

Key Fund Characteristics

| | | | |
|--|---------|---------------------------|--------------|
| Monthly NAV total return | +0.31% | Ticker | SMEF:LN |
| NAV per ordinary share | 99.94p | ISIN | GB00BYMK5S87 |
| Mid-price* | 91.00p | Domicile | UK |
| Premium / discount | -9.82% | Listing | LSE SFS |
| Dividend frequency | Monthly | Ordinary shares in issue | 52,660,350 |
| Dividend yield* | 7.69% | Market capitalisation | £47,920,919 |
| Weighted average portfolio gross yield | 8.31% | NAV | £52,677,839 |
| Gearing | None | Number of direct loans | 210 |
| Currency hedged to GBP | 100% | Weighted average maturity | 2.8 years |

All data as at 28/02/17 *Source Bloomberg

Investment Objective

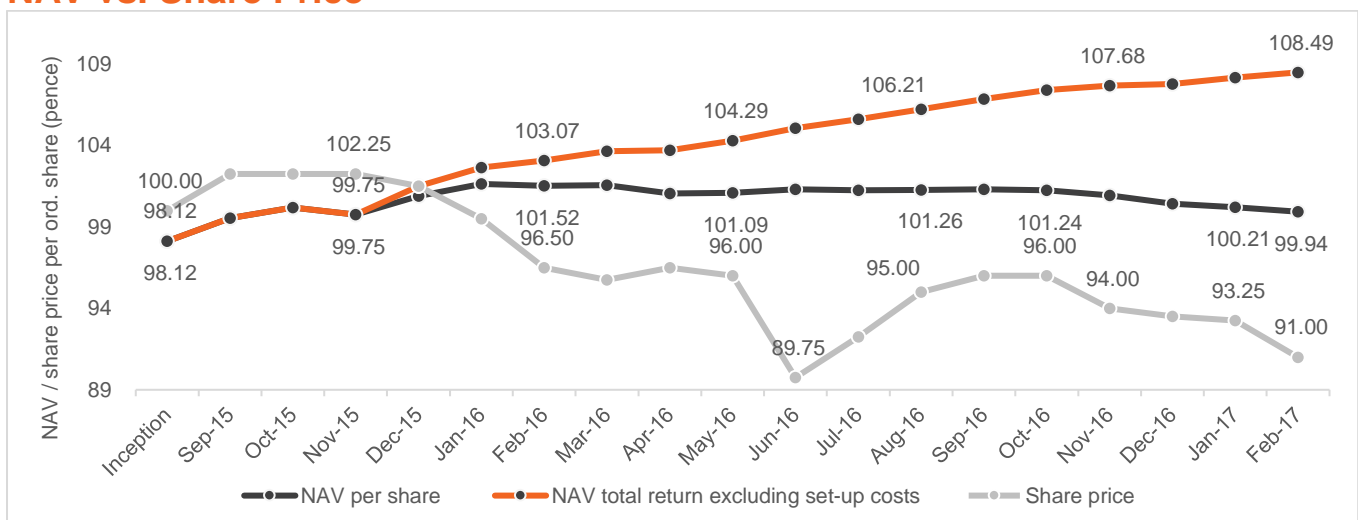
The SME Loan Fund PLC is a UK investment trust with the investment objective of providing shareholders with attractive risk adjusted returns through investment, principally via online finance platforms, in a range of SME loan assets, diversified by way of asset class, geography, and duration. Subject to shareholder approval at a general meeting of the Fund expected to be held in April 2017, the Company intends (i) to focus on secured wholesale lending, trade and receivable finance and collateralised lending opportunities as either debt or structured notes including equity or equity participations, (ii) to rebase its target dividend to 6.3p per share per annum, increasing to at least 7.0p per share per annum with effect from July 2018 and (iii) to target an annual net asset value total return of at least 8% per annum from July 2018.

