

The logo for Money Wise UK, featuring the text "Money Wise UK" in a white, sans-serif font, with a registered trademark symbol (®) to the upper right of "UK". The text is set against a blue, brush-stroke style background.

Money Wise UK[®]

Growing together, with integrity and respect



British Smaller Companies VCT – Review

Manager Overview

- Manager: YFM Equity Partners, an independent UK growth investor founded in 1982 with a long VCT track record and a regional origination network (five UK offices).
- VCTs: BSC and BSC2 co-invest (typical 60%/40% split to BSC/BSC2).

Investment Category

Category: Generalist VCT focused on UK growth/scale-ups in B2B software, data and tech-enabled services.

Current Offer (2025/26)

- Target raise: £60m with £25m over-allotment (aggregate for BSC & BSC2). Offers opened 25 Sep 2025 and close by 2 Apr 2026 (first allotment Jan 2026, final allotment by 2 Apr 2026). Minimum £6,000.
- Illustrative split (if fully used): BSC up to £51m, BSC2 £34m (illustrative prices shown in prospectus).

Fees & Structure

- Initial application fee: 3.0% advised. YFM funds most offer costs from its fee (incl. early-bird extras).
- Ongoing costs: BSC ongoing costs 1.75% of average NAV in year to 31 Mar 2025 (down from 1.85%). The stated AMC is 2%. **An early bird discount of 0.125% is available on the first £25 million that is raised.**
- Liquidity tools: 5%-discount buyback policy; DRIS available (reinvest dividends at NAV; reinvested amounts qualify for 30% income tax relief, subject to rules).

Investment Strategy

Approach: Primarily unquoted equity; typical hold 5–7 years; retains cash/near-cash to fund follow-ons, dividends and buybacks; no structural borrowing.

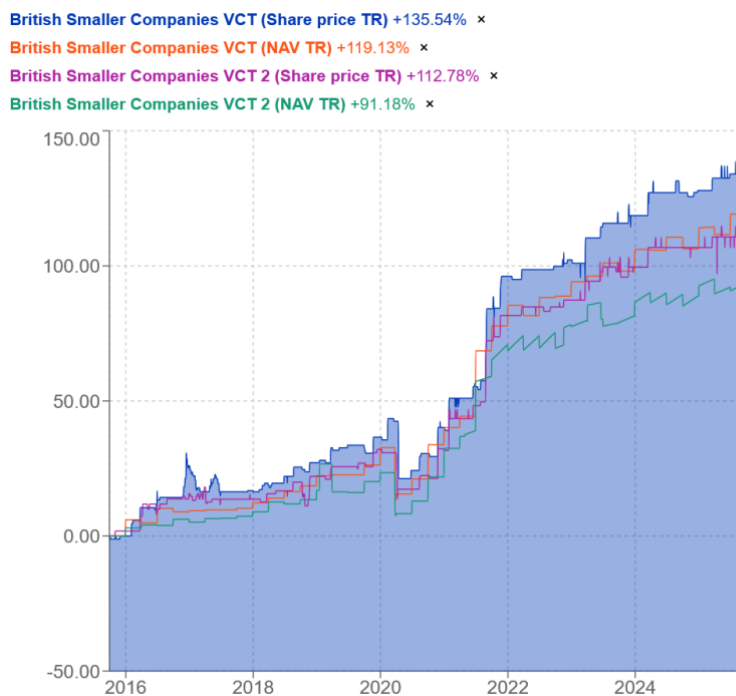
Portfolio Overview (BSC)

- Sector mix (31 Mar 2025): Application Software 29%, Data 27%, Tech-enabled Services 19%, Cloud & DevOps 12% (balance smaller sectors). 96% equity by instrument.
- Scale & liquidity: Portfolio FV £153.4m (59.7% of NAV); cash & equivalents £100.0m (38.9% of NAV) at 31 Mar 2025, reflecting recent fundraising and dry powder for follow-ons.
- Activity (FY to 31 Mar 2025): £29.3m invested across 17 companies (5 new, 12 follow-ons).
- Concentration: 29 holdings valued >£1m; largest single position (Matillion) c.9% of NAV.

