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If you were a Shareholder and have sold or otherwise transferred all your Ordinary Shares, please send this document as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. However, neither this document nor any accompanying document(s) should be forwarded or transmitted to or in any jurisdiction outside the United Kingdom where to do so may violate any legal or regulatory requirement. If you are an existing holder of Ordinary Shares and you have sold or transferred part only of your registered holding of Ordinary Shares, please contact the stockbroker, bank or other agent through whom the sale or transfer was effected.

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## **The SME Loan Fund plc**

*(Incorporated in England and Wales with company no. 09682883 and registered as an investment company under section 833 of the Companies Act 2006)*

### **Proposals to change the investment objective and investment policy of the Company, adopt New Articles and change the name of the Company**

#### **Proposed Share Issuance Programme**

**and**

#### **Notice of General Meeting**

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Notice of a General Meeting to be held at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH, United Kingdom at 1.00 p.m. on 27 April 2017 is set out at the end of this document.

Shareholders are requested to complete and return the Form of Proxy enclosed with this document for use at the General Meeting. To be valid, Forms of Proxy must be completed and returned in accordance with the instructions printed thereon to the offices of the Company Secretary, Elysium Fund Management Limited, PO Box 650, 1st Floor Royal Chambers, St. Julian's Avenue, St. Peter Port, Guernsey GY1 3JX as soon as possible and, in any event, so as to arrive by no later than 1.00 p.m. on 25 April 2017.

## **TABLE OF CONTENTS**

|   |    |
|---|----|
| EXPECTED TIMETABLE .....  | 2  |
| PART 1 - LETTER FROM THE CHAIRMAN.....                                  | 3  |
| PART 2 – CHANGES TO THE INVESTMENT OBJECTIVE AND INVESTMENT POLICY..... | 11 |
| PART 3 - DEFINITIONS.....   | 15 |
| NOTICE OF GENERAL MEETING .....   | 18 |

## EXPECTED TIMETABLE

|   |                                   |
|---|-----------------------------------|
| Latest time and date for receipt of Forms of Proxy  | 1.00 p.m. on 25 April 2017        |
| <b>General Meeting</b><br>and effective date of the changes to the Company's investment objective and investment policy and adoption of the New Articles <sup>(1)</sup> | <b>1.00 p.m. on 27 April 2017</b> |
| Date change of name will become effective <sup>(1)</sup>  | 28 April 2017                     |

### Notes:

1. If Resolution 1 and Resolution 2 are approved at the General Meeting.
2. Each of the times and dates referred to in the expected timetable above and elsewhere in this document may be extended or brought forward at the discretion of the Company. If any such times and/or dates change, the revised time(s) and/or date(s) will be notified to Shareholders by an announcement through a Regulatory Information Service.
3. All times referred to in this document are, unless otherwise stated, references to London time.

## PART 1 - LETTER FROM THE CHAIRMAN

# The SME Loan Fund plc

*(Incorporated in England and Wales with company number 09682883 and registered as an investment company under section 833 of the Companies Act 2006)*

### Directors

Richard Hills (*Non-Executive Chairman*)  
Ken Hillen (*Non-Executive Director*)  
David Stevenson (*Non-Executive Director*)

### Registered Office

1 Finsbury Circus  
London EC2M 7SH  
United Kingdom

5 April 2017

Dear Shareholder

### 1. Introduction

The Company is a UK investment trust that launched in 2015 and currently has an objective to provide Shareholders with attractive risk adjusted returns through investment, principally via the Investee Platforms (being loan origination platforms and finance companies in which GLI Finance Limited has an equity interest), in a range of SME loan assets, diversified by way of asset class, geography and duration.

On 21 February 2017, the Directors announced that the Company was in discussions regarding a number of proposals which were, *inter alia*, intended to:

- address Shareholders' concerns regarding conflicts of interest between the Company, the Company's then current investment manager Amberton Asset Management Limited and the Company's then largest Shareholder and holder of 50 per cent. of the shares in Amberton, GLI Finance Limited;
- diversify the Company's shareholder base through a secondary placing of the Ordinary Shares held by GLIF and, as a result, improve liquidity in the Company's Ordinary Shares in the secondary market (the "**Secondary Placing**");
- provide the Company with access to a broader range of investment management skills through the appointment of SQN Capital Management, LLC as the Company's investment manager; and
- enhance the prospect of increasing the size of the Company through share issues in due course.

The Company announced on 8 March 2017 that the Secondary Placing (further details of which are provided in paragraph 2 of this Part 1 below) had completed and SQN US, together with its UK subsidiary SQN Asset Management Limited ("**SQN UK**", and together with SQN US, the "**New Managers**") had been appointed as the Company's new investment managers, and SQN US has been appointed as the Company new alternative investment fund manager pursuant to the AIFMD, with effect from 1 April 2017.

In connection with these recent developments, the Board is keen to make certain changes to the Company's investment objective and investment policy including removing any obligation on the Company to invest through the Investee Platforms and broadening the range of secured loan-based investment opportunities in which the Company may invest. Further, the Board is seeking to adopt new articles of association which remove the current provisions relating to the six-monthly redemption facility, which is inefficient and inflexible, and introduce a continuation vote if the Company has not reached net assets of at least £250 million by 31 December 2019 (the "**New Articles**"). In addition, the Directors believe that the Company's prospects for issuing further Shares in due course have been enhanced significantly by the Secondary Placing and the appointment of the New Managers and will be further enhanced if Shareholders approve the proposed changes to the investment objective and investment policy and the adoption of the New Articles.