Performance and Dividend History

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Inception to date | | | | |
|---|------|--------|--------|--------|-------|--------|--------|-------|-------|-------|-------|--------|-------------------|-------|--------|--------------|---------------|
| NAV per share total return, including income* | 2015 | | | | | | | | | | | | 1.46% | 0.64% | -0.43% | 1.75% | 10.57% |
| | 2016 | 1.12% | 0.42% | 0.57% | 0.05% | 0.55% | 0.74% | 0.52% | 0.57% | 0.60% | 0.51% | 0.27% | 0.09% | | | | |
| | 2017 | 0.36% | 0.31% | | | | | | | | | | | | | | |
| Dividend per share** | 2015 | | | | | | | | | | | | | | 0.60p | 8.55p | |
| | 2016 | 0.40p | 0.55p | 0.55p | 0.55p | 0.55p | 0.55p | 0.60p | 0.60p | 0.60p | 0.60p | 0.60p | 0.60p | | | | |
| | 2017 | 0.60p | 0.60p | | | | | | | | | | | | | | |
| Share price performance total return*** | 2015 | | | | | | | | | | | | 2.25% | 0.00% | 0.00% | -0.73% | -9.00% |
| | 2016 | -1.97% | -3.02% | -0.78% | 0.78% | -0.52% | -6.51% | 2.79% | 2.98% | 1.05% | 0.00% | -2.08% | -0.53% | | | | |
| | 2017 | -0.26% | -2.41% | | | | | | | | | | | | | | |

* Per Ordinary Share excluding set-up costs ** Per Ordinary Share*** Source Bloomberg

NAV vs. Share Price



Market Commentary

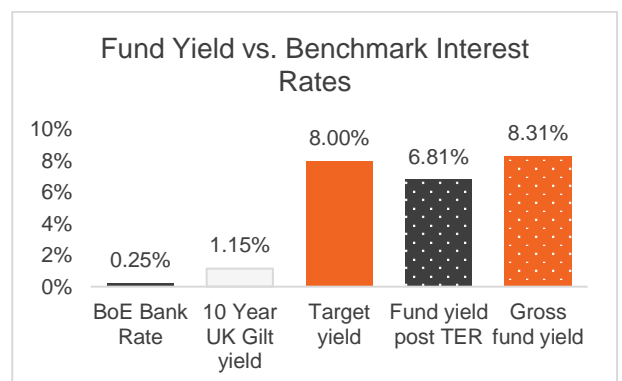
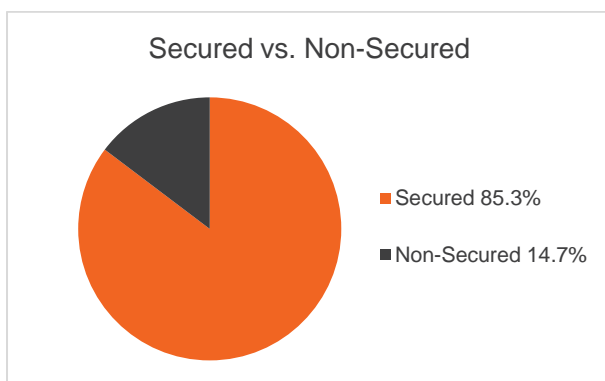
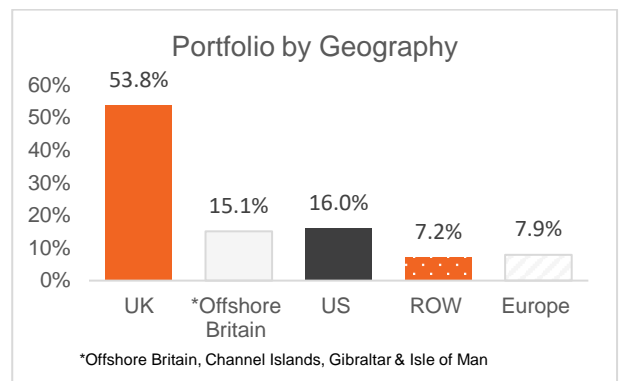
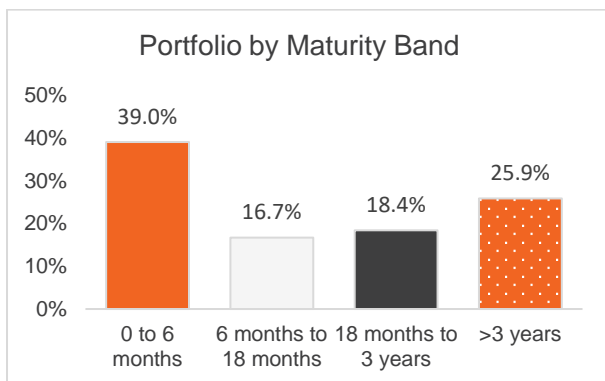
February saw a continuation of the improvement in global economies, with the U.S. leading the way in both manufacturing and employment. The chances of a rise in the Federal Funds rate increased as inflation data picked up dramatically. ISM prices paid was announced at 69.0 for the month of January vs. 65.5 for December, while CPI also shocked on the upside, at 2.3% Year-on-Year (ex Food and Energy). Industrial Production in the U.K. strengthened to 4.3% compared to a year ago, to levels last seen in 2011. Manufacturing Production also rose to 4.0% and it seems that the weak Pound is having a positive effect on the economy.

