

Key Fund Characteristics

Monthly NAV total return	+0.18%	Ticker	SMEF:LN
NAV per ordinary share	100.93p	ISIN	GB00BYMK5S87
Mid-price*	94.00p	Domicile	UK
Premium / discount	-6.87%	Listing	LSE SFS
Dividend frequency	Monthly	Ordinary shares in issue	52,660,350
Dividend yield*	7.66%	Market capitalisation	£49,500,729
Weighted average portfolio gross yield	9.01%	NAV	£53,200,139
Gearing	None	Number of direct loans	220
Currency hedged to GBP	100%	Weighted average maturity	2.8 years

All data as at 30/11/16 *Source Bloomberg

Investment Objective

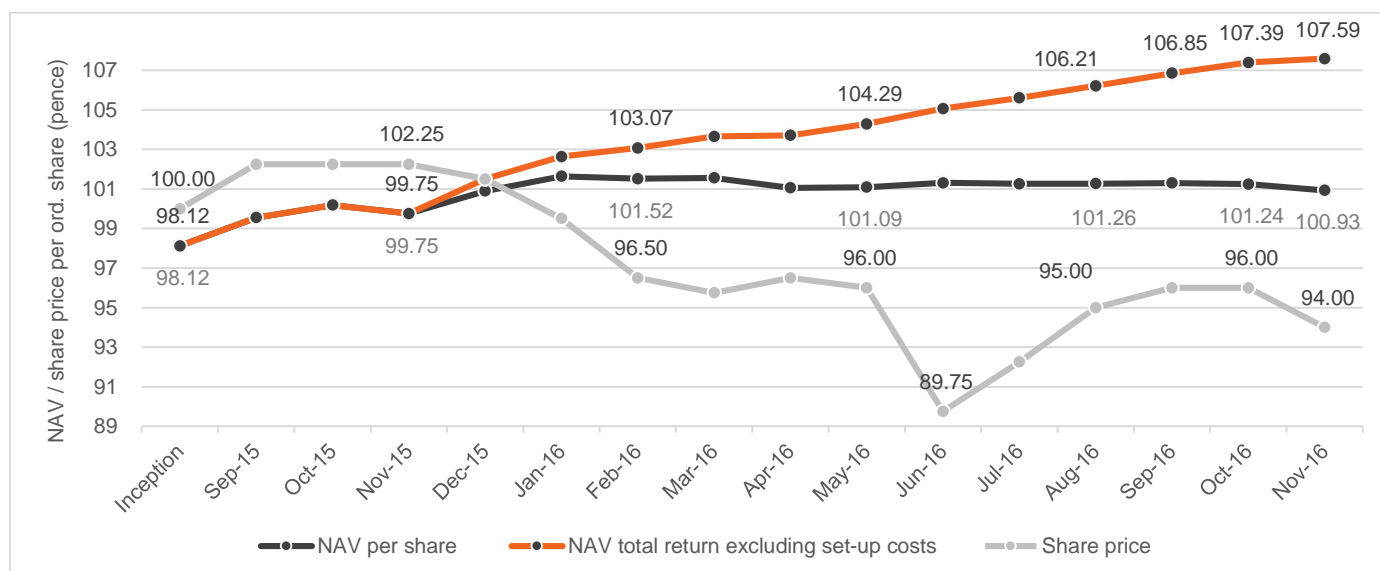
The SME Loan Fund PLC is a UK investment trust with the investment objective of providing shareholders with attractive risk adjusted returns through investment, principally via online finance platforms, in a range of SME loan assets, diversified by way of asset class, geography and duration. The Fund 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%	9.65%
	2016	1.12%	0.42%	0.57%	0.05%	0.55%	0.74%	0.52%	0.57%	0.60%	0.51%	0.18%	
Dividend per share**	2015											0.60p	6.75p
	2016	0.40p	0.55p	0.55p	0.55p	0.55p	0.60p	0.60p	0.60p	0.60p	0.60p		
Share price performance total return***	2015								2.25%	0.00%	0.00%	-0.73%	-6.00%
	2016	-1.97%	-3.02%	-0.78%	0.78%	-0.52%	-6.51%	2.79%	2.98%	1.05%	0.00%	-2.08%	

