

Key Fund Characteristics

Monthly NAV total return	+0.36%	Ticker	SMEF:LN
NAV per ordinary share	100.21p	ISIN	GB00BYMK5S87
Mid-price*	93.25p	Domicile	UK
Premium / discount	-6.95%	Listing	LSE SFS
Dividend frequency	Monthly	Ordinary shares in issue	52,660,350
Dividend yield*	7.74%	Market capitalisation	£49,105,776
Weighted average portfolio gross yield	8.28%	NAV	£52,819,983
Gearing	None	Number of direct loans	213
Currency hedged to GBP	100%	Weighted average maturity	2.8 years

All data as at 31/01/17 *Source Bloomberg

Investment Objective

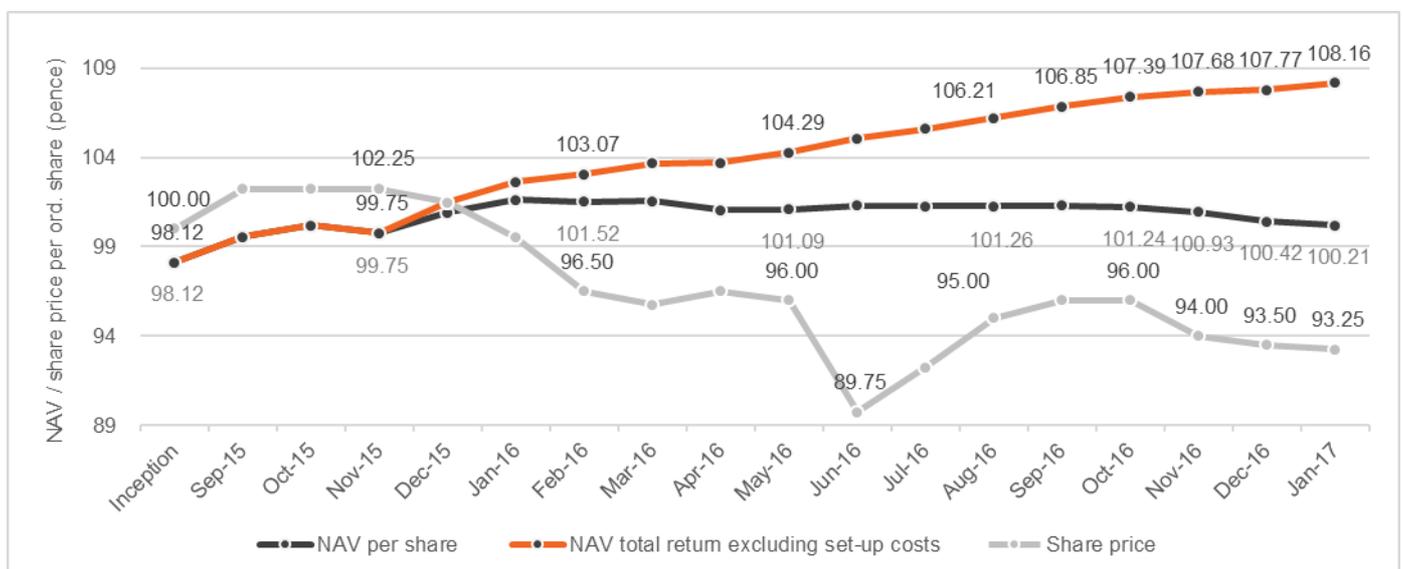
The SME Loan Fund PLC is a UK investment trust with the investment objective of providing shareholders with attractive risk adjusted returns through investment, principally via online finance platforms, in a range of SME loan assets, diversified by way of asset class, geography and duration. The Fund 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*	2015												1.46%	0.64%	-0.43%	1.75%	10.23%
	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%															
Dividend per share**	2015												0.60p			7.95p	
	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															
Share price performance total return***	2015												2.25%	0.00%	0.00%	-0.73%	-6.50%
	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%															

