

## Key Fund Characteristics

Monthly NAV total return	+0.40%	Ticker	SMEF:LN
NAV per ordinary share	99.77p	ISIN	GB00BYMK5S87
Mid-price*	96.75p	Domicile	UK
Premium / discount	-3.03%	Listing	LSE SFS
Dividend frequency	Monthly	Ordinary shares in issue	52,660,350
Dividend yield*	7.69%	Market capitalisation	£50,948,889
Weighted average portfolio gross yield	6.21%	NAV	£52,588,689
Gearing	None	Number of direct loans	185
Currency hedged to GBP	100%	Weighted average maturity	2.6 years

All data as at 31/03/17 \*Source Bloomberg

## Investment Objective

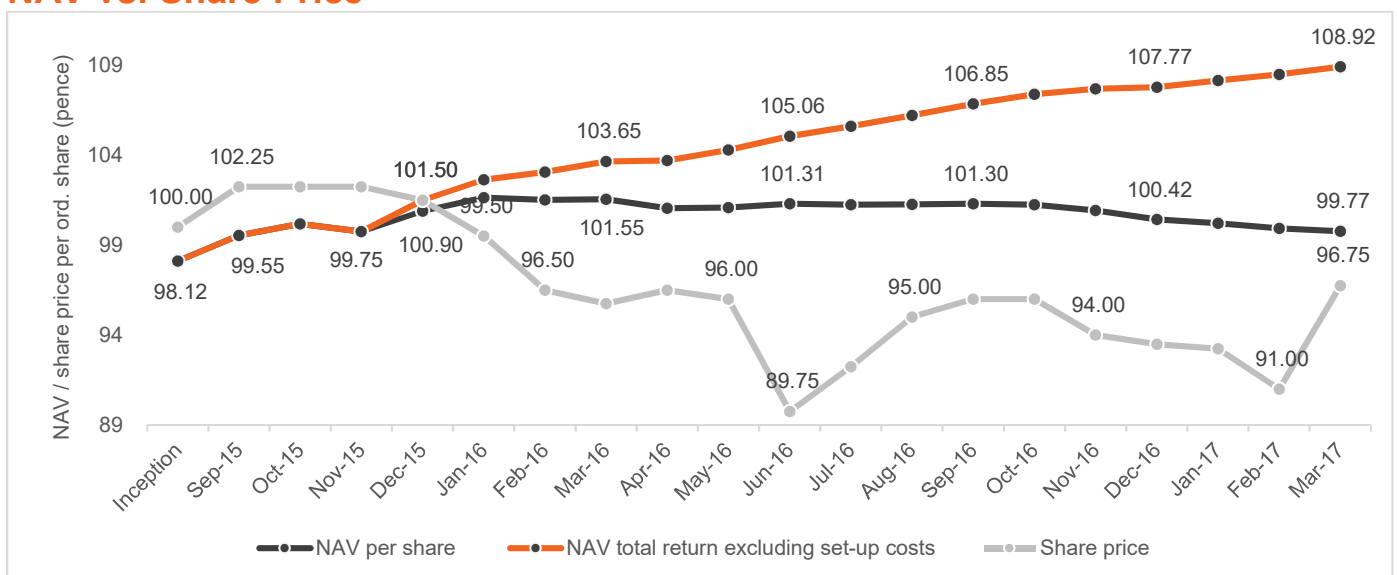
The SME Loan Fund PLC is a UK investment trust with the investment objective of providing shareholders with attractive risk adjusted returns through investment, principally via online finance platforms, in a range of SME loan assets, diversified by way of asset class, geography, and duration.

## 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%	<b>11.01%</b>
	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%	0.40%													
Dividend per share**	2015														0.60p	<b>9.15p</b>	
	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	0.60p													
Share price performance total return***	2015												2.25%	0.00%	0.00%	-0.73%	<b>-3.25%</b>
	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%	6.32%													

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

## NAV vs. Share Price



## Fund News

March saw the placing of GLI Finance's stake in The SME Loan Fund. It was a resounding success with significant excess demand for the holding at a price of 90p and a month-end closing price of 96.75p. The deal closed on the 7<sup>th</sup> March and it saw several loans transferred onto GLI's books as they did not meet the revised investment objective for the Fund. Whilst this has increased cash levels within the Fund, a strong pipeline of direct loans originating from SQN and a sharp increase in platform loans will result in cash levels dropping significantly during the coming months. The income yield of the Fund has dropped leading to a slight fall in the Net Asset Value after allowing for the dividend but this is to be expected during this period of transition and development