So as to increase the size of the Company and thereby improve liquidity in the Ordinary Shares, the Board is also seeking Shareholder authority to allot up to 250 million Ordinary Shares and/or C Shares pursuant to a share issuance programme (the "**Share Issuance Programme**"), details of which are set out at paragraph 6 of this Part 1. It is intended that the Share Issuance Programme will permit the Company to issue the New Shares to new investors without having to offer them pro rata to existing Shareholders.

Accordingly, your Board today announced that a General Meeting is being convened at which Shareholders will be asked to (i) approve changes to the Company's investment objective and investment policy, (ii) adopt the New Articles, (iii) authorise the Board to allot up to 250 million Ordinary Shares and/or C Shares pursuant to the Share Issuance Programme and (iv) disapply pre-emption rights in respect of the New Shares to be issued under the Share Issuance Programme (the "**Proposals**").

The purpose of this document is to provide Shareholders with details of the Proposals and to set out the reasons why the Directors are recommending that Shareholders vote in favour of the Resolutions at the General Meeting. The Board has also decided, subject to Resolution 1 and Resolution 2 being passed, to change the name of the Company to SQN Secured Income Fund plc to reflect the appointment of the New Managers and the changes to the Company's investment objective and investment policy.

The background to and reasons for the Proposals are set out in paragraph 2 below and details of the Proposals are set out in paragraphs 3, 4 and 6 of this letter.

## **2. Background to and reasons for the Proposals**

The Board was aware of investors' concerns regarding the potential conflicts of interest between the Company, Amberton and GLIF, the Company's relative small size and the illiquidity in the Ordinary Shares in the secondary market and concluded that such concerns would impede the Company's ability to grow through further share issues.

As a first step towards addressing investors' concerns, the Company and GLIF agreed the changes to the Company's investment management arrangements (referred to below) and GLIF agreed to sell its holding of 25,270,763 Ordinary Shares (representing 48 per cent. of the Company's issued share capital) through the Secondary Placing, which was co-ordinated by Cantor Fitzgerald Europe. The demand, principally from new investors (both institutional and wealth managers), to participate in the Secondary Placing significantly exceeded the number of Ordinary Shares available. The New Managers (through SQN UK) participated in the Secondary Placing and acquired 3,300,000 Ordinary Shares, representing 6.3 per cent. of the Company's issued share capital.

The Secondary Placing, which completed on 10 March 2017, has broadened the Shareholder base significantly and has already led to a material improvement in the market liquidity of the Ordinary Shares and a narrowing of the discount at which the Ordinary Shares are trading relative to their net asset value.

The New Managers have been appointed as investment managers to the Company with effect from 1 April 2017. In conjunction with this appointment, SQN US has appointed Amberton as its sub-investment adviser with effect from 1 April 2017 in relation to the Company's existing portfolio of loans originated by or through the Investee Platforms.

The Board believes that the appointment of the New Managers provides the Company with access to a broader range of investment management skills. The Board is proposing, therefore, to make certain changes to the Company's investment objective and investment policy (details of which are set out in paragraph 3 below) so that the Company can benefit from this broader range of skills and continue to provide attractive returns to Shareholders. Following discussions with the New Managers regarding the anticipated returns from the Company's portfolio (both in the shorter and longer terms), the Company has rebased its annual dividend target to 6.3p per Share, increasing to at least 7.0p per Share with effect from July 2018. The first monthly dividend of 0.525p per Share is targeted for May 2017 and will be paid in June 2017. Over the longer term, the Company will be targeting an annual net asset value total return of at least 8 per cent.<sup>1</sup>

Having reviewed the operation of the Company's discretionary six-monthly redemption facility for up to 20 per cent. of its issued share capital at a redemption price equal to 99.5 per cent. of the net asset value per Ordinary Share and, in particular, the need to build up cash balances in advance of a redemption date in order to be able to satisfy redemption requests, the Directors concluded that the redemption facility is an inefficient and inflexible structure that is not well-suited to the less liquid assets in which the Company invests. Accordingly, the Directors used their discretion and decided not to implement the first potential redemption opportunity at 31 March 2017 and are proposing that the Company adopt the New Articles which remove the provisions relating to the six-monthly redemption facility.

The Directors recognise the importance to Shareholders of increasing the size of the Company in order to increase the liquidity of its Shares in the secondary market. The Directors believe that the Company's prospects for issuing further Shares in due course have been enhanced significantly by the Secondary Placing and the appointment of the New Managers and will be further enhanced if Shareholders approve the proposed changes to the investment objective and investment policy and the adoption of the New Articles. Accordingly, the Directors are seeking Shareholder approval at the General Meeting to enable the Company to create a share issuance programme for up to 250 million Ordinary Shares and/or C Shares. If approved, and subject to publication of a prospectus by the Company, the Share Issuance Programme may be implemented by way of a series of placings and tap issues and, potentially, open offers, offers for subscription and/or intermediaries offers. Further details of the Share Issuance Programme are set out in paragraph 6 of this letter. The Directors recognise, however, that there are no guarantees that the Company can increase its size substantially. For this reason, the Directors are seeking to include in the New Articles a provision for a continuation resolution (by way of an ordinary resolution) if the Company's net assets at 31 December 2019 are less than £250 million.