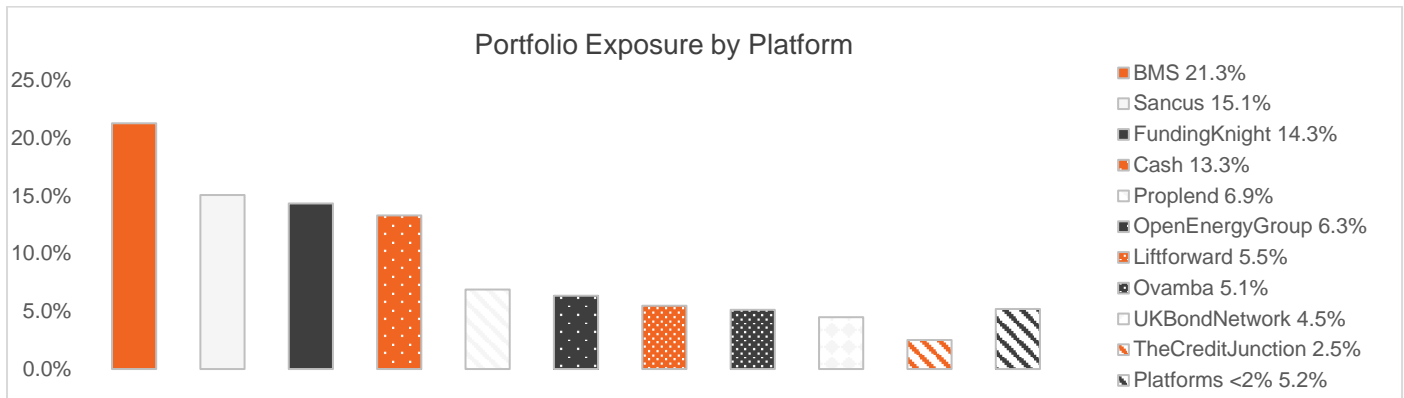
Elsewhere it is clear that the Alternative Finance sector continues to power ahead as the total volume lent in the U.K., as measured by the Liberum AltFi index, now exceeds £10.17 billion, further indication that this is a credible financing route. Mainstream banks were not quite so fortunate as loans to small businesses in the U.K. fell in excess of £500 million from December 2016 to January 2017. This could be a result of the uncertainty still plaguing the market after Brexit, however, as can be seen, Alt Fi Platforms are reporting that business is a brisk as ever.

There was negligible activity in new loans within the Fund during February as a critical development in its future was announced on 21 February. Proposed changes included the appointment of SQN Capital as the Fund's investment manager and (subject to shareholder approval at a general meeting expected to be held in April 2017) changes to refine and focus the Fund's investment strategy. Key to the deal was the need to place GLI Finance's 48% stake in SMEF. The existence of such a large percentage shareholder, and GLI Finance's equity interest in platforms through which SMEF has invested, impeded the secondary market liquidity in, and limited demand for, the Fund's shares.

These are exciting times for the Fund and, as announced on 7 March, the secondary placing of stock has been successful; indeed, demand for the GLI Finance's stake significantly outweighed the available stock which bodes extremely well for the future. From 1 April 2017, SQN Capital will be the appointed investment manager to the Fund and Amberton will be their appointed sub-advisor in respect of the existing portfolio of loans. Graham Glass and the team at Amberton remain in place and are looking forward to providing support and investment management services to assist SQN in their role.

Portfolio Analytics





Top-Ten Loan Exposure

| Asset | Coupon | Maturity | Currency | Geographic region | Weighting |
|---------|--------|----------|----------|-------------------|-----------|
| Loan 1 | 8.00% | May 17 | GBP | Offshore Britain | 2.44% |
| Loan 2 | 16.00% | Mar 17 | USD | US | 2.43% |
| Loan 3 | 8.00% | Mar 17 | GBP | Offshore Britain | 2.35% |
| Loan 4 | 9.00% | Mar 17 | USD | US | 2.28% |
| Loan 5 | 9.00% | Mar 19 | GBP | UK | 1.94% |
| Loan 6 | 9.75% | Sep 18 | GBP | UK | 1.93% |
| Loan 7 | 7.34% | Dec 19 | GBP | UK | 1.93% |
| Loan 8 | 10.00% | May 17 | GBP | Offshore Britain | 1.88% |
| Loan 9 | 8.00% | Mar 17 | GBP | Offshore Britain | 1.88% |
| Loan 10 | 9.00% | Mar 18 | GBP | Offshore Britain | 1.77% |

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