

BARONSMEAD

Baronsmead VCT 2 plc Quarterly update For the 3 month period from 1 October 2013 to 31 December 2013



Headlines

- £11.9 million realised from the sale of investments
- Interim dividend of 8.0p per share payable on 7 March 2014
- £3.8 million invested in 5 new and 4 follow-on investments

Performance Summary

	As at 31 December 2013	As at 30 September 2013	Movement
Capital return			
Total net assets	£78.80m	£75.79m	
Net asset value per share	104.77p	100.63p	4.1%
Share price	98.75p	94.25p	4.8%
Discount to NAV	(5.7%)	(6.3%)	

	3 months (%)	1 year (%)	5 years (%)	10 years (%)	Since launch (%)
Total return					
Net asset value ¹	4.1	13.2	71.9	119.2	200.1

¹ NAV total return = NAV + reinvested dividends; Source: ISIS EP LLP

These total returns are stated before the inclusion of VCT tax reliefs which are designed to mitigate the higher risks and costs associated with investing in smaller companies and the constraints of the VCT legislation. The tax reliefs given at the time of subscription have varied between 20% and 40%, so any adjusted performance measure including this relief will vary depending on the date of subscription. There is also the additional ongoing benefit of receiving VCT dividends tax free.

Top Ten Investments

Position as at 31 December 2013	Position as at 30 September 2013	Company	Percentage of NAV as at 31 December 2013
1	2	Nexus Vehicle Holdings Limited	5.9
2	3	Staffline Group plc	3.9
3	8	Netcall plc	3.6
4	7	Crew Clothing Holdings Limited	3.0
5	6	IDOX plc	2.6
6	9	Inspired Thinking Group Limited	2.6
7	11	Valldata Group Limited	2.2
8	13	Vectura Group plc	2.1
9	17	Tasty plc	2.1
10	12	Independent Community Care Management Limited	2.0
Total			30.0

Investment Performance

In the three months to 31 December 2013, Baronsmead VCT 2's net asset value per share increased by 4.1%. Over the quarter, the unquoted portfolio valuation decreased by 5%, the quoted portfolio increased by 12% and Wood Street Microcap Fund increased by 14%.

The Company's net assets as at 31 December 2013 were £78.8 million. This figure takes into account the valuation of the Company's investments as at 31 December 2013.

Analysis of Total Assets

	Percentage of total assets at 31 December 2013	Percentage of total assets at 30 September 2013
Unquoted investments	36	48
AIM, listed, ISDX & collective investment vehicle	40	36
Wood Street Microcap Investment Fund	9	8
Listed interest bearing securities	5	4
Net current assets	10	4
Total liquid assets	15	8
Total assets	100	100

Analysis of Investment Portfolio by Sector

(excluding cash and interest bearing securities)

	Percentage of total investments at 31 December 2013	Percentage of total investments at 30 September 2013
Business Services	46	40
Consumer Markets	13	15
Financial Services	2	2
Healthcare & Education	15	12
Technology, Media & Telecommunications	24	31
Total	100	100

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Investment Activity

In the three months to 31 December 2013, Baronsmead VCT 2 invested a total of £3.8 million in 5 new and 4 follow on investments as set out in the table below:

Investments made	Date	Cost (£'000)
CableCom II Networking Holdings Limited	October 2013	1,250
Carousel Logistics Limited	October 2013	955
Sanderson Group plc*	October 2013	225
Tasty plc*	October 2013	125
Crew Clothing Holdings Limited*	November 2013	110
Daily Internet plc	November 2013	225
Everyman Media Group plc	November 2013	391
Plastics Capital plc*	November 2013	189
MartinCo plc	December 2013	343
Total investments		3,813

*Follow on investments

Realisations

In the three months to 31 December 2013, Baronsmead VCT 2 realised total proceeds of £11.9 million from the sale of three unquoted and one quoted investments. Details are set out in the table below:

Company	Date	Cost (£'000)	Proceeds (£'000)	Multiple*
CableCom Networking Holdings Limited	October 2013	1,381	5,748	4.8
CSC (World) Limited	November 2013	1,606	3,115	2.4
PROACTIS Holdings plc	November 2013	619	621	1.1
Kafevend Holdings Limited	December 2013	1,252	2,430	2.5
Total realisations		4,858	11,914	

*Includes interest/dividends received, loan note redemptions and partial realisations accounted for in prior periods.

Dividend Declaration

Following recent profitable sales of investments, the Directors have declared an interim dividend of 8.0p per share with respect to the year to 30 September 2014. The dividend will be paid on 7 March 2014 to shareholders on the register as of 21 February 2014. It is the board's current expectation that this interim dividend will be in lieu of the dividend that would normally be declared on the publication of the Company's results for the six months to 31 March 2014. This pays the dividend to the Company's existing shareholders who benefit from the returns realised in 2013 prior to new shares being allotted with respect to subscriptions to the Company's fundraising.

Net Asset Value as at 31 January 2014

The net asset value as at 31 January 2014 was 106.27p per share. This is stated before taking into account the 2014 interim dividend of 8.0p per share payable on 7 March 2014.

Fundraising Update

The Company published an offer for subscription to raise £10.0 million, before costs, on 22 January 2014 which became fully subscribed on 11 February 2014. As the new shares with respect to this fundraising are expected to be allotted on or around 14 March 2014, the new shares will not be eligible to receive the dividend payable on 7 March 2014.

Investment Objective

Baronsmead VCT 2 is a tax efficient listed company which aims to achieve long-term investment returns for private investors, including tax free dividends.

Events after the Period End

A new investment of £952,000 was made in Kingsbridge Risk Solutions Ltd on 10 January 2014.

Other than the events described above, the Board is not aware of any significant events or transactions which have occurred between 31 December 2013 and the date of publication of this statement which would have a material impact on the financial position of the Company.

Further Information

Further information regarding the Company, including net asset values published since the end of the period and quarterly factsheets, can be found at the Company's website www.baronsmeadvct2.co.uk

Contact

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Baronsmead VCT 2 plc is managed by ISIS EP LLP (ISIS Equity Partners), which is Authorised and regulated by the Financial Conduct Authority (FCA). ISIS EP LLP manages five Baronsmead VCTs.

All information sources are provided by ISIS EP LLP and all figures are as at 31 December 2013 unless otherwise stated. ISIS EP LLP does not give investment advice. Past performance is not necessarily a guide to future performance. Stock markets and currency movements may cause the value of investments and the income from them to fall as well as rise and investors may not get back the amount they originally invested. Where investments are made in unquoted securities or smaller companies, their potential volatility may increase the risk to the value of, and income from, the investment. Investors should take their own financial and tax advice before investing, based on their own individual circumstances. VCTs should be regarded as a long term investment and are only suitable for private investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result.