

Key Fund Characteristics

Monthly NAV total return	+0.60%	Ticker	SMEF:LN
NAV per ordinary share	101.30 GBP	ISIN	GB00BYMK5S87
Mid-price	96.00 GBP	Domicile	UK
Premium / discount	-5.8%	Listing	LSE SFS
Dividend frequency	Monthly	Ordinary shares in issue	52,660,350
Dividend yield	7.03%	Market capitalisation	50,553,936 GBP
Weighted average portfolio gross yield	9.0%	NAV	53,394,879 GBP
Gearing	None	Number of direct loans	222
Currency hedged to GBP	100%	Weighted average maturity	3 years

All data as at 30/09/16

Investment Objective

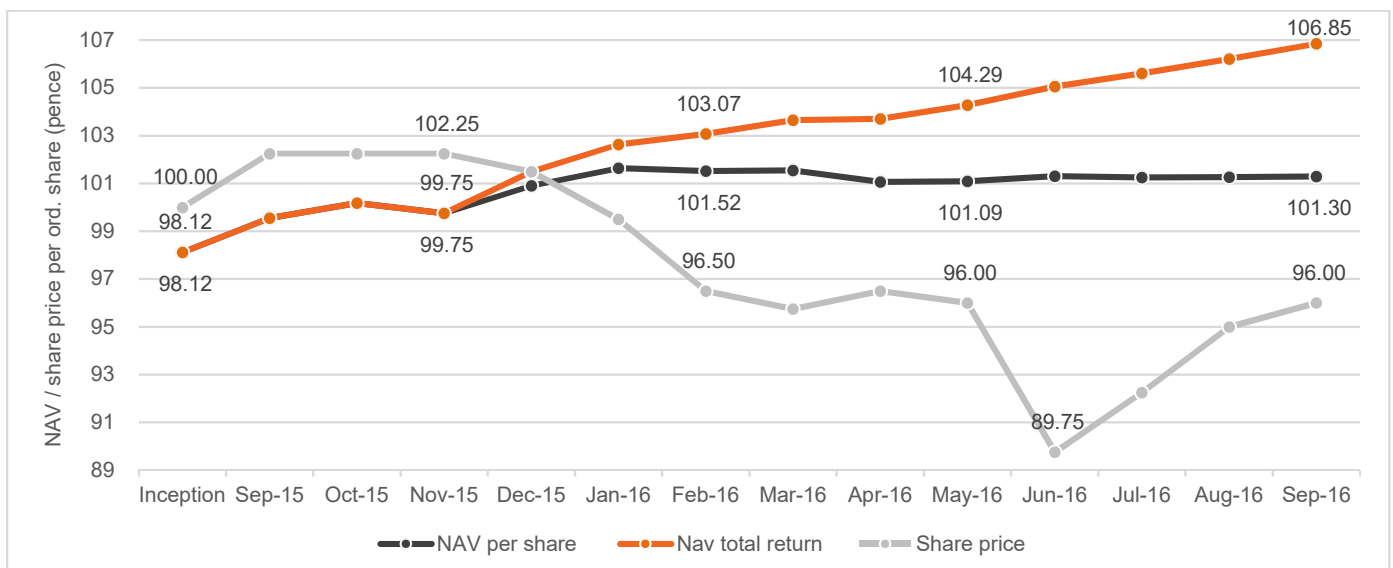
The SME Loan Fund PLC is a UK investment trust with the investment objective of providing shareholders with attractive risk adjusted returns through investment, principally via online finance platforms, in a range of SME loan assets, diversified by way of asset class, geography and duration. The Fund pays a monthly dividend and over a rolling twelve-month period, is targeting an outright income level of 8% (based on 100p issue price).

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*										1.46%	0.64%	-0.43%	1.75%	8.90%
	2016	1.12%	0.42%	0.57%	0.05%	0.55%	0.74%	0.52%	0.57%	0.60%				
Dividend per share**												0.60p	5.55p	
	2016	0.40p	0.55p	0.55p	0.55p	0.55p	0.60p	0.60p	0.60p					
Share price performance total return***										2.25%	0.00%	0.00%	-0.73%	-6.70%
	2016	-1.97%	-3.02%	-0.78%	0.78%	-0.52%	-6.51%	2.79%	2.98%	0.42%				

* Per Ordinary Share excluding set-up costs ** Per Ordinary Share paid from income reserves to date *** Source Bloomberg

