theSMEloanfund

Monthly Factsheet, October 2016

Key Fund Characteristics

Monthly NAV total return	+0.51%	Ticker	SMEF:LN
NAV per ordinary share	101.24p	ISIN	GB00BYMK5S87
Mid-price*	96.00p	Domicile	UK
Premium / discount	-5.18%	Listing	LSE SFS
Dividend frequency	Monthly	Ordinary shares in issue	52,660,350
Dividend yield*	7.54%	Market capitalisation	£50,553,936
Weighted average portfolio gross yield	8.56%	NAV	£53,363,748
Gearing	None	Number of direct loans	216
Currency hedged to GBP	100%	Weighted average maturity	3 years

All data as at 31/10/16 *Source Bloomberg

Investment Objective

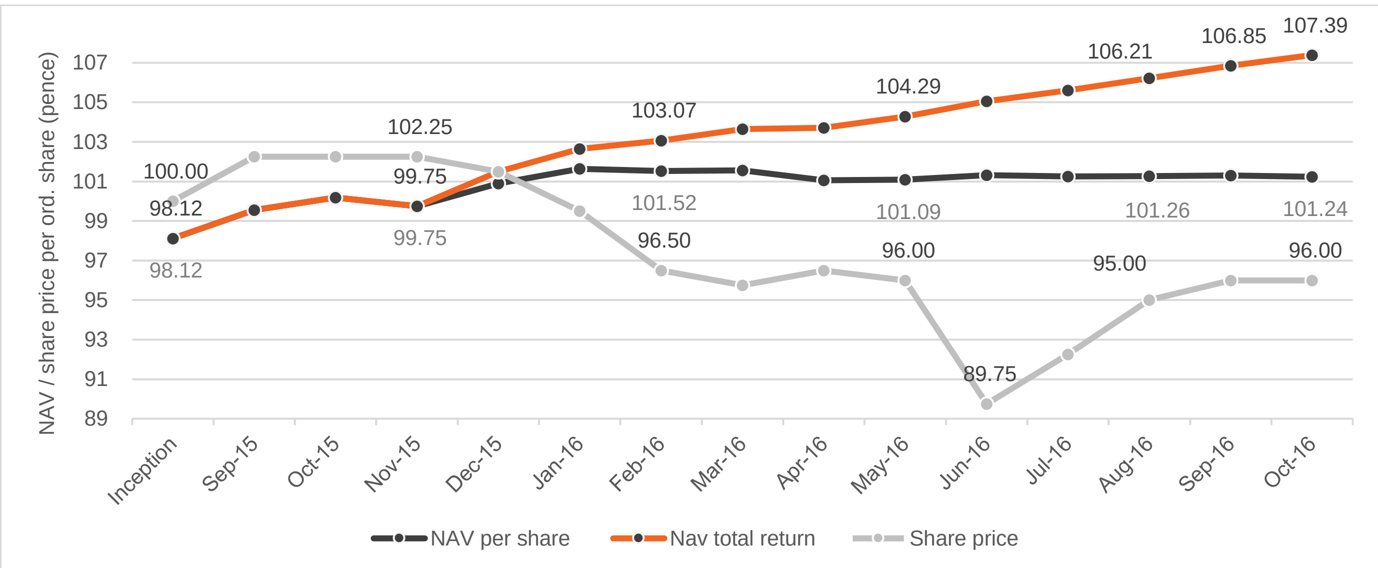
The SME Loan Fund PLC is a UK investment trust with the investment objective of providing shareholders with attractive risk adjusted returns through investment, principally via online finance platforms, in a range of SME loan assets, diversified by way of asset class, geography and duration. The Fund 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%	**9.45%**
	2016	1.12%	0.42%	0.57%	0.05%	0.55%	0.74%	0.52%	0.57%	0.60%	0.51%			
Dividend per share**	2015												0.60p	**6.15p**
	2016	0.40p	0.55p	0.55p	0.55p	0.55p	0.55p	0.60p	0.60p	0.60p	0.60p			
Share price performance total return***	2015									2.25%	0.00%	0.00%	-0.73%	**-4.00%**
	2016	-1.97%	-3.02%	-0.78%	0.78%	-0.52%	-6.51%	2.79%	2.98%	1.05%	0.00%			