### **3. Changes to investment objective and investment policy**

The following is a summary of the material changes that are being proposed to the Company's investment objective and investment policy:

- The Company's existing investment objective and investment policy require it to invest in a range of SME loans originated principally through Investee Platforms. The revised investment objective and investment policy will not include any obligations to invest through Investee Platforms, allowing the Company to source investments originated through a broader variety of channels, or to focus on SMEs. Instead, it is intended that, under its revised investment objective and investment policy, the Company will

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<sup>1</sup> This is a target only, not a forecast, based on a number of assumptions which may not materialise. There can be no guarantee that this target will be met and this should not be taken as an indication of the Company's expected or actual future results.

invest in a range of secured loan assets mainly through wholesale secured lending opportunities, secured trade and receivable finance and other collateralised lending opportunities. For this purpose, "loan assets" will include both direct loans as well as other instruments with loan-based investment characteristics (for example, but not limited to, bonds, loan participations, syndicated loans, structured notes, collateralised obligations or hybrid securities) and may include (subject to the limit referred to below) other types of investment (for example, equity or revenue- or profit-linked instruments).

- Under the current investment policy, the Company's portfolio is weighted towards the UK. The revised investment policy envisages that the portfolio will be weighted towards the UK, Continental Europe and North America.
- Several changes are proposed to the Company's investment restrictions (calculated based on the Company's gross assets at the time of investment) to reflect the proposed broader focus of its investment policy:

| <b><i>Investment restriction</i></b>  | <b><i>Current investment policy</i></b> | <b><i>Revised investment policy</i></b> |
|---|---|---|
| Geography   |   |   |
| – Exposure to UK loan assets  | Maximum of 70%                          | Minimum of 60%                          |
| – Minimum exposure to non-UK loan assets  | 30%                                     | 20%                                     |
| Duration to maturity  |   |   |
| – Minimum exposure to loan assets with duration of less than 6 months   | 20%                                     | None                                    |
| – Maximum exposure to loan assets with duration of 6 - 18 months and 18 - 36 months   | 40% in each case                        | None                                    |
| – Maximum exposure to loan assets with duration of more than 36 months  | 40%                                     | 50%                                     |
| Maximum single investment   | 2.5%                                    | 10%                                     |
| Maximum exposure to single borrower or group  | None                                    | 10%                                     |
| Maximum exposure to loan assets sourced through single alternative lending platform or other third party originator                                       | None                                    | 25%                                     |
| Maximum exposure to any individual wholesale loan arrangement   | None                                    | 25%                                     |
| Maximum exposure to loan assets which are neither sterling-denominated nor hedged back to sterling  | None                                    | 15%                                     |
| Minimum exposure to unsecured loan assets   | 50%                                     | 25%                                     |
| Maximum exposure to assets (excluding cash and cash-equivalent investments) which are not loans or investments with loan-based investment characteristics | None                                    | 10%                                     |

- Under the Company's existing investment policy, the Company's borrowings (including, for this purpose, borrowings by any special purpose vehicles that may be established by the Company in connection with obtaining leverage against any of its assets and, on a look-through basis, by any investee entity) are capped at 150 per cent. of its net asset value. Under the revised investment policy, the Company's borrowings will not be calculated on a look-through basis to any investee entity and, accordingly, the cap on the aggregate borrowings of the Company and any such special purpose vehicles will be reduced to 35 per cent.

A blacklined version of the investment objective and investment policy, showing the proposed changes to the investment objective and investment policy, is set out in Part 2 of this document.

#### **4. New Articles**

Copies of the New Articles are available for inspection during normal business hours on any weekday (public holidays excepted) at the Company's registered office address from the date of this document until the end of the General Meeting. Copies of the New Articles will also be available for inspection at the General Meeting itself for the duration of the meeting and for at least 15 minutes prior to the meeting.

#### **5. Change of name**

The Board has decided, subject to Resolution 1 and Resolution 2 being passed, to change the name of the Company from The SME Loan Fund plc to SQN Secured Income Fund plc with effect from 28 April 2017 to reflect the appointment of the New Managers and the changes to the Company's investment objective and investment policy.

In order to reflect the new name of the Company, the ticker for the Ordinary Shares shall also be changed to SSIF with effect from 2 May 2017.

#### **6. Share Issuance Programme**

The Directors believe that the Share Issuance Programme will have the following benefits for Shareholders:

- the Company will be able to raise additional capital promptly, enabling it to take advantage of investment opportunities, thereby expanding and diversifying its investment portfolio;
- an increase in the market capitalisation of the Company will help to make the Company attractive to a wider investor base;
- it is expected that the secondary market liquidity in the Ordinary Shares will be enhanced as a result of a larger and more diversified Shareholder base;
- the Company's competitive position should be increased by it becoming a larger market participant and through growth in its portfolio;
- the Company's fixed running costs will be spread across a larger equity capital base, thereby reducing the Company's ongoing charges ratio; and
- the Company has a tiered management fee which reduces from one per cent. of the Company's net asset value to 0.9 per cent. of its net asset value in excess of £250 million and, therefore, in the event that the Share Issuance Programme is substantially used, the Company's ongoing charges per Ordinary Share will be reduced further.