NAV vs. Share Price



Market Commentary

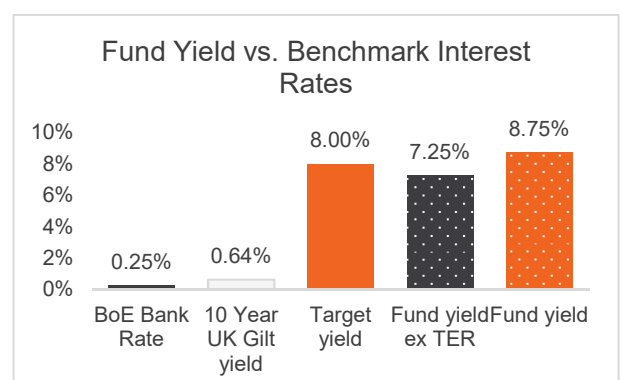
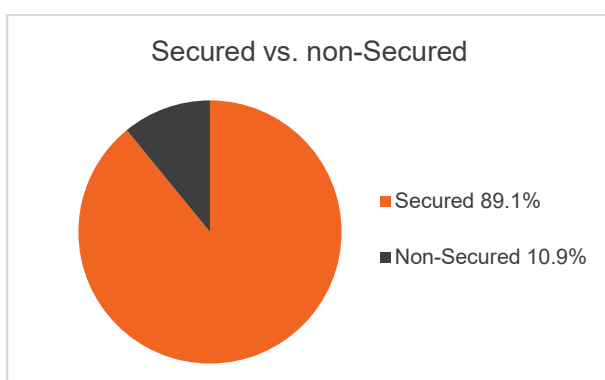
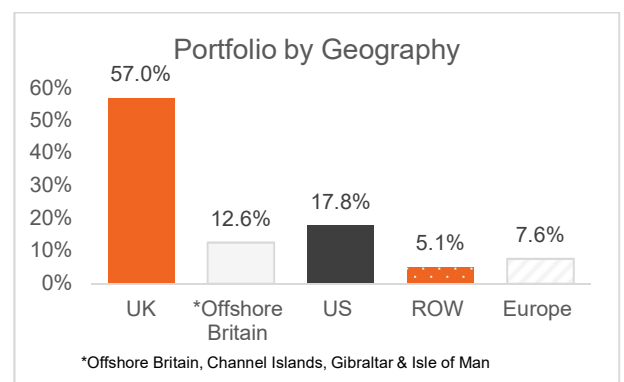
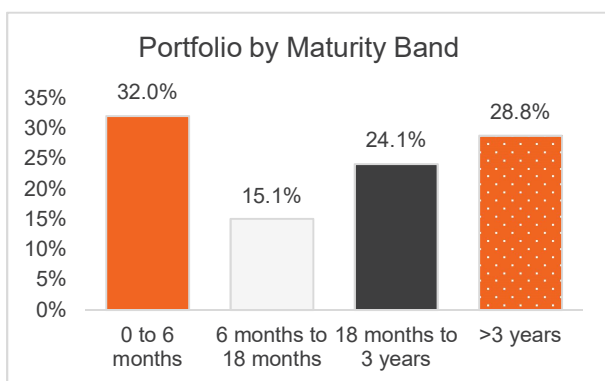
The trend of stable to improving macro data in the UK continued throughout the month with consumer price inflation holding steady adding to evidence of a rebound following the shock inflicted by the Brexit vote. Whilst it is clear to see that the housing sector is suffering, the rapid fall in the Pound is favoring business confidence indicators; industrial production jumped 2.1% year-on-year. Consumers also participated in this improvement as Retail Sales soared to +5.9% year-on-year (ex-auto fuel). Elsewhere US data released was actually a touch weaker than forecast, but still remains at a level where the usual chatter surrounding when the Federal reserve will raise rates increased in volume during the month.

The Alternative Finance sector powered ahead with the asset class attracting renewed interest from investors. A prudently managed fund provides excellent characteristics for a cornerstone investment within a balanced portfolio. Government yields have rebounded from their lows; the ten-year Gilt stood at 0.64% at the end of August and touched 0.96% during the month and this translated into a capital price fall of almost 3%.

The SME Loan Fund experienced a relatively quiet month in terms of loan origination although a series of transactions were undertaken with GLI Finance to strengthen the underlying credit quality of the portfolio of assets. Specifically, an increase in exposure to BMS Finance originated loans via their UK & Irish "SARL" companies, from 10% to 20%, is in keeping with the investment objective. Further exposure was also taken in a pharmaceutical company, and a solar energy construction loan. Cash levels within the Fund have fallen from 10.4% to 9% due to the net investment into loans however we are mindful that currency volatility can cause a negative cash movement on forward foreign exchange roll-overs. As such we have refrained from aggressively reducing cash during the month, rather "cherry picking" loans while maintaining a healthy cash reserve. Currency movements since month end have seen the net cash level drop an estimated 1.5%.

Other significant changes during the month include a drop in platform working capital loans from 4.1% to just 1.5%; this is in keeping with an investment policy of lending through platforms, rather than to platforms. Correspondingly, SME loan exposure increased by 2.8% whilst the percentage exposure to secured loans as opposed to unsecured loans increased from 82.1% to 89.1%. September also saw The SME Loan Fund pass its one-year anniversary. With a low impairment rate of just 0.98% during the 12-month period, the investment concept of focusing on high quality SME loans has been proven. The NAV performance of the Fund is one of the best in the class (allowing for currency movements within funds who do not choose to hedge).

Portfolio Analytics



Top-Ten Loan Exposure

Asset	Coupon	Maturity	Currency	Geographic Region	Weighting
Loan 1	8.00%	Mar 17	GBP	Offshore Britain	2.33%
Loan 2	9.00%	Dec 16	USD	ROW	2.15%
Loan 3	9.50%	May 18	GBP	UK	2.11%
Loan 4	9.75%	Sep 18	GBP	UK	1.97%
Loan 5	7.32%	Dec 19	GBP	UK	1.96%
Loan 6	9.95%	Mar 17	GBP	Offshore Britain	1.86%
Loan 7	8.00%	Dec 16	GBP	Offshore Britain	1.86%
Loan 8	9.75%	Jul 18	GBP	UK	1.86%
Loan 9	9.50%	Mar 18	GBP	UK	1.83%
Loan 10	7.50%	Sep 18	GBP	UK	1.73%

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