

Summary

The Funding Circle SME Income Fund (the "Fund") is a Guernsey closed-ended investment company listed on the Main Market of the London Stock Exchange. Its investment objective is to provide shareholders with a sustainable and attractive level of dividend income from a diversified pool of loans to small businesses originated through the Funding Circle platforms.

Monthly Commentary

The NAV total return in January was +0.03%.

Last month the Board highlighted the potential for monthly volatility in loan performance, and in January the Company continued to see higher defaults in the 2016 and 2017 UK cohorts. Volatility is likely to persist for several more months as these cohorts amortise. In the US, the number of defaults fell but the average defaulted balance increased; in CE, the opposite was true.

In respect of delinquencies, Funding Circle typically sees a seasonal increase towards the end of December and into January, largely due to the difficulties in contacting borrowers and the slow down of business for many SMEs during that time. However, loan curing during subsequent weeks normally brings the level of late loans down to expected levels.

The Company repurchased an aggregate of 975,000 shares during the month at an average discount to NAV of 9.5%. These buybacks contributed approximately 3 basis points to NAV total returns during the month.

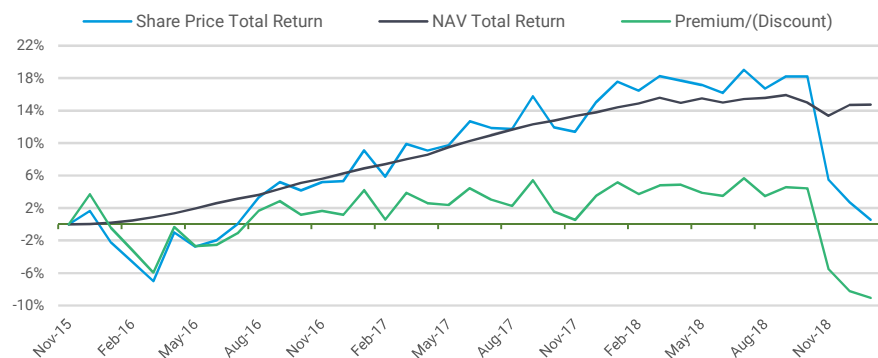
The Company continues to reallocate capital from the US to CE. Since July 2018, the US book has fallen from 25% of gross assets to 18%, and the CE book has increased from 6% to 12%. The UK book remains at c. 64%. Over that period, the 3-month GBPUSD interest rate differential has continued to worsen from c.1.75% to c.1.90%. This has been somewhat attenuated by the reallocation away from the US.

The Board is taking steps to amend the amortisation schedule of one of its existing leverage facilities in order to expedite the use of the BBB facility; this will gradually reduce interest payable and SPV costs over the medium term.

On 24 January the Company announced a dividend of 1.312 pence per Ordinary Share for the period 1 October to 31 December 2018, payable on 1 March 2019.

The Board is undertaking a review in conjunction with Funding Circle, actively considering a number of measures to improve shareholders' total NAV and share price returns. The Company expects to update the market in the forthcoming weeks after further consultation with major shareholders.

Performance Since Inception



NAV Performance Since Inception (Total Return)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD | ITD |
|------|------|------|------|-------|------|-------|------|------|------|------|-------|------|------|-------|
| 2015 | | | | | | | | | | | -0.1% | 0.1% | 0.0% | |
| 2016 | 0.2% | 0.3% | 0.4% | 0.5% | 0.6% | 0.6% | 0.6% | 0.5% | 0.7% | 0.7% | 0.5% | 0.6% | 6.2% | |
| 2017 | 0.6% | 0.5% | 0.6% | 0.5% | 0.8% | 0.7% | 0.6% | 0.7% | 0.6% | 0.4% | 0.5% | 0.4% | 7.1% | |
| 2018 | 0.6% | 0.4% | 0.6% | -0.5% | 0.4% | -0.4% | 0.4% | 0.1% | 0.3% | 0.2% | -1.4% | 0.2% | 0.7% | |
| 2019 | 0.0% | | | | | | | | | | | | 0.0% | 14.7% |

Dividends By Ordinary Share

| Pence | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD | ITD |
|-------|-------|-----|-------|-----|-----|-------|-----|-----|-------|-----|-----|-------|-------|--------|
| 2015 | | | | | | | | | | | | | - | - |
| 2016 | - | - | - | - | - | 1.000 | - | - | 1.625 | - | - | 1.625 | 4.250 | |
| 2017 | - | - | 1.625 | - | - | 1.625 | - | - | 1.625 | - | - | 1.625 | 6.500 | |
| 2018 | - | - | 1.625 | - | - | 1.625 | - | - | 1.312 | - | - | - | 4.562 | |
| 2019 | 1.312 | | | | | | | | | | | | 1.312 | 16.624 |