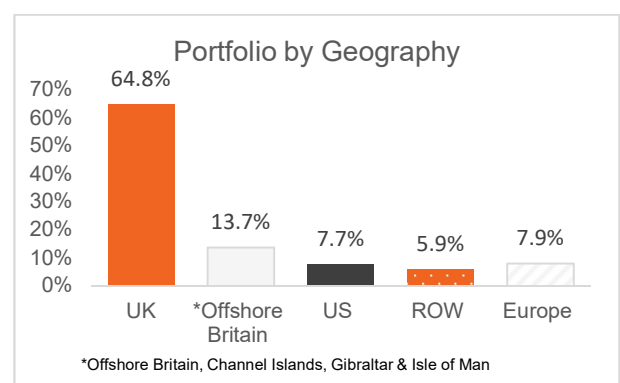
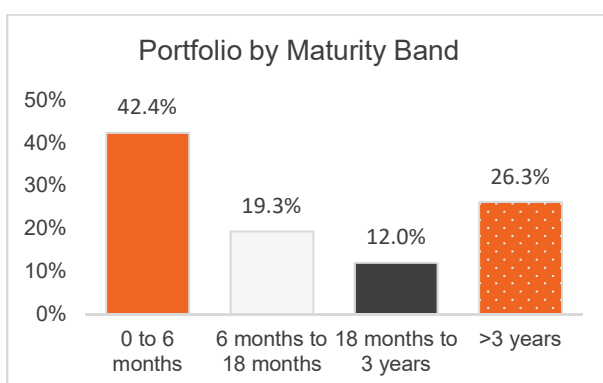
The asset allocation within the Fund has shifted significantly during the month with cash levels currently exceeding 25%, however this will drop substantially over the coming months. The future for the Fund is extremely bright and the General Meeting, called for the 27<sup>th</sup> April will propose a series of changes designed to enhance its capabilities and provide investors with a cornerstone investment into secured Alternative Finance SME markets.

## Market Commentary

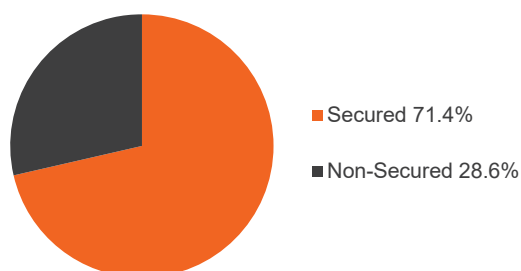
Two notable market events occurred in the month; an increase in the U.S. Federal Funds rate from 0.75% to 1.00% and the accompanying forecasts showing an expected path leading to 1.50% by the end of 2017 and to 2.00% by Q3 2018. The path to "normalization" however is unlikely to meet these targets. The simple fact is that CPI inflation in the United States has reached an annualised level of 2.7% (as at February's release), up from -0.2% in April 2015. The real Federal Funds rate (Fed Funds – CPY inflation) stands at -2.0%. Having a negative real Federal Funds rate is not "normal"; the long-term average over nearly fifty years is +1.25%. Inflation will either fall from these levels, or more likely, the Federal Funds rate will rise quicker than forecast. Certainly, the ten-year U.S. Government Treasury yield with a month-end level of 2.4% does not seem to offer any value. Traditional Fixed Income markets remain precarious to say the least. The Bank of England, whilst not raising rates at their mid-month meeting, now have a split vote with one member, Forbes, electing for a 25bps rise from 0.25%. Even with inflation in the UK rising to 2.3%, its highest level since September 2013, policy makers are likely to wait until the after-effects of Brexit are known. With that in mind, and after a multitude of legal shenanigans, Prime Minister Theresa May finally triggered Article 50 and the United Kingdom has broken the anchor chain with Europe. Will it be plain sailing ahead? Doubtful. The exit negotiations are likely to be hostile with Europe demanding multi-billion € settlements in the "divorce courts".

AltFi markets continue to provide excellent opportunities, investor (and borrower) demand for the product is running at high levels. The Liberum AltFi UK total volume index broke £10 Billion last month and at time of writing, has climbed higher to £10.57 Billion and with good reason. Access to "nimble" capital as opposed to mainstream bank financing is extremely attractive to borrowers. As for lenders, the asset class provides a welcome shelter for assets forming the cornerstone of a balanced investment portfolio.

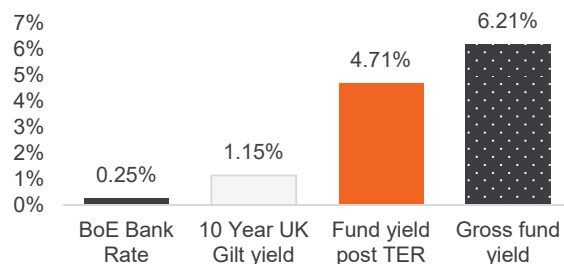
## Portfolio Analytics



Secured vs. Non-Secured



Fund Yield vs. Benchmark Interest Rates



Portfolio Exposure by Platform



## Top-Ten Loan Exposure

Asset	Coupon	Maturity	Currency	Geographic region	Weighting
Loan 1	8.00%	May 17	GBP	Offshore Britain	2.45%
Loan 2	9.00%	May 17	USD	US	2.25%
Loan 3	9.00%	Mar 19	GBP	UK	1.94%
Loan 4	7.35%	Dec 19	GBP	UK	1.94%
Loan 5	10.00%	May 17	GBP	Offshore Britain	1.88%
Loan 6	8.00%	Mar 18	GBP	Offshore Britain	1.88%
Loan 7	7.34%	Mar 18	GBP	Offshore Britain	1.77%
Loan 8	7.50%	Sep 18	GBP	UK	1.57%
Loan 9	8.50%	May 17	GBP	UK	1.47%
Loan 10	6.00%	May 17	GBP	UK	1.38%

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