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

NAV vs. Share Price



Market Commentary

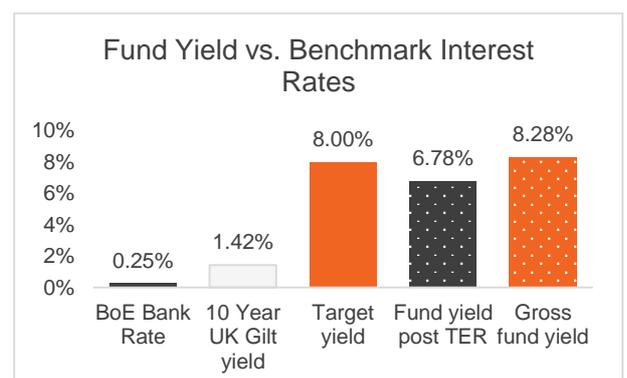
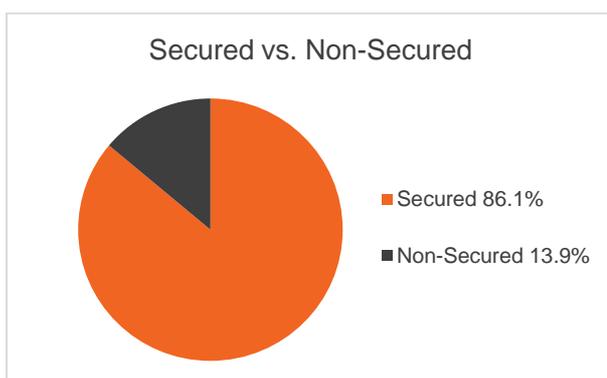
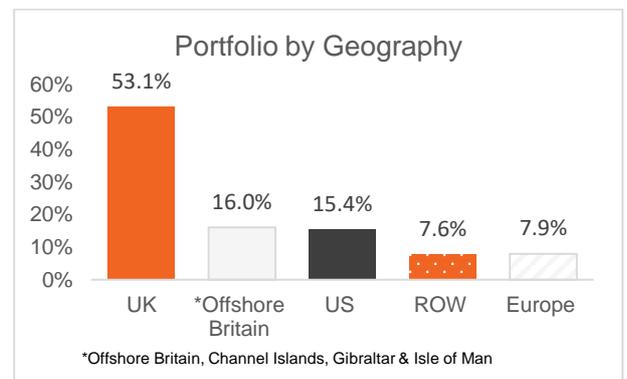
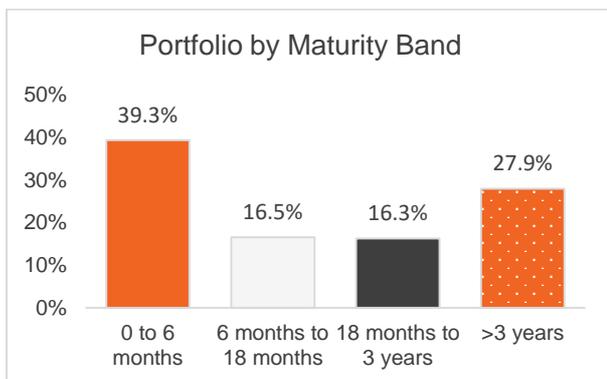
Rising inflation and global tensions sharply increased throughout January as major economies continued to power ahead, and President Trump's first days in Office sparked some unorthodox political maneuvering. Of significant interest to global markets, price appreciation as measured by almost every indicator showed a sharp rise in January. In the United States CPI inflation, which in April 2015 registered a low of -0.2%, topped 2% whilst in the UK, RPI year-on-year inflation touched 1.6%, a level last seen in mid-2014. With the Bank of England cutting short-term interest rates in August 2016 as a protective move against the "Brexit" effect, this has proved to be a panic measure that was not warranted at all. Indeed, Governor Carney recently spoke of interest rates potentially moving up to combat inflationary pressures. "Behind the Curve" springs to mind as there has been little sign of any major economies slowing down.