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

NAV vs. Share Price



Market Commentary

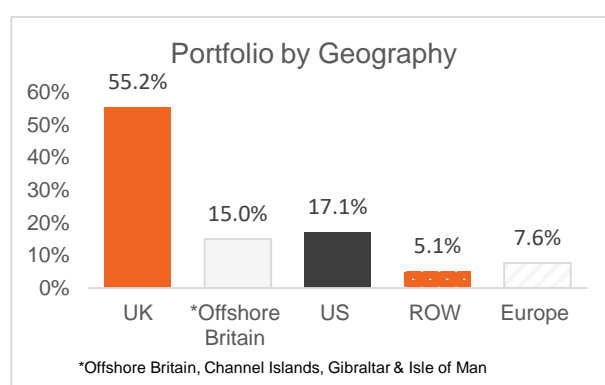
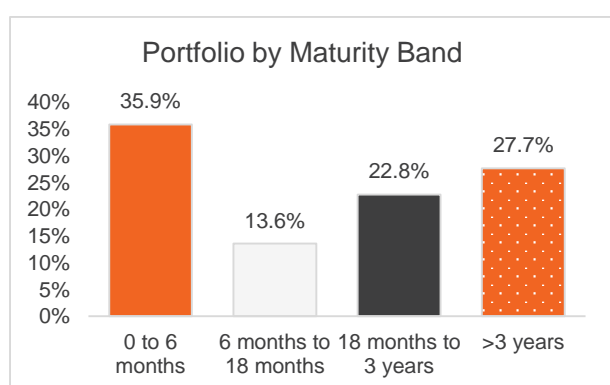
The start of November saw Trump upset the form books by winning the U.S. presidential election. Interesting times indeed and his success has been met with concerns both economically and on the wider global political stage. The effect on investment markets was swift with, inevitably, the Mexican Peso weakening by nearly 10% whilst the Greenback powered ahead against Sterling, closing the month up 2.16%. Equity markets in the US bounced aggressively as Trump's support for businesses led to the Dow closing the month up 5.4%. Fixed income investors did not fare so well with the benchmark ten-year US Treasury bond spiking in yield from 1.82% to 2.38% giving a capital loss in excess of 5%. The UK also saw their benchmark ten-year Gilt rise in yield from 1.25% to 1.42%. We have frequently given our view that fixed income, traditionally a low-risk asset class, is likely to provide investors with a sustained negative return over the coming months (and years).

Macro data released during the month surprised on the upside with manufacturing and factory orders in the U.S. exceeding economic estimates. Manufacturing in the U.K. also proved resilient; however, a few cracks are being seen in the housing market with the Rightmove index falling 1.1%. All eyes are turning to Europe as concerns mount over the stability of the region. Post month-end, the Italians headed to the polls to decide on an overhaul of their legislature. A resounding no vote was cast and Prime Minister Renzi was ousted from power.

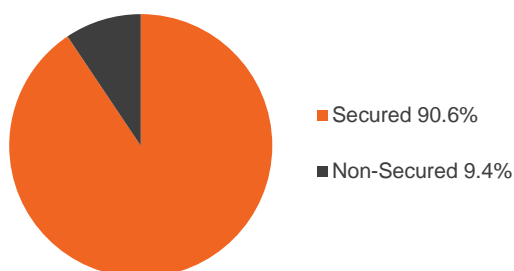
The AltFi market bounced backed with vengeance during November with UK origination across the consumer and SME sector rising to + £312 million after a summer lull. Within The SME Loan Fund Plc cash was reduced from 11% at the end of October to 7.4% by the month end. Investment into a property development in Gibraltar accounted for 2% of the reduction in cash. This loan is not only backed by personal guarantees from the principal developer, but also with a letter of comfort from the Gibraltar government. A solar energy construction loan was also made at the end of the month. This was provided to a blue-chip specialist construction company in the U.S. who have signed an onwards lease to a company with an investment grade credit rating of Baa2.