Shareholders are therefore being asked to approve, by way of the Share Issuance Programme Resolutions at the General Meeting, the issue of up to 250 million new Ordinary Shares and/or C Shares, and the disapplication of Shareholders' pre-emption rights in respect of such issues, pursuant to the Share Issuance Programme. The proposed disapplication is equivalent to approximately 475 per cent. of the Company's issued share capital at the date of this document.

The Company does not expect to issue New Shares pursuant to the Share Issuance Programme immediately and, in any event, the Company will be required to publish a prospectus before it can do so. The Share Issuance Programme will be flexible and may have a number of closing dates. Accordingly, it is currently expected that the prospectus will relate to the issuance of New Shares pursuant to the Share Issuance Programme by way of a series of placings and tap issues and it may also facilitate issues of New Shares by way of open offers, offers for subscription and/or intermediaries offers. The structure (in terms of the class of shares to be offered and the means by which they will be offered), size and frequency of each issue of New Shares pursuant to the Share Issuance Programme, and the price at which new Ordinary Shares are to be issued, will be determined at the sole discretion of the Directors, in consultation with Cantor Fitzgerald Europe and the New Managers.

The ability to issue New Shares pursuant to the Share Issuance Programme will expire on the earlier of (i) the date being 12 months after publication of the prospectus by the Company, (ii) when all of the New Shares available for issue pursuant to the Share Issuance Programme have been issued and (iii) on the date being 18 months from the date on which the authorities conferred by the Share Issuance Programme Resolutions to issue New Shares pursuant to the Share Issuance Programme are passed. The Share Issuance Programme will not be underwritten.

All new Ordinary Shares issued pursuant to the Share Issuance Programme will be issued at the minimum issue prices equal to the prevailing net asset value per Ordinary Share at the time of the relevant allotment together with a premium intended at least to cover the costs and expenses of the relevant issue of new Ordinary Shares (including, without limitation, any placing commissions). Accordingly, such issues will avoid any dilution of the net asset value of the then existing Ordinary Shares held by Shareholders.

The issue price of any C Shares issued pursuant to the Share Issuance Programme will be £1.00 per C Share. C Shares will convert into Ordinary Shares on the occurrence of specified events or at specified times and conversion will take place on a net asset value for net asset value basis. The costs and expenses of any issue of C Shares and any other costs and expenses which the Directors believe are attributable to the C Shares will be paid out of the pool of assets attributable to the C Shares and, accordingly, an issue of C Shares will not dilute the net asset value of the then existing Ordinary Shares held by Shareholders.

The net proceeds of any issue of New Shares pursuant to the Share Issuance Programme will be used to fund investment opportunities, and/or to repay all or part of any borrowings drawn down by the Company, in accordance with the Company's investment policy.

The Company will apply for any new Ordinary Shares issued pursuant to, or arising on conversion of C Shares issued pursuant to, the Share Issuance Programme to be admitted to listing on the specialist fund segment (or, if the existing Ordinary Shares have been admitted to listing on the premium segment, the premium segment) of the Official List and to trading on the main market of the London Stock Exchange. The Company will apply for any C Shares issued pursuant the Share Issuance Programme to be admitted to listing on the standard segment of the Official List and to trading on the main market of the London Stock Exchange.

The New Shares will be issued in registered form and may be held in certificated or uncertificated form. The new Ordinary Shares (and any Ordinary Shares arising on conversion of C Shares) will rank equally with existing Ordinary Shares, including as to any right to receive dividends (save for any dividends or other distributions declared, made or paid on the

Ordinary Shares by reference to a record date prior to the allotment of, or conversion into, the relevant new Ordinary Shares).

The maximum number of New Shares available pursuant to the Share Issuance Programme should not be taken as an indication of the number of New Shares that will be issued, which will depend on a wide range of factors including the Company's investment performance, the price at which the Ordinary Shares trade relative to their net asset value and general market conditions and investor sentiment. However, assuming only new Ordinary Shares are issued pursuant to the Share Issuance Programme and the Share Issuance Programme is fully subscribed, the issued share capital following the closing of the Share Issuance Programme would have increased by approximately 475 per cent. On this basis, if an existing Shareholder did not acquire any Ordinary Shares in the Share Issuance Programme, their proportionate voting interest in the Company would be diluted by 82.6 per cent. However, as stated above, New Shares will only be issued pursuant to the Share Issuance Programme at prices (in the case of an issue of Ordinary Shares) or on terms (in the case of an issue of C Shares) that avoid any dilution of the net asset value of the existing Ordinary Shares.

## **7. General Meeting**

In connection with the Proposals, a General Meeting of the Company has been convened for 1.00 p.m. on 27 April 2017 at which the Resolutions will be put to Shareholders.

The Proposals are conditional on the approval by Shareholders of the relevant Resolutions:

- Resolution 1 concerning the changes to the Company's investment objective and investment policy will be proposed as an ordinary resolution;
- Resolution 2 concerning the adoption of the New Articles will be proposed as a special resolution;
- Resolution 3 concerning the authority to allot up to 250 million Ordinary Shares and/or C Shares pursuant to the Share Issuance Programme will be proposed as an ordinary resolution; and
- Resolution 4 concerning the disapplication of pre-emption rights in connection with the issue of New Shares under the Share Issuance Programme will be proposed as a special resolution.

Resolutions 1 and 3 will be proposed as ordinary resolutions. An ordinary resolution requires a simple majority of votes cast by members, whether in person or by proxy, to be cast in favour in order for it to be passed.

