welcome around 150 shareholders to the recent online workshop, held on 27 November. Attendees heard from the CEO's of two BSC2 portfolio companies, DrDoctor and Traveltek, as well as receiving an update from the YFM team.

Thank you again for your continued support.

Eamon Nolan Managing Partner, 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.



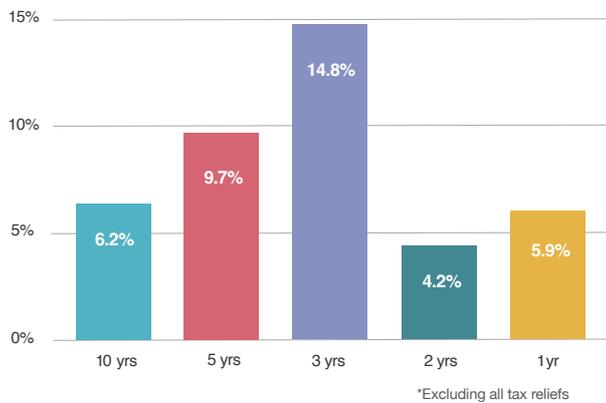
Sector: Application Software
Location: East Kilbride
Deal type: Growth capital
Investment date(s): 2016, 2018, 2019
Website: traveltek.com

“YFM are an incredibly proactive and forward thinking organisation, who support and empower their management teams to get on and ‘do the job’. YFM identified an opportunity to accelerate the growth in Traveltek, both in the UK and now globally. I am personally incredibly excited about the next chapter and look forward to working with YFM to create optimum value for its stakeholders and investors.”

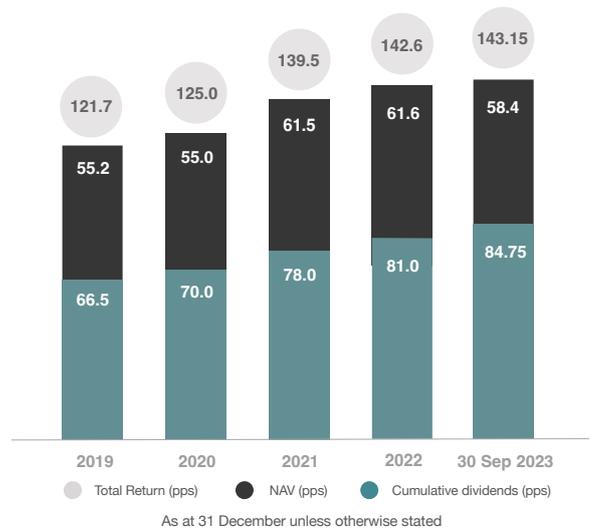
MAL BARRITT, CEO OF TRAVELTEK

BSC2 Investment Rate Of Return

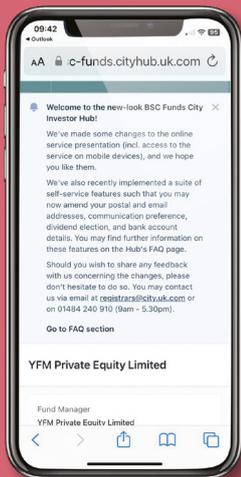
Annualised rate of return per annum over 10, 5, 3, 2 and 1 year periods* to 30 September 2023.



BSC2 Total Shareholder Return



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



Following the Company's change of share registrar last year to The City Partnership (UK) Limited (City), all shareholders were issued 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:

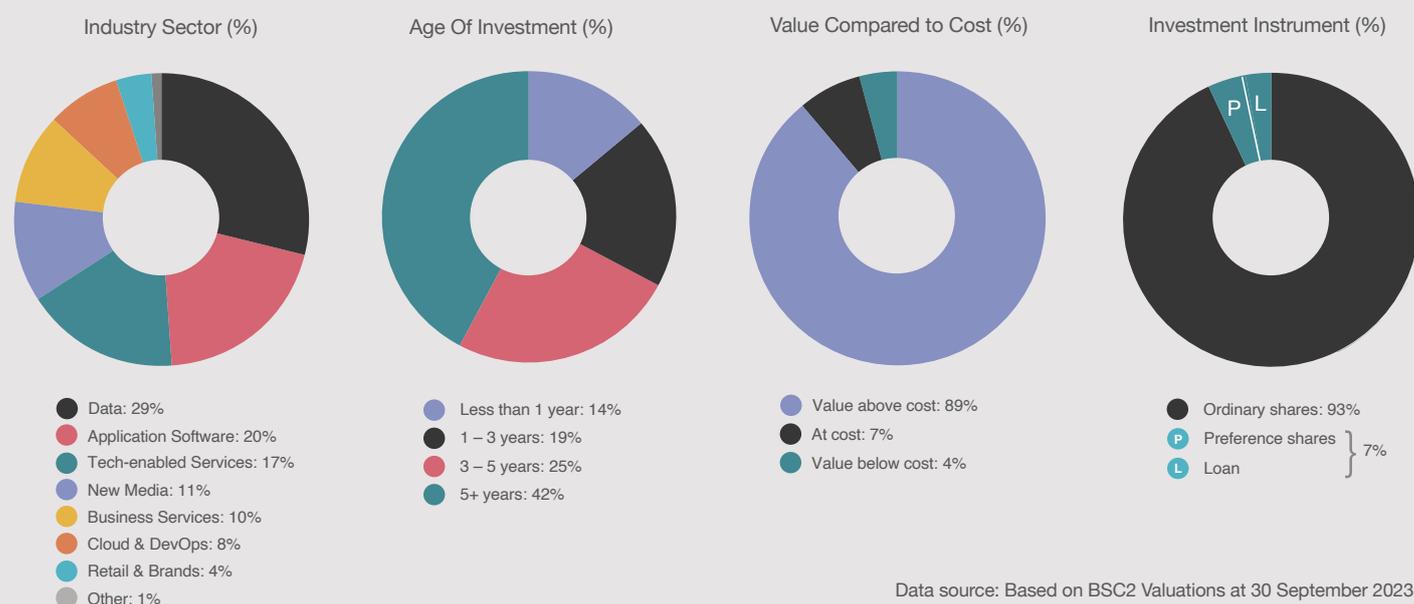
- View your shareholding and associated indicative valuation
- View your transaction history, share certificate details and dividend information
- Change your personal details as held on the register (including your address, email and bank account details)
- Select how you wish to receive shareholder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

Portfolio Update

The quarter to 30 September 2023 continued to show underlying growth for many of the services and products offered by our companies and delivered a gain of £1.3 million (after adjusting for additions and disposals) of which £0.7 million came from Unbiased, with a further £0.4 million from E2E and MacroArt which were realised shortly after the quarter end, with proceeds received in line with the respective valuations at 30 September.

Company	Website	Unaudited investment valuation at 30 Jun 2023 £000	Proceeds £000	Additions £000		Valuation gains (losses) including profits on disposal £000	Unaudited investment valuation at 30 Sep 2023 £000	Cumulative % of net asset value of £133.5m
Matillion	matillion.com	21,022	–	–	↑	292	21,314	16.0%
Unbiased	unbiased.co.uk	7,008	–	–	↑	700	7,708	21.7%
Outpost	outpost-vfx.com	5,786	–	–	↑	171	5,957	26.2%
DisplayPlan	displayplan.com	4,754	–	–	↓	(117)	4,637	29.7%
Elucidat	elucidat.com	4,151	–	200	↓	(21)	4,330	32.9%
Wooshii	wooshii.com	4,654	–	–	↓	(650)	4,004	35.9%
Force24	force24.co.uk	3,172	–	–	↑	23	3,195	38.3%
ACC Aviation	accaviation.com	2,741	–	–	↑	208	2,949	40.5%
Vypr	vyprclients.com	2,772	–	–	↓	(26)	2,746	42.6%
Quality Clouds	qualityclouds.com	2,688	–	–	↓	(60)	2,628	44.5%
Top 10 total		58,748	–	200	↑	520	59,468	44.5%
Remainder of unquoted portfolio		30,426	–	1,572	↑	808	32,806	69.1%
Total portfolio		89,174	–	1,772	↑	1,328	92,274	69.1%

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
Cumulative to 31 December 2010	26.00
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
3 October 2022	1.50
11 January 2023	2.25
26 June 2023	1.50
Cumulative to 30 September 2023	84.75
3 November 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.

- Dividends
- Registrar
- General

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Investor Relations Manager

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