Key Portfolio Data

| | |
|-------------------------------------|-----------|
| NAV per Ordinary Share (cum income) | 95.22p |
| Total Net Assets (cum income) | £317mil |
| Ordinary Share Price | 86.60p |
| Market Capitalisation | £288mil |
| Premium / (Discount) | (9.1%) |
| Weighted Average Loan Life | 29 months |
| Largest loan as % of NAV | 0.2% |
| Average loan size as % of NAV | 0.01% |
| 12m Trailing Dividend per Share | 5.9 pence |
| Weighted Average Cost of Debt | 2.2% |
| Leverage Ratio | 48% |
| Total number of loans | 9,331 |

Monthly Return Attribution

| | |
|-------------------------------------|----------------|
| Gross Income | 0.99% |
| Impairment & FV Adj. (IFRS 9 basis) | (0.67%)* |
| Servicing Fees | (0.10%) |
| | 0.23% |
| Operating Expenses | (0.14%) |
| FX Hedging Costs | (0.03%) |
| Loan Interest Expense | (0.05%) |
| Share buybacks | 0.03% |
| | (0.20%) |
| Net NAV Return | 0.03% |

*Under IAS 39, impairment charge = (0.75%)

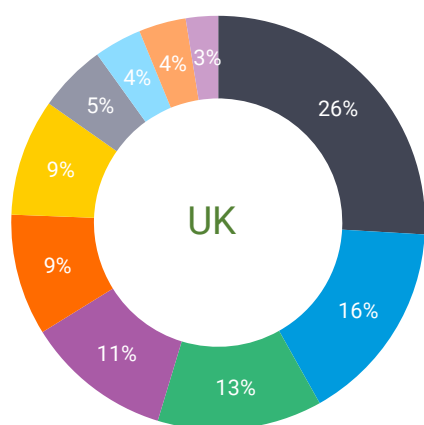
Company Information

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|-----------------------------|---------------------------------|
| Vehicle Type | Closed-ended Investment Company |
| Jurisdiction | Guernsey |
| Admission Date | 30 November 2015 |
| Market | London Stock Exchange (LSE) |
| ISIN | GG00BYJJCZ96 |
| Ticker | FCIF |
| Financial Year End | 31 March |
| Dividend Declaration Months | January July April October |
| Ordinary Shares in Issue | 332,990,346 |
| Leverage Limit | 0.5 x NAV |
| Management Fee | 0% |
| Performance Fee | 0% |
| Platform Servicing Fee | 1% |

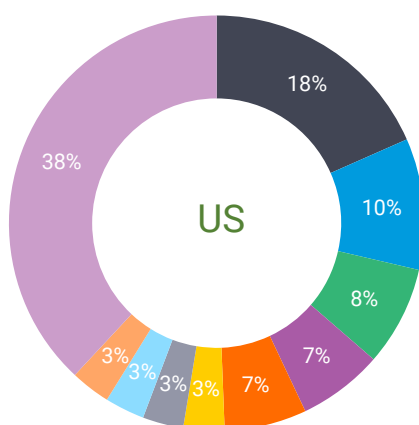
Service Providers

| | |
|--------------------------------|---|
| Investment Manager | Self-managed by the Board of Directors |
| Administrator | Sanne Group (Guernsey) Limited |
| Registrar | Link Market Services (Guernsey) Limited |
| Fund Auditors | PwC CI |
| Loan Book Independent Reviewer | Euro Credit Risk |
| Corporate Broker | Numis Securities |

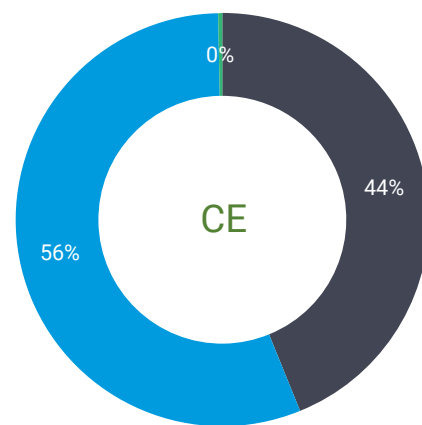
Region Split



- South East
- London
- Midlands
- North West
- South West
- North East
- Scotland
- Wales
- East Anglia
- Northern Ireland