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

NAV vs. Share Price



Source: Amberton Asset Management Limited

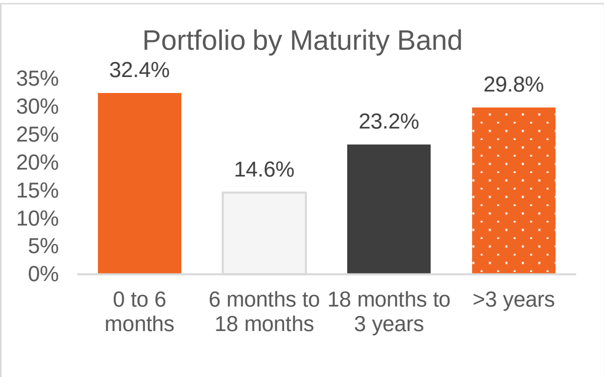
Market Commentary

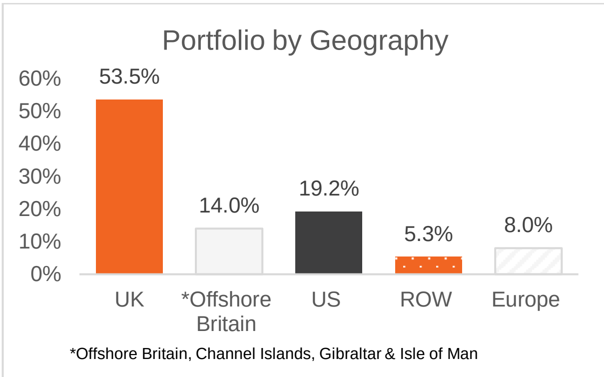
Fixed rate bonds provided investors with a bloody nose throughout the month of October as inflation reared its ugly head. This is a market that many feel is low risk however as we have mentioned in previous factsheets this may not be the case over the coming months. The UK ten-year government bond rose in yield spectacularly from 0.64% to end the reporting period at 1.25%. This transposes into a capital mark-down on the bonds of 4.4%. In the UK, the much forecast slump in economic activity has failed to materialise and Bank of England governor Carney is feeling the heat as he was a proponent of economic “doom and gloom” following the Brexit vote. Inflation figures released in the UK showed a resilience that few expected and the National Institute for Economic and Social Research (NIESR) revised its forecast showing inflation shooting up to 4% by the latter stages of next year. If this does come to fruition, then fixed rate government bond yields would jump substantially and, correspondingly, their prices would fall. Worryingly the same “think tank” also predicts that the economy also faces “significant risks” that could restrict growth. That nasty word stagflation could feature in the broadsheets next year.

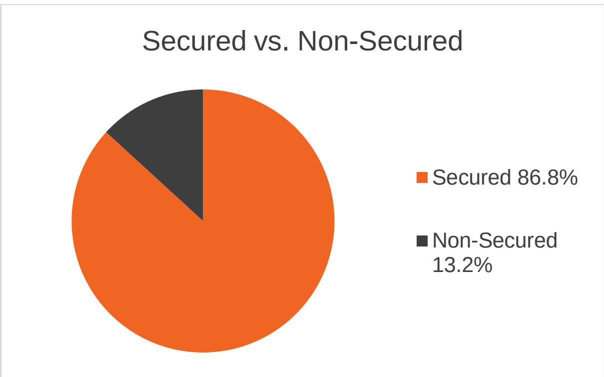
Alternative Finance markets continue to settle down following the upheaval of Q1 & Q2 this year. It is true that some Investment Trusts are experiencing difficulties and their share price discount to Net Asset Value in some cases is exceeding 20%. The SME Loan Fund plc is not suffering these issues. Its share price has risen from a low of 89p to the month-end level of 96p (Source Bloomberg). Loan impairment rates remain extremely low within the Fund, testament to the strict manual credit underwriting that is carried out by the Manager. After a sector-wide lull in origination during the Summer, this reversed during October. The AltFi UK monthly volume index jumped to more than £360 million; during September, this figure stood at just £285 million.