Resolutions 2 and 4 will be proposed as special resolutions. A special resolution requires a majority of not less than 75 per cent. of votes cast by members, whether in person or by proxy, to be cast in favour in order for it to be passed.

In accordance with the Articles, all Shareholders entitled to vote and present in person or by proxy at the General Meeting shall upon a show of hands have one vote and upon a poll shall have one vote in respect of each Ordinary Share held. In order to ensure that a quorum is present at the General Meeting, it is necessary for two or more Shareholders to be present in person or by proxy (or, if a corporation, by representative).

The formal notice convening the General Meeting is set out on pages 18 to 21 of this document.

## **8. Action to be taken**

Shareholders will find enclosed with this document a Form of Proxy for use at the General Meeting.

Shareholders are asked to complete and return the Form of Proxy in accordance with the instructions printed thereon to the offices of the Company Secretary, Elysium Fund Management Limited, PO Box 650, 1st Floor Royal Chambers, St. Julian's Avenue, St. Peter Port, Guernsey GY1 3JX, or deliver it by hand during office hours only to Elysium Fund Management Limited, PO Box 650, 1st Floor Royal Chambers, St. Julian's Avenue, St. Peter Port, Guernsey GY1 3JX, as soon as possible and, in any event, so as to arrive by no later than 1.00 p.m. on 25 April 2017.

Shareholders are requested to complete and return a Form of Proxy whether or not they wish to attend the General Meeting. The return of a Form of Proxy will not prevent Shareholders from attending the General Meeting and voting in person should they so wish.

## **9. Recommendation**

The Board considers that the Proposals are in the best interests of the Company and its Shareholders as a whole. Accordingly the Board unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting.

The Directors intend to vote in favour of the Resolutions in respect of their holdings of Ordinary Shares amounting to 35,550 Ordinary Shares in aggregate (representing approximately 0.07 per cent. of the voting rights in the Company as at 4 April 2017 (being the latest practicable date prior to the publication of this document)).

Further, in connection with the Proposals, the Board has obtained an irrevocable undertaking from Somerston Loan Investments LP, which is the beneficial and registered holder of 14,725,000 Ordinary Shares, representing 27.69 per cent. of the Company's issued share capital, to vote in favour of Resolution 1 and Resolution 2 to be proposed at the General Meeting.

Yours faithfully

**Richard Hills**  
*Chairman*

## PART 2 – CHANGES TO THE INVESTMENT OBJECTIVE AND INVESTMENT POLICY

A blacklined version of the Company's investment objective and investment policy, showing the proposed changes to the investment restrictions applicable to the Company, is set out below.

### Investment objective

The Company's investment objective is to provide Shareholders with attractive risk-adjusted returns, principally in the form of regular, sustainable dividends, through investment, ~~principally via the Investee Platforms, predominantly~~ in a range of ~~SME loan assets secured loans and other secured loan-based instruments originated through a variety of channels and~~ diversified by way of asset class, geography and duration. ~~The Company may invest directly or indirectly into available opportunities, including by making investments in, or acquiring interests held by, third party alternative lending Platforms and other lending related opportunities as identified by the Manager in accordance with the Company's investment policy, set out below.~~

### Investment policy

The Company intends to achieve its investment objective by investing in a range of ~~loans originated principally through the Investee Platforms in which GLIF holds strategic equity investments secured loan assets mainly through wholesale secured lending opportunities, secured trade and receivable finance and other collateralised lending opportunities. Loan assets will include both direct loans as well as other instruments with loan-based investment characteristics (for example, but not limited to, bonds, loan participations, syndicated loans, structured notes, collateralised obligations or hybrid securities) and may include (subject to the limit set out below) other types of investment (for example, equity or revenue- or profit-linked instruments).~~ The Company may ~~also~~ make investments through ~~other third party~~ alternative lending ~~Platformsplatforms~~ that present suitable investment opportunities identified by the ~~ManagerManagers~~.

The Company will seek to ensure that diversification of its portfolio is maintained, with the aim of spreading investment risk.

### Geography

The Company will ~~seek investmentsinvest~~ in ~~SME~~ loan assets in a broad range of jurisdictions (although weighted towards the UK, Continental Europe and North America) in order to build a global portfolio of loan assets.

### Asset classes

The Company will invest in a wide range of ~~SME~~ loan assets, including: short-term lending such as invoice and supply chain financing; mid-term lending such as trade or short-term bridge finance; and long-term lending such as the provision of fixed term loans with standard covenants and subject to monthly or quarterly interest payments.

### Duration

The Company will hold a portfolio of loans and other loan-based instruments with ~~broad terms of durationa range of durations~~ to maturity. ~~However, the Company's loan portfolio will be weighted towards short term financing to ensure an adequate degree of liquidity.~~ This is intended to provide the Company with both a liquid pool of assets ready for realisation, as well as a reliable stream of longer-term income.

## **Security**

The Company will seek to invest in loan assets with a range of different types of security. ~~Funds invested by the Company will be secured, as and when required, Typically, such security will be~~ over a range of assets, including, ~~but not limited to,~~ property, intellectual property, ~~tax credits, receivables, future income streams, pledges of shares~~ or other specific assets, ~~ownership of special purpose vehicles,~~ personal ~~or group company~~ guarantees or via credit insurance, ~~or a combination of these.~~ ~~Loans~~Loan assets will be unsecured only in the case of short-term, ~~low ticket size~~ lending ~~or investment~~, where the perceived level of risk in respect of the particular asset is low.