Performance & Track Record (exits)

- BSC FY25: Total Return (NAV + cum. dividends) up +2.2p in the year; dividends paid 5.25p (6.3% of opening NAV).
- Multi-year (to 30 Jun 2025): BSC annualised NAV total return 5y 13.1% p.a.; 10y 7.9% p.a. (ex-tax reliefs). BSC2 5y 12.4% p.a.; 10y 6.6% p.a.
- Realisation record: Last 43 realisations (BSC & BSC2 combined) averaged 2.25x cost. FY25 BSC realisations included ACC Aviation and Traveltek; total proceeds £9.1m, £7.2m over cost.
- ACC is an aircraft leasing, charter and consultancy business. BSC first invested in 2014 and supported various growth initiatives during the investment term, including growing the business's market presence in the US, Asia and the Middle East. BSC supported management through the COVID period and was pleased as the company went from strength to strength, before exiting earlier this year through an Employee Ownership Trust. ACC Aviation Transition to Employee Ownership – YFM Exit

- Traveltek developed a booking platform software solution within the travel sector, which had a particular niche within the cruise ship industry. BSC investment helped the company expand its international footprint and, through its guidance, assisted it in navigating the challenges posed by COVID. Having recovered strongly, the business was successfully sold in 2024 via a trade sale. YFM Exits Traveltek to Juniper Group | 3× Revenue & Global Scale

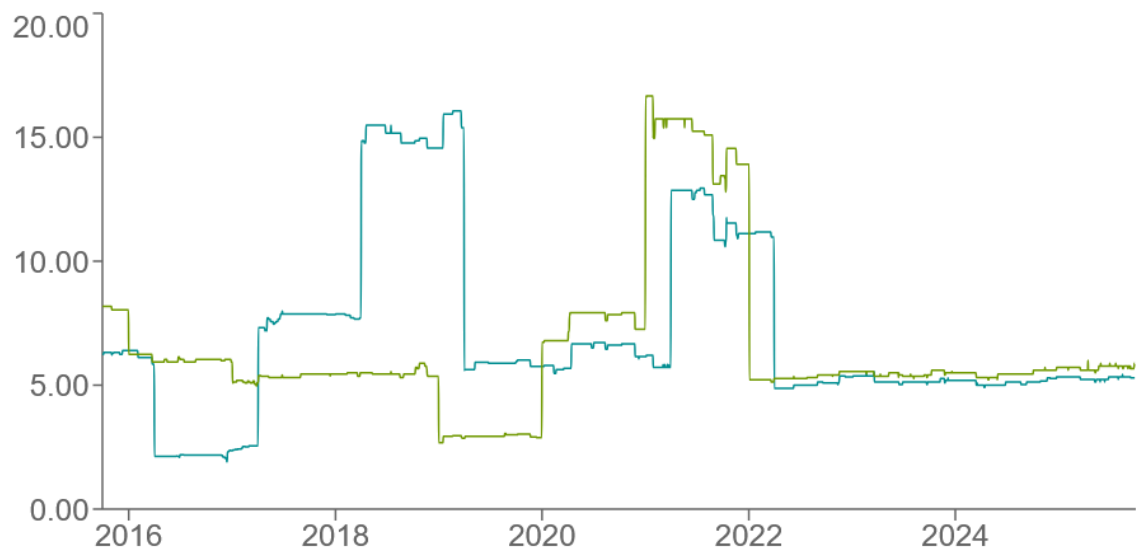


Dividends

- Ongoing policy of regular dividends (BSC paid 5.25p in FY25 incl. 1.25p special; further 2.0p interim announced for 25 Jul 2025). 5-year annualised dividend yields to 30 Jun 2025: BSC 9.1% p.a.; BSC2 9.6% p.a. (based on AIC/Morningstar methodology cited).
- DRIS in place; c. £2.9m reinvested via DRIS in FY25.

British Smaller Companies VCT (Yield)

British Smaller Companies VCT 2 (Yield)



Dividend yield history (% of starting NAV)

	BSC	BSC2
2020	7.9%	6.3%
2021	12.2%	14.5%
2022	9.7%	8.5%
2023	4.8%	5.1%
2024	6.3%	6.7%
YTD	2.5%	2.6%

Source: Morningstar. Dividend yields are based on the dividends paid over the period divided by the starting NAV of the VCT in each period. Past performance is no guide to the future.

Key Strengths

Experienced Manager with Regional Reach

- Managed by YFM Equity Partners, established in 1982, with 40+ years' track record and five UK offices.
- Long heritage in VCT investing and one of the most established providers in the space.

Proven Realisation Track Record

- 43 exits across BSC/BSC2 achieved an average 2.25x return on cost.
- Demonstrates ability to grow and realise value in small private companies.

Strong Dividend Delivery

- 5-year dividend yield 9% p.a. (BSC 9.1%, BSC2 9.6%).
- FY25: BSC paid 5.25p, including a 1.25p special; further interim 2p announced for Jul-2025.
- Dividends supported by cash reserves and DRIS in place for reinvestment.