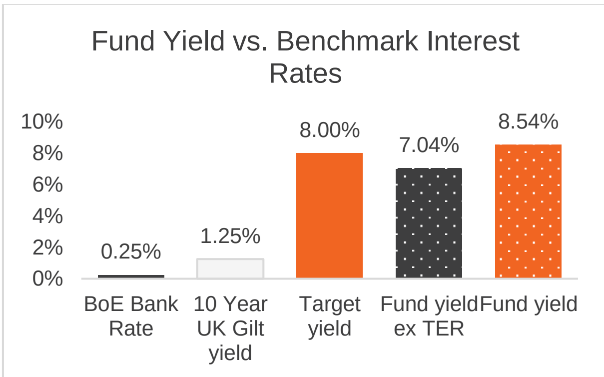
Cash levels rose slightly during the month to 11% however, a property development loan delayed until 1st November reduced this figure. Activity in the month was relatively high and exposure to European origination increased slightly with a series of small loans to Spanish SME borrowers. Sectors included retail, HR training and steel fabrications – diversification indeed! As always the constant between the borrowers is one of decent credit quality, including stability of cashflow combined with an acceptable trading history. The rapid depreciation in GBP throughout the month (the Pound fell 5.5% vs. the US Dollar) saw the relative exposure to non-base currency loans increase from 30.5% to 32.8%; a full currency hedge remains in place.

Portfolio Analytics









Source: Amberton Asset Management Limited

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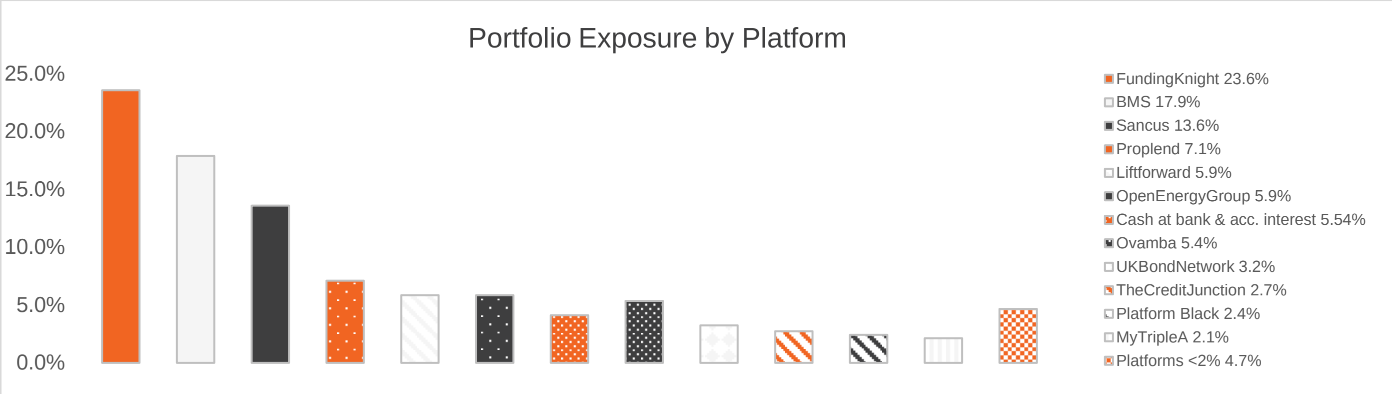

Top-Ten Loan Exposure

Asset	Coupon	Maturity	Currency	Geographic region	Weighting
Loan 1	8.00%	Mar 17	GBP	Offshore Britain	2.33%
Loan 2	9.00%	Mar 17	USD	ROW	2.28%
Loan 3	9.50%	May 18	GBP	UK	2.10%
Loan 4	9.75%	Sep 18	GBP	UK	1.96%
Loan 5	7.34%	Dec 19	GBP	UK	1.93%
Loan 6	8.00%	Dec 16	GBP	Offshore Britian	1.86%
Loan 7	8.00%	Mar 17	GBP	Offshore Britian	1.86%
Loan 8	9.75%	Jul 18	GBP	UK	1.86%
Loan 9	9.50%	Mar 18	GBP	UK	1.82%
Loan 10	4.88%	Jun 18	USD	ROW	1.70%

For more information, please contact:

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Source: Amberton Asset Management Limited

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