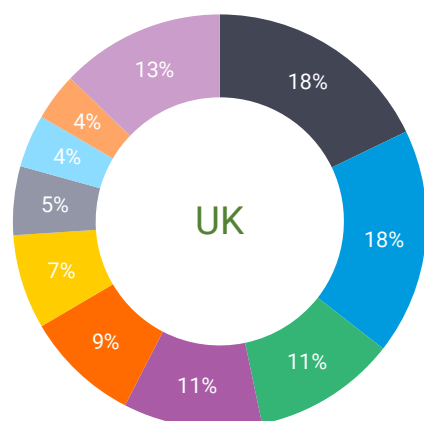


- California
- Texas
- Florida
- New York
- Illinois
- Virginia
- Michigan
- Ohio
- Georgia
- Other

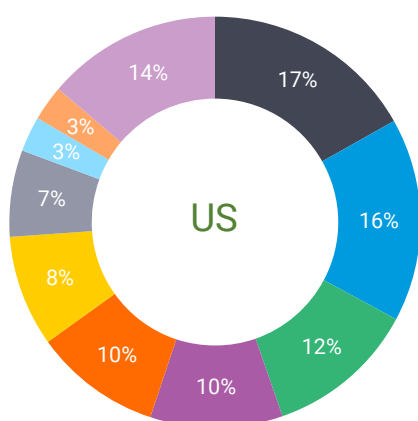


- The Netherlands
- Germany
- Spain

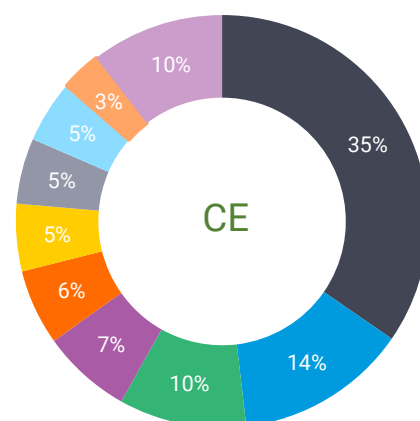
Industry Split



- Property and Construction
- Wholesale and Retail
- Professional and Business Support
- Manufacturing and Engineering
- IT and Telecommunications
- Leisure and Hospitality
- Healthcare
- Transport and Logistics
- Automotive
- Other



- Prof, Scientific and Technical Services
- Retail Trade
- Health Care and Social Assistance
- Accommodation and Food Services
- Construction
- Other Services (ex. Public Admin)
- Administrative and Support Activities
- Information
- Arts & Entertainment
- Other

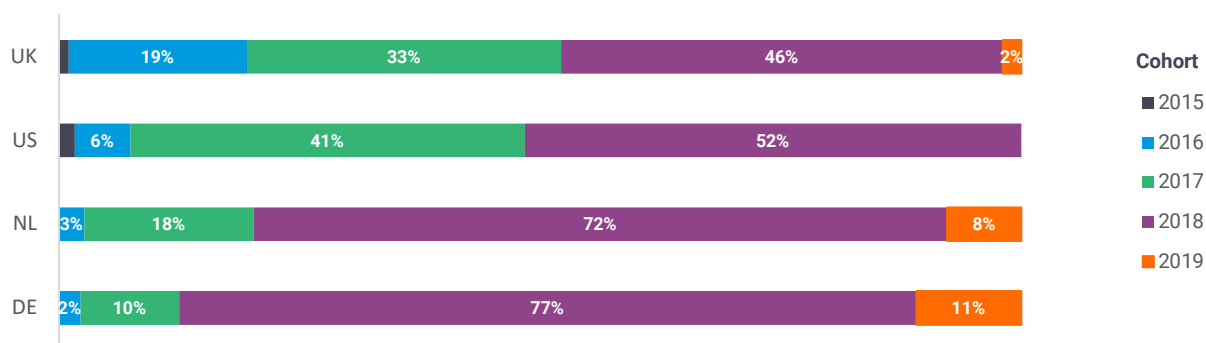


- Wholesale and Retail Trade
- Prof, Scientific and Technical Activities
- Construction
- Manufacturing
- Administrative and Support Activities
- Accommodation and Food Services
- Information and Communication
- Transporting and Storage
- Arts & Entertainment
- Other

