

# MATRIX INCOME & GROWTH 2 VCT PLC



## MIG 2 VCT UPDATE SEPTEMBER 2009

Welcome to the latest Matrix Income & Growth 2 ("MIG 2") VCT Newsletter, providing an update of activity since the year end at 30 April 2009.

	NET ASSET VALUE		SHARE PRICE	
	as at 31 Jul 09	as at 31 Jul 09	as at 30 Sept 09	
ORDINARY SHARES	70.2p	49.8p	49.8p	
C SHARES	87.4p	74.5p	57.5p	

As at 31 July, the Ordinary Share Fund total shareholder return was 97.0p comprising NAV of 70.2p plus cumulative dividends paid of 26.8p. On a comparable basis, this represents an increase of 1.3% in total shareholder return from 95.8p at 30 April 2009. The C Share Fund total shareholder return was 91.4p comprising NAV of 87.4p plus cumulative dividends paid of 4.0p. On a comparable basis, this represents an increase of 1.6% in total shareholder return from 90.0p at 30 April 2009.

Following approval by Shareholders at the Annual General Meeting on 10 September, a further 1.0 penny dividend per C Share was paid to C Shareholders on 18 September, bringing total dividends paid to C Shareholders to 5.0p per share.

## C SHARE FUNDRAISING

The C Share Offer closed on 30 April 2009, raising £7.3m (net of expenses) for the C Share Fund. We anticipate that there will be significant opportunities to invest over the medium term alongside other MPEP-advised VCTs.

## MANAGER'S COMMENTARY

We have continued to adopt a highly cautious approach to new investment, believing that vendors' price expectations in the current market will prove unsustainable in the long-term. The low level of market activity, which has been prevalent over recent months, is producing only limited opportunities for sufficiently attractive deals.

The majority of the portfolio continues to generate operating profits. Of the fifteen companies in the Ordinary Share Fund, a number continue to trade strongly. Foremost amongst these is Digico, which has had an outstanding year, and VSI. Digico's strong performance has enabled it to make a partial repayment of loan stock to the VCT in May, returning £137,552 to the Ordinary Share Fund and £96,028 to the C Share Fund. PastaKing continues to maintain profitability despite difficult conditions in the food sector; ATG Media has made a solid start and is successfully pursuing its online auction platform; and Vectair continues to trade strongly despite increased raw material costs due to the relative weakness of sterling.

The downturn in the construction and house-building sectors continues to affect the profitability of Plastic Surgeon, Youngman and PXP. Blaze Signs has also experienced a downturn in revenue and is focused on reducing costs to maintain profitability.

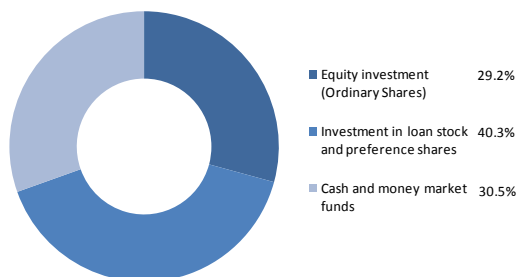
The C Share Fund holds thirteen investments, the majority of which are also in the same companies as the Ordinary Share Fund. Of the investments unique to the C Share Fund, Focus Pharma continues to trade in line with expectations and is seeking to secure further new product licences.



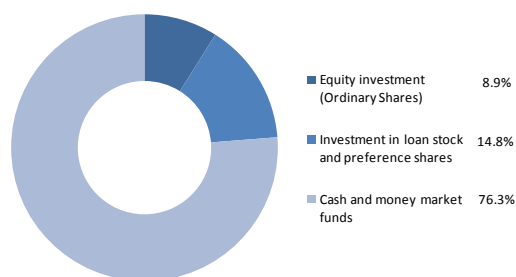
A Digico sound mixing console in action at a concert

## PORTFOLIO BREAKDOWN AS AT 31 JULY 2009

### Ordinary Share Fund - Net assets £7.9m



### C Share Fund - Net assets £15.3m



## CONTACT MATRIX

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# MATRIX

SIX MONTHLY UPDATE SEPTEMBER 2009  
ASSET MANAGEMENT

## MANAGER'S COMMENTARY CONTINUED

Monsal has won a number of major contracts in a much improved year and is pursuing a number of other opportunities. Barnfield Management Investments and Vanir Consultants continue to actively seek acquisitions in their chosen sectors.

Whilst remaining cautious in our selection of suitable MBOs, we remain optimistic that investment propositions of the right quality will start to appear in the market when vendors' price expectations become more realistic. The Ordinary Share Fund retains liquid resources of 31% of net assets, principally to finance any contingent support for its portfolio, whilst the C Share Fund has very strong liquid resources of 76% of net assets, to support its portfolio if required and to take advantage of investment opportunities when they arise.

## QUALIFYING INVESTMENT PORTFOLIOS AS AT 31 JULY 2009

COMPANY	BUSINESS	INVESTMENT COST £	INVESTMENT VALUATION £	% OF THE INVESTMENT PORTFOLIO
<b>Ordinary Share Fund - Ten largest investments</b>				
Digico Europe	Sound mixing consoles	460,867	1,020,812	18.6
VSI	Software for CAD/CAM vendors	231,020	822,116	15.0
British International	Helicopter services	832,827	805,680	14.7
PastaKing	Manufacture and supply of fresh pasta meals	274,624	729,538	13.3
Youngman Group	Manufacture of ladders and access towers	1,000,052	699,966	12.7
ATG Media	Publisher and online auction platform operator	508,736	508,736	9.3
Vectair Holdings	Software for CAD and CAM vendors	243,784	357,738	6.5
Blaze Signs Holdings	Sign manufacturing & installation	791,608	297,000	5.4
Campden Media	Publishing and conferencing	975,000	109,252	2.0
Plastic Surgeon Holdings	Property snagging & finishing	230,986	57,747	1.0
<b>Total of ten largest Ordinary Share Fund investments</b>		<b>5,549,504</b>	<b>5,408,585</b>	<b>98.5</b>
Other investments		1,857,173	83,127	1.5
<b>Total Ordinary Share Fund</b>		<b>7,406,677</b>	<b>5,491,712</b>	<b>100.0</b>
<b>C Share Fund - Ten largest investments</b>				
Barnfield Management Investments	Seeking acquisitions in the food sector	1,000,000	1,000,000	17.8
Vanir Consultants	Seeking acquisitions in the IT sector	1,000,000	1,000,000	17.8
Digico Europe	Sound mixing consoles	321,741	712,650	12.7
Focus Pharma Holdings	Licensing & distribution of pharmaceuticals	660,238	693,492	12.3
Monsal Holdings	Water & waste sector engineering services	854,450	640,838	11.4
PastaKing	Manufacture and supply of fresh pasta meals	191,720	509,305	9.0
ATG Media	Publisher and online auction platform operator	355,159	355,159	6.3
VSI	Software for CAD/CAM vendors	77,623	276,234	4.9
Blaze Signs Holdings	Sign manufacturing & installation	606,890	223,000	3.9
British International	Helicopter services	167,173	161,730	2.9
<b>Total of ten largest C Share Fund investments</b>		<b>5,234,994</b>	<b>5,572,408</b>	<b>99.0</b>
Other investments		1,000,760	55,845	1.0
<b>Total C Share Fund</b>		<b>6,235,754</b>	<b>5,628,253</b>	<b>100.0</b>

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