## **Sector**

The Company will be indifferent to sector when allocating funds ~~via the Investee Platforms, alternative third party lending Platforms and in respect of any direct loan investments. It will for investment and,~~ instead, will adhere to the investment restrictions which apply to the Company's loan portfolio as a whole in order to spread investment risk.

## **Investment restrictions**

The following investment restrictions (calculated based on the Company's gross assets at the time of investment or, if earlier, the date on which the Company commits to making the relevant investment) in respect of the ~~general~~ deployment of the Company's ~~assets~~capital have been established ~~by the Company~~ in pursuit of its aim to maintain a diversified investment portfolio and thus mitigate concentration risks:

### **Geography**

~~The Company will comply with the restrictions set out below on its percentage holdings of loan assets in the UK and the Rest of the World. No more than 70 per cent. of the Company's Gross Assets will be invested in UK loan assets, with at least 30 per cent. of Gross Assets being invested in loan assets from other jurisdictions around the world.~~

### **Duration**

~~The Company will invest at least 20 per cent. of Gross Assets in loan assets where the duration to maturity of the loan asset is less than six months. The Company will invest no more than 40 per cent. of Gross Assets in loan assets where the duration to maturity of the loan asset is between six months and 18 months. The Company will invest no more than 40 per cent. of Gross Assets in loan assets where the duration to maturity is greater than 18 months but less than 36 months. The Company will invest no more than 40 per cent. of Gross Assets in loan assets where the duration to maturity is 36 months or longer.~~

### **Security**

~~Once the proceeds of the Issue are fully invested, no more than 50 per cent. of Gross Assets will be held in unsecured loan assets.~~

### **Other restrictions**

~~From time to time, the Company may provide loans to the Platforms themselves, to fund the general working capital requirements of the Platforms, rather than for onward deployment in SME loan assets. Further details on the investment process are provided below. At any time, the total of any such working capital loans will be limited to five per cent. of Gross Assets in aggregate (calculated at the time of investment).~~

~~To avoid concentration risk, for the Company's top ten investments (measured by Gross Assets), the Company will invest no more than 2.5 per cent. of Gross Assets (calculated at the time of investment) into an individual credit risk. For investments outside of the top ten, the Company will invest no more than two per cent. of Gross Assets (calculated at the time of investment) into an individual credit risk. Where a loan finances a basket of underlying credits, the exposure to any one underlying credit will not be more than 2.5 per cent. of Gross Assets (calculated at the time of investment) for the Company's top ten investments, and not more than two per cent. of Gross Assets (calculated at the time of investment) for investments outside of the Company's top ten investments.~~

- **Geography**
  - **Minimum exposure to loan assets invested in UK** **60 per cent.**
  - **Minimum exposure to loan assets in other jurisdictions around the world** **20 per cent.**
- **Duration**
  - **Minimum exposure to loan assets with a duration of less than 18 months** **10 per cent.**
  - **Maximum exposure to loan assets with a duration of more than 36 months** **50 per cent.**
- **Maximum single investment** **10 per cent.**
- **Maximum exposure to a single borrower or group** **10 per cent.**
- **Maximum exposure to loan assets sourced through a single alternative lending platform or other third party originator** **25 per cent.**
- **Maximum exposure to any individual wholesale loan arrangement** **25 per cent.**
- **Maximum exposure to working capital loans to alternative lending platforms** **5 per cent.**
- **Maximum exposure to loan asset which are neither sterling-denominated nor hedged back to sterling** **15 per cent.**
- **Maximum exposure to unsecured loan assets** **25 per cent.**
- **Maximum exposure to assets (excluding cash and cash-equivalent investments) which are not loans or investments with loan-based investment characteristics** **10 per cent.**

**The Company will not invest in other listed closed-end investment funds.**

### ***Borrowing***

~~Borrowings may be employed by the Company or any of its investee entities (including any special purpose vehicles that may be established by the Company in connection with obtaining leverage against any of its assets).~~

The Company (**including, for this purpose, any special purpose vehicles that may be established by the Company in connection with obtaining leverage against any of its assets**) may employ borrowings (through bank or other facilities) of up to ~~150~~ **35** per cent. of ~~Net Asset Value in aggregate~~ **the Company's net asset value** (calculated at the time of draw down ~~under any bank facility that the Company has entered into~~), which includes, on a look-through basis, borrowings of any investee entity.

## *Hedging*

~~The Company intends to hedge currency exposure between Sterling and US Dollars and between Sterling and Euros, primarily through the use of leverage drawn down in US Dollars and Euros.~~

~~To the extent that the Company's currency exposure is not hedged through its use of leverage, the Company will also have the option~~The Company intends, to the extent it is able to do so on terms that the ~~Manager considers~~Managers consider to be commercially acceptable, to seek to arrange suitable hedging contracts, such as currency swap agreements, futures contracts, options and forward currency exchange and other derivative contracts (including, but not limited to, interest rate swaps and credit default swaps) with the sole intention of hedging the Company's non-Sterling currency exposure back to Sterling.