Diversified Portfolio

- 29 holdings valued >£1m; largest position 9% NAV, reducing concentration risk.
- Sector balance: Application Software, Data, Tech-enabled Services, Cloud/DevOps.
- Predominantly equity (96%) giving growth upside.

Consistent New & Follow-on Activity

- FY25 invested £29.3m across 17 companies (Fuuse, Spotless Water, Stormharvester etc.).
- Cheques of £1.7–3.0m new and £0.7–4.4m follow-ons show consistent pipeline.

Investor-friendly Structure

- 5% discount buyback policy.
- Dividend Reinvestment Scheme (DRIS) allows compounding (tax-relieved reinvestment).

Risks & Failures

The manager highlights the higher failure risk inherent in small, early-stage private companies. Within FY25, there were valuation reductions (e.g., Wooshii, Outpost moderation, and Matillion FX/product migration impact). The portfolio still had 97% of its value at/above cost as of 31 March 2025. Liquidity risk is mitigated by 5% buyback policy, but the secondary market remains thin.

Wooshii was a video content production company. BSC invested £3.6m in Wooshii in 2019 (total investment £7.6m) when revenue was £1.6m and growing quickly. Wooshii operated a tech-enabled service model, aiming for profitable growth with a customer pipeline of blue-chip, household names. It grew well during COVID, but from 2023, performance deteriorated, as key clients (including Thermo Fisher and Amazon) reduced marketing spend. Cheaper, faster AI solutions then overtook a later pivot to software.

The business declined (FY24 revenue was £4.1m vs £5.8m in FY23) and despite restructuring, losses continued and cash flow remained tight. The BSC portfolio team worked hard with management to try to manage cash flows and explore alternative business models, but ultimately, BSC felt there was no viable turnaround opportunity for the company and sought a solvent exit. In Q1 2025, MSQ acquired the business in a solvent process. This exit helped to protect employees and creditors, but disappointingly resulted in limited deferred proceeds for the VCTs.

VCT Size (BSC)

- Net assets: £257.1m at 31 Mar 2025; NAV 80.55p.
- Recent fund-raising: Net proceeds £35.7m (Apr 2024 allotment from 23/24 offer) and £14.8m (Jan 2025 first 24/25 allotment); £30.5m further shares allotted 1 Apr 2025.
- Minimum subscription (current offer): £6,000 (aggregate across BSC/BSC2).

Number of Underlying Companies & Ticket Sizes

Exact count varies with new deals/realisations; at 31 Mar 2025 BSC reported 29 holdings valued >£1m, plus a tail of smaller positions (full investment tables in report). Recent activity implies typical new cheques £1.7–3.0m; follow-ons commonly £0.7–£4.4m.

Cash

As at 30 June 2025 (the most recent reporting date for the BSC VCTs), the combined cash levels across the BSC VCTs as a % of the overall NAV were 41%. The VCTs have a strong pipeline of investment opportunities (both new and follow-on investment) and BSC are currently forecasting the combined cash level to reduce to c.36% of NAV by March 2026 (NB this figure includes the £85m that is being sought in the current Offers). By way of comparison, the equivalent cash % in March 2025 was 43%.

VCTs must balance having sufficient cash to continue operating effectively (making investments, distributing returns to shareholders, and meeting ongoing operating costs) without holding too much cash that it starts to cause a long-term drag on performance. The current Offers are set at a level that BSC and the Boards of the VCTs feel is appropriate, given the current and forecast cash positions and the expected rate of capital consumption.

Conclusion

BSC is a long-standing, generalist VCT with a pronounced B2B software/data tilt, run by a specialist manager with deep regional origination and a long realisation record (43 exits at 2.25x across the two VCTs). The 2025/26 offer (up to £85m across BSC/BSC2; £60m initial + £25m OA) provides fresh firepower for £1.7–3.0m new cheques and larger follow-ons (up to £4.4m), underpinned by substantial liquidity (BSC had 39% of NAV in cash/near-cash at 31 Mar 2025). Dividend delivery has been consistent, with a dividend yield of 5.25p in FY25 (5-year dividend yield: 9% p.a.), supported by a standing 5% discount buyback and DRIS for compounding. Risks remain elevated—private valuations can be volatile and a minority of holdings do fail or get written down—but current portfolio breadth, maturing vintages, and the manager's exit discipline support the medium-term case. For investors seeking generalist VCT exposure with a clear software/data bias and a long, evidence-based track record, BSC remains a credible core option.

British Smaller Companies VCT (Discount)

British Smaller Companies VCT 2 (Discount)