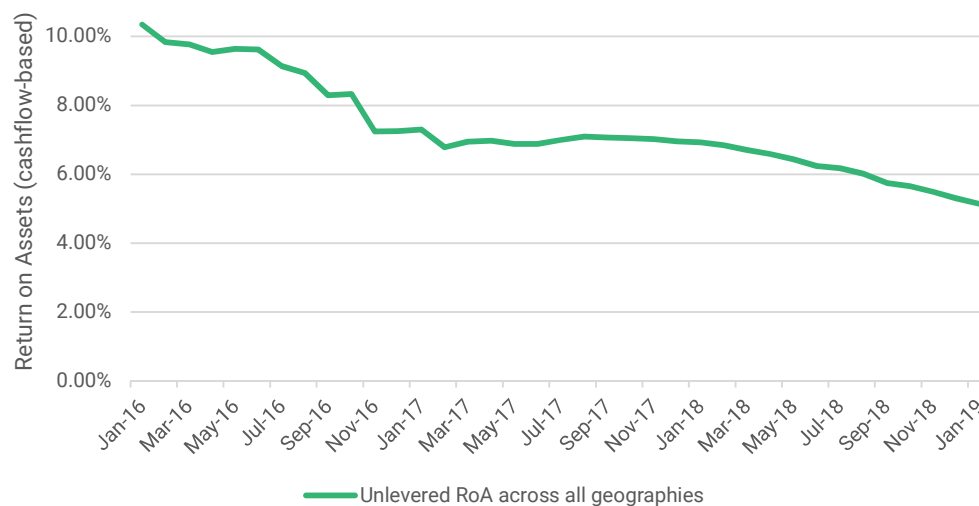
Asset Allocation

| | | | | |
|--------------------|--------------------|--------------------|--------------------|---------------------|
| Versus prior month | UK 64% (u/c) | US 18% (-1%) | CE 12% (+1%) | Cash 7% (+1%) |
|--------------------|--------------------|--------------------|--------------------|---------------------|

Cohort Split



Return on Assets (RoA)



An annualised measure of the cumulative cash returns from the loan portfolio. RoA to date is calculated as total cumulative cash income (interest net of servicing fee and recoveries) less defaults as a percentage of non-defaulted balance. This is aggregated across all geographies assuming the portfolios are fully hedged into sterling.

Definitions

| | |
|--|--|
| 12m Trailing Dividend per Share | Trailing 12 month dividend per share. |
| Average loan size as % of NAV | Average loan size as a percentage of current net asset value (NAV). |
| Largest loan as % of NAV | Largest loan (outstanding principal balance plus accrued interest) as a percentage of current NAV. |
| Market Capitalisation | Month-end closing share price multiplied by the number of shares outstanding at month end. |
| NAV per Ordinary Share (cum income) | The total return on shareholders' funds per share reflecting the change in NAV assuming that dividends paid to shareholders were reinvested at NAV at the time the dividend was announced. |
| NAV Total Return | A measure of performance showing how the NAV per Ordinary Share has performed over a period of time, taking into account both capital returns and dividends paid to shareholders. It assumes that dividends paid to shareholders are reinvested at NAV at the time the shares are quoted ex-dividend. Opening NAV in November 2015 was 98.00p, after initial costs. |
| Ordinary Share Price | Closing share month-end market mid-price, excluding dividends reinvested. |
| Premium / (Discount) | The amount by which the share price of the Company is either higher or lower than the NAV per Ordinary Share, expressed as a percentage of the NAV per Ordinary Share. |
| Share Price Total Return | A measure of performance showing how the share price has performed over a period of time, taking into account both capital returns and dividends paid to shareholders. It assumes that dividends paid to shareholders are reinvested in the shares at the time the shares are quoted ex-dividend. |
| Total Net Assets (cum income) | The value of assets of the Company less liabilities determined in accordance with the accounting principles adopted by the Company. |
| Total number of loans | Number of loans in the portfolio excluding fully repaid loans. |
| Weighted Average Life | The weighted average of the principal repayment times; the figure is weighted by outstanding principal balances and excludes fully repaid and defaulted loans. For amortising loans, the figure is calculated by dividing the total interest payable by the loan principal multiplied by the interest rate. For bullet loans, the weighted average life is equal to the tenor. |
| Return on Assets (RoA) | An annualised measure of the cumulative cash returns from the loan portfolio. RoA to date is calculated as total cumulative cash income (interest net of servicing fee and recoveries) less defaults as a percentage of non-defaulted balance. This is aggregated across all geographies assuming the portfolios are fully hedged into sterling. |
| Weighted Average Cost of Debt | The average rate of interest paid to senior finance holders. |
| Servicing Fees | Fee of 1% per annum, calculated daily on aggregate outstanding principal balance of the portfolio. |
| FX Hedging Costs | The net cost of undertaking the Company's foreign currency hedging programme arising from GBPUSD and GBPEUR interest rate differentials. |
| Loan Interest Expense | Interest expense payable on the Company's leverage facilities with Citibank and the British Business Bank (BBB). |
| Operating Expenses | All other running costs involved in the management of the fund including, but not limited to, audit, legal, regulatory, advisory and one-off fees. |

Note: The Company's indirect investment in Credit Assets, made alongside the EIB, is incorporated in this factsheet on a "look-through" basis in the following sections - Key Portfolio Data, Asset Allocation, Region Split and Industry Split.

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