~~Until the hedging is established, the Company will be exposed to currency fluctuations. However, it is expected that the majority of the Company's initial investments will comprise UK loan assets, mitigating these effects to some degree.~~

## *Cash management*

The Company's un-invested or surplus capital or assets may be invested in ~~Cash Instruments for cash management purposes with a view to enhancing returns to Shareholders and/or mitigating credit exposure~~cash or cash equivalents (including government or public securities (as defined in the rules of the FCA), money market instruments, bonds, commercial paper or other debt obligations with banks or other counterparties having a "single A" (or equivalent) or higher credit rating as determined by any internationally recognised rating agency selected by the Board (which may or may not be registered in the EU)). There is no limit on the amount of cash or cash equivalents that the Company may hold.

## *Changes to the investment policy*

No material change will be made to the investment policy without the approval of Shareholders by ordinary resolution.

### **PART 3 - DEFINITIONS**

The following definitions apply throughout this document unless the context otherwise requires:

|   |  |
|---|--|
| <b>"AIFMD"</b>                                  | the Directive 2011/61/EU on Alternative Investment Fund Managers   |
| <b>"Amberton"</b>                               | Amberton Asset Management Limited  |
| <b>"Articles"</b>                               | the articles of association of the Company in force at the date of this document   |
| <b>"Board"</b>                                  | the board of Directors of the Company  |
| <b>"certificated" or "in certificated form"</b> | not in uncertificated form   |
| <b>"Company"</b>                                | The SME Loan Fund plc  |
| <b>"Company Secretary"</b>                      | Elysium Fund Management Limited  |
| <b>"CREST"</b>                                  | the relevant system as defined in the CREST Regulations in respect of which Euroclear is the operator (as defined in the CREST Regulations) in accordance with which securities may be held in uncertificated form |
| <b>"CREST Regulations"</b>                      | the Uncertificated Securities Regulations 2001 (SI 2001 No. 2001/3755), as amended   |
| <b>"C Shares"</b>                               | C shares of £0.10 each in the capital of the Company having the rights and restrictions set out in the Articles and the New Articles   |
| <b>"Directors"</b>                              | the directors of the Company, whose names appear on page 3 of this document  |
| <b>"Euroclear"</b>                              | Euroclear UK & Ireland Limited   |
| <b>"FCA"</b>                                    | Financial Conduct Authority  |
| <b>"Form of Proxy"</b>                          | the form of proxy attached to this document for use at the General Meeting   |
| <b>"General Meeting"</b>                        | the general meeting of the Company convened for 1.00 p.m. on 27 April 2017, or any adjournment thereof   |
| <b>"GLIF"</b>                                   | GLI Finance Limited  |
| <b>"GLIF Group"</b>                             | GLIF and its subsidiaries from time to time  |
| <b>"Investee Platforms"</b>                     | the Platforms and SME finance companies in which the GLIF Group holds an equity interest, each of which operates a platform or otherwise operates in the peer-to-peer lending space                                |

|                                |   |
|--------------------------------|---|
| <b>"London Stock Exchange"</b> | London Stock Exchange plc   |
| <b>"New Articles"</b>          | the articles of association proposed to be adopted at the General Meeting   |
| <b>"New Managers"</b>          | SQN Capital Management, LLC and SQN Asset Management Limited  |
| <b>"New Shares"</b>            | new Ordinary Shares and/or C Shares to be issued pursuant to the Share Issuance Programme   |
| <b>"Official List"</b>         | the official list maintained by the FCA acting in its capacity as the competent authority for the purposes of admissions to the Official List   |
| <b>"Ordinary Shares"</b>       | redeemable ordinary shares of £0.01 each in the capital of the Company  |
| <b>"Platforms"</b>             | origination platforms that allow non-bank capital to (a) lend or advance capital to SME borrowers; and/or (b) advance capital against trade receivables, and including the Investee Platforms, as the context may require   |
| <b>"Proposals"</b>             | the proposals in respect of the Company described in this document  |
| <b>"Register"</b>              | the register of members of the Company  |
| <b>"Resolution 1"</b>          | the ordinary resolution to be proposed at the General Meeting as set out in the notice of general meeting at the end of this document in connection with the changes to the Company's investment objective and investment policy  |
| <b>"Resolution 2"</b>          | the special resolution to be proposed at the General Meeting as set out in the notice of the general meeting at the end of this document in connection with the adoption of the New Articles  |
| <b>"Resolution 3"</b>          | the ordinary resolution to be proposed at the General Meeting as set out in the notice of general meeting at the end of this document to authorise the Board to allot New Shares in connection with the proposed Share Issuance Programme   |
| <b>"Resolution 4"</b>          | the special resolution to be proposed at the General Meeting as set out in the notice of general meeting at the end of this document to authorise the Board to disapply pre-emption rights in connection with the allotment of New Shares pursuant to the proposed Share Issuance Programme |

|   |   |
|---|---|
| <b>"Resolutions"</b>                                | Resolution 1, Resolution 2, Resolution 3 and Resolution 4   |
| <b>"Secondary Placing"</b>                          | the secondary placing of the Ordinary Shares held by GLIF which completed on 8 March 2017   |
| <b>"Shareholders"</b>                               | holders of Shares   |
| <b>"Shares"</b>                                     | Ordinary Shares and/or C Shares, as the context may require   |
| <b>"Share Issuance Programme"</b>                   | the proposed new share issuance programme of New Shares as more fully described in the Letter from the Chairman in Part 1 of this document                                  |
| <b>"Share Issuance Programme Resolutions"</b>       | Resolution 3 and Resolution 4   |
| <b>"SME"</b>  | small and medium-sized enterprise   |
| <b>"SQN UK"</b>                                     | SQN Asset Management Limited  |
| <b>"SQN US"</b>                                     | SQN Capital Management, LLC   |
| <b>"uncertificated" or "in uncertificated form"</b> | a Share recorded on the Register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST |
| <b>"United Kingdom" or "UK"</b>                     | the United Kingdom of Great Britain and Northern Ireland  |

