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## 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](http://www.bscfunds.com) or call Tracey Nice on +44 (0) 7500 330986 for more information. The Financial Conduct Authority (FCA) is the competent authority of the Company. This KID was produced on 31 December 2023. 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 aims to provide investors exposure to a diversified portfolio of UK businesses that offer opportunities in the application and development of innovation in their products and services, across established and emerging industries. 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> <p>The Company also has the objective of maintaining its status as a VCT, allowing investors to take advantage of the beneficial tax treatment currently available on your dividend income and investment.</p>
Intended retail investor	The Company's shares are intended to be held by individuals with at least £6,000 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>This is a long term investment. We recommend the Company's shares are held for a period of at least five 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 five years of the loss of VCT status will have to be repaid.</p> <p>The life of the Company will be periodically voted on by shareholders, although the Company's shares do not have a specified maturity date or unilateral termination date.</p>

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

#### Risk Indicator



Lower risk ← ..... → Higher risk



The risk indicator assumes you keep the product for five 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 6 out of 7, which is the second-highest risk class. This rates the potential losses from future performance at a high level. Poor market conditions are very likely 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](http://www.bscfunds.com) for a more comprehensive range of risk factors.

### Investment performance information

The Company's portfolio currently comprises 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 most prominent sector of the Company's portfolio is Data, which totals 30.0% of the portfolio by value; followed by Application Software (22.0%), Tech-enabled Services (18.0%) and New Media (10.0%).

The primary metric by which the Company assesses its performance is by reference to the Net Asset Value (NAV) Total Return, over periods of 1, 2, 3, 5 and 10 years. Covering the period to 31 December 2023, the Company has generated Net Asset Value Total Returns of 5.1% (1 year), 5.1% (2 years), 12.9% (3 years), 9.8% (5 years) and 6.6% (10 years) respectively.

The annualised FTSE Small Cap movements over the same periods to 31 December 2023 are 3.0% (1 year), -7.2% (2 years), 1.1% (3 years), 4.4% (5 years) and 3.8% (10 years) respectively.

The Company targets the payment of a constant annual dividend. In each of the previous five financial years, the Company has paid regular dividends totalling 3.0 pence per share per year. In addition to this, across the previous five financial years the Company has paid cumulative special dividends totalling 12.75 pence per share.

### What could affect my return positively ?

The NAV Total Return of the Company will predominantly be determined by the performance of the underlying investment portfolio. Positive performance of a portfolio company may result in the portfolio company achieving a higher valuation, positively impacting the Company's Net Asset Value. Positive performance of a portfolio company may also result in the Company's investment being realised for a value greater than the original price at which the Company acquired its interest in the portfolio company.

Investment valuations are typically determined by reference to the valuation of a basket of comparable companies, and as such, the Company's Net Asset Value may be impacted by the performance of these companies.

### What could affect my return negatively ?

The share price of the Company's shares may not fully reflect their underlying Net Asset Value per share. The value of an investment in the Company, and the income derived from it, may go down as well as up and investors may not get back the full amount invested, even taking into account the available tax reliefs.

The Company will only pay dividends on shares to the extent that it has distributable reserves and cash available for that purpose. A reduction in income received, or in capital gains realised, from the underlying portfolio companies may adversely affect the dividends payable.

Although the Company's shares have been admitted to the Official List and are traded on the London Stock Exchange's market for listed securities, the secondary market for VCT shares is generally illiquid.

The disposal of new shares in the Company within five years of their issue will result in some or all of the 30 per cent income tax relief available on investment becoming repayable.

### 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 (£)	£352	£1,296	£2,690
Impact on return (RIY) per year (%)	3.52%	3.52%	3.52%

### 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 when shares are purchased in the open market; in these circumstances, Stamp Duty Reserve Tax (SDRT) of 0.5% is payable.
	Exit costs	0.00%	This product does not charge any exit fees.
Ongoing costs	Portfolio transaction costs	0.28%	The impact of the costs of the Company buying and selling underlying investments for the product.
	Other ongoing costs	2.20%	The impact of the costs that we take each year for managing your investments. (E.g Depositary fees )
Incidental costs	Performance fees	1.04%	A performance fee is payable to the Company's Investment Manager, 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 137.25 pence per share (the "Hurdle"), multiplied by the number of shares in issue at 31 December. The performance fee is payable in the form of ordinary shares or cash. At 31 December 2023 the total of cumulative cash dividends and the share price was 140.75 pence per share and an accrual has been made for the performance fee.
	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 Manager. 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 five 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 five 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 five years. Even though the purchase of shares on the open market does not attract income tax relief the recommended holding period is five 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@yfmepl.com](mailto:tracey.nice@yfmepl.com), call us on +44 (0) 7500 330986 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 follow the methodology prescribed by EU rules, as stated in the PRIIPs Regulation and as transposed in UK law in the FCA Handbook. Further information on the Company can be found at [www.bscfunds.com](http://www.bscfunds.com).