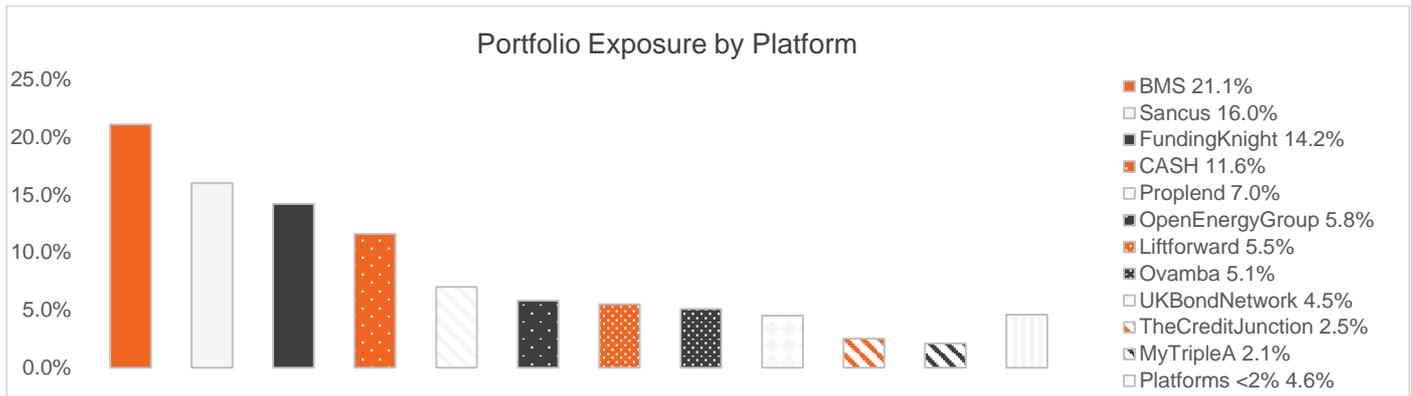
Politically much has been said about President Trump and his "interesting" diplomatic tactics which seem to be alienating all but the die-hard Trump supporters. Indeed, a wall will be built and apparently the Mexicans will pay for it; we shall see! Elsewhere, the political agenda is high on the watch list as elections in France are looming large. National Front leader, Marine Le Pen is vaulting higher in many polls and "Frexit", combined with "Nexit" (Netherlands) may well see the European region fragment even further.

The Alt Fi Sector continues to march on resolutely with origination across the UK almost hitting £10 Billion (Source AltFi.com) by the end of January. This trend will continue, increased Government / quasi-government support is encouraging the sector, with available funding being provided to some Alternative Finance platforms. The wall of money chasing yields has sent them (generally) lower, however with a carefully managed exposure high single digit returns remain available. We have long "championed" the sector on an outright basis and also compared to traditional Fixed Income and this has proved correct. The UK All-Gilt total return index has fallen almost 8% since August 2016.

January was a fairly quite month in terms of origination with the Manager intentionally maintaining a high cash level of 12% although an increase in funding for the BMS UK & Irish exposure saw maturity increase slightly from the end of the year to a weighted average of 2.8 years. The SME Loan Fund partners with the British Business Bank and the Irish Strategic Investment Fund in the BMS structures and impairments have been maintained at exceptionally low levels within these structures. After a couple of testing months in terms of loan impairments in Q4 2016, January saw the NAV total return rise 0.36bps with minimal impairments necessary.

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	13.00%	Jan 17	USD	US	2.39%
Loan 3	8.00%	Mar 17	GBP	Offshore Britain	2.35%
Loan 4	9.00%	Mar 17	USD	US	2.24%
Loan 5	9.75%	Sep 18	GBP	UK	1.95%
Loan 6	9.00%	Mar 19	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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