## **NOTICE OF GENERAL MEETING**

# **The SME Loan Fund plc**

*(Incorporated in England and Wales with company number 09682883 and registered as an investment company under section 833 of the Companies Act 2006)*

Notice is hereby given that a general meeting of The SME Loan Fund plc (the "**Company**") will be held at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH, United Kingdom at 1.00 p.m. on 27 April 2017 to consider and, if thought fit, approve the resolutions set out below. Resolution 1 and Resolution 3 will be proposed as ordinary resolutions and Resolution 2 and Resolution 4 will be proposed as special resolutions.

### **RESOLUTION 1 (ORDINARY RESOLUTION)**

That the investment objective and investment policy of the Company be amended and restated with effect from the date of this resolution in accordance with the amendments set out in Part 2 of the circular to shareholders dated 5 April 2017 which contains this notice of general meeting.

### **RESOLUTION 2 (SPECIAL RESOLUTION)**

That the existing articles of association of the Company be replaced in their entirety with new articles of association in the form laid before the meeting and signed by the chairman of the meeting for the purpose of identification.

### **RESOLUTION 3 (ORDINARY RESOLUTION)**

That, conditional upon the passing of Resolution 4 below (but for its own conditionality on the passing of this Resolution 3), the Board be and is hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot up to 250 million Ordinary Shares and/or C Shares in aggregate, such authority to expire 18 months from the date that this Resolution 3 is passed (unless previously revoked or varied by the Company in general meeting), save that the Company may before such expiry make an offer or agreement which would or might require Ordinary Shares and/or C Shares to be allotted after such expiry in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

### **RESOLUTION 4 (SPECIAL RESOLUTION)**

That, conditional upon the passing of Resolution 3 above, the Board be and it is hereby generally empowered (pursuant to section 570 of the Companies Act 2006) to allot Ordinary Shares and C Shares for cash pursuant to the authority referred to in Resolution 3 above as if section 561 of the Companies Act 2006 did not apply to any such allotment, such power to expire 18 months from the date that this Resolution 4 is passed (unless previously revoked or varied by the Company in general meeting), save that the Company may before such expiry make an offer or enter into an agreement which would or might require Ordinary Shares and/or C Shares to be allotted after such expiry in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

**By order of the Board**

5 April 2017

Elysium Fund Management Limited  
Company Secretary

*Registered Office*  
1 Finsbury Circus  
London EC2M 7SH  
United Kingdom

## Notes:

- 1 A member entitled to attend and vote at the General Meeting may appoint a proxy or proxies to attend, speak and vote instead of him or her. A proxy need not be a member of the Company. A Form of Proxy is enclosed which, if used, must be lodged at the offices of the Company Secretary, Elysium Fund Management Limited, PO Box 650, 1st Floor Royal Chambers, St. Julian's Avenue, St. Peter Port, Guernsey GY1 3JX not less than 48 hours before the General Meeting (ignoring any part of a day that is not a working day). To appoint more than one proxy you may photocopy the Form of Proxy. You may appoint a person other than the Chairman as your proxy. Please indicate the proxy holder's name and the number of Ordinary Shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of Ordinary Shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
- 2 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that to be entitled to attend and vote at the General Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's Register at close of business on 25 April 2017. If the meeting is adjourned then, to be so entitled, Members must be entered on the Company's Register at the time which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.
- 3 As at 4 April 2017 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 52,660,350 Ordinary Shares, carrying one vote each, of which none are held in treasury. Therefore as at 4 April 2017, the total number of voting rights in the Company is 52,660,350.
- 4 The vote "Withheld" is provided to enable you to abstain on any particular resolution. However, it should be noted that a "Withheld" vote is not a vote in law and will not be counted in the calculation of the proportion of the votes "For" and "Against" a resolution.
- 5 The completion and return of the Form of Proxy will not preclude a Member from attending the General Meeting and voting in person.
- 6 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent ID (RA10) by the latest time(s) for receipt of proxy appointments specified in this notice of general meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members

and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

- 7 Any person to whom this notice of general meeting is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "**Nominated Person**") may, under an agreement between him/her and the Shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
- 8 Corporate representatives are entitled to attend and vote on behalf of the corporate member in accordance with section 323 of the Companies Act 2006. In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporate member) the same powers as the corporate member could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is no longer necessary to nominate a designated corporate representative.
- 9 Members have a right under section 319A of the Companies Act 2006 to require the Company to answer any question raised by a member at the General Meeting, which relates to the business being dealt with at the meeting, although no answer need be given: (a) if to do so would interfere unduly with the preparation of the meeting or involve disclosure of confidential information; (b) if the answer has already been given on the Company's website; or (c) it is undesirable in the best interests of the Company or the good order of the meeting.
- 10 A copy of this notice of general meeting and other information required by section 311A of the Companies Act 2006, can be found at [www.thesmeloanfund.com](http://www.thesmeloanfund.com).