As a result of the net investments made during the month, the exposure to renewable energy rose to 18.8% from 17.6% whilst the exposure to secured loans jumped from 86.8% to 90.6%. The gross fund yield also increased from 8.4% to 9.0%. In keeping with the objective of shortening the average loan duration, exposure to loans > 36 months dropped from 29.8% to 27.7%; conversely, exposure to loans with a maturity less than 6 months rose from 32.4% to 35.9%. The "clean" NAV fell slightly from 101.24p to 100.93p due to a loan impairment that was accounted for during the month. Across the AltFi sector, there is evidence of a growing number of defaults. Whilst loan impairments are always a feature of the sector, the Manager operates a strict manual credit underwriting process to minimise these, however the risk can never be entirely removed.

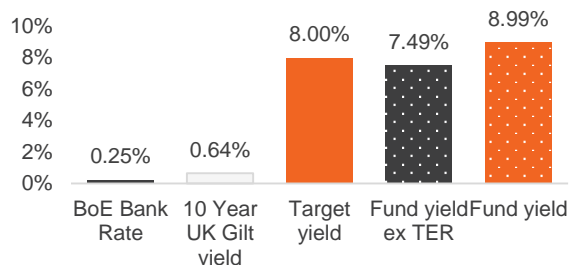
Portfolio Analytics



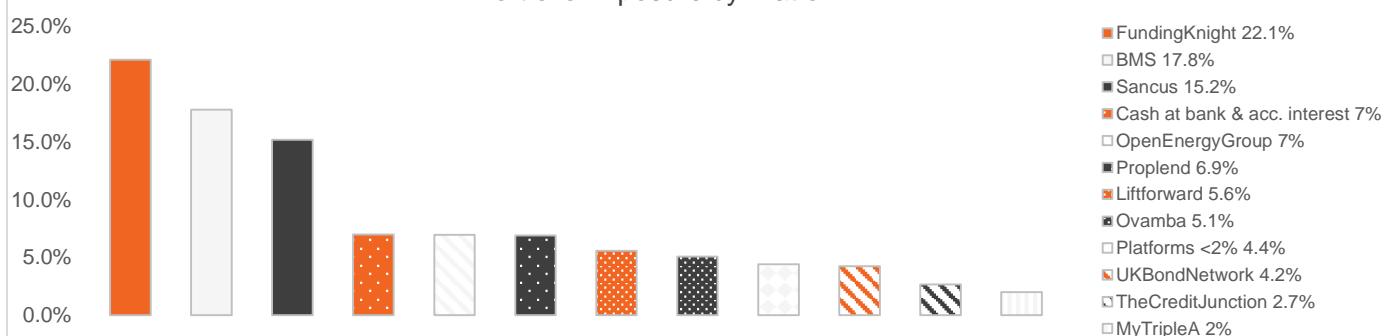
Secured vs. Non-Secured



Fund Yield vs. Benchmark Interest Rates



Portfolio Exposure by Platform



Top-Ten Loan Exposure

Asset	Coupon	Maturity	Currency	Geographic region	Weighting
Loan 1	13.00%	Jan 17	USD	US	2.40%
Loan 2	8.00%	Mar 17	GBP	Offshore Britain	2.35%
Loan 3	9.00%	Mar 17	GBP	Offshore Britain	2.35%
Loan 4	9.00%	Mar 17	USD	US	2.25%
Loan 5	9.50%	May 18	GBP	UK	2.10%
Loan 6	9.75%	Sep 18	GBP	UK	1.97%
Loan 7	7.34%	Dec 19	GBP	UK	1.93%
Loan 8	8.00%	Mar 17	GBP	Offshore Britain	1.88%
Loan 9	10.00%	May 17	GBP	Offshore Britain	1.88%
Loan 10	9.75%	Jul 18	GBP	UK	1.87%

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