

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other appropriately qualified independent financial adviser, authorised under the UK Financial Services and Markets Act 2000 or, if you are in a territory outside the United Kingdom, an appropriately authorised independent financial adviser.**

If you have sold or otherwise transferred all your Shares in Funding Circle SME Income Fund Limited (the “**Company**”), please send this Circular, but not the accompanying Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, such documents should not be distributed, forwarded or transmitted in or into Canada, Australia, South Africa or Japan or into any other jurisdiction if to do so would constitute a violation of the relevant laws and regulations in such other jurisdiction. If you have sold or transferred only part of your holding of Shares please consult the bank, stockbroker or other agent through which the sale or transfer was effected.

The Shares are, and following the Extraordinary General Meeting will continue to be, admitted to the premium equity (closed-ended investment funds) category of the Official List of the UK Listing Authority and admitted to trading on the Premium Segment of the Main Market of the London Stock Exchange.

The Company has not been and will not be registered under the US Investment Company Act of 1940, as amended (the “**Investment Company Act**”). The Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or under the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, pledged or otherwise transferred, directly or indirectly, into or within the United States, or to or for the benefit of U.S. persons (as defined in Regulation S under the Securities Act) (“**US Persons**”) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States and in a manner which would not require the Company to register under the Investment Company Act.



**Funding Circle SME Income Fund Limited**

*(A company incorporated in Guernsey under the Companies (Guernsey) Law, 2008, as amended, with registered no.60680)*

**NOTICE OF EXTRAORDINARY GENERAL MEETING  
RECOMMENDED PROPOSALS FOR A MANAGED WIND-DOWN OF THE COMPANY  
AMENDMENT TO INVESTMENT OBJECTIVE AND POLICY  
AMENDMENT TO ARTICLES OF INCORPORATION  
PROPOSED CHANGE OF NAME  
APPOINTING FUNDING CIRCLE GLOBAL PARTNERS LIMITED TO FACILITATE POTENTIAL  
PORTFOLIO SALES**

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The Proposals described in this Circular are conditional on approval from Shareholders, which is being sought at an Extraordinary General Meeting of the Company to be held at the Company's registered address, De Catapan House, 1 Grange Terrace, St Peter Port, Guernsey GY1 2QG at 9:15 a.m. on 11 June 2019. Notice of the Extraordinary General Meeting is set out at the end of this Circular.

The Company is registered as a Registered Closed-ended Collective Investment Scheme declared pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, and the Registered Collective Investment Schemes Rules 2018 (the "**Rules**") issued by the Guernsey Financial Services Commission (the "**GFSC**"). Notification of the Proposals has been given to the GFSC in accordance with the Rules. Neither the GFSC nor the States of Guernsey Policy Council take any responsibility for the financial soundness of the Company or for the correctness of any of the statements made or opinions expressed with regard to it.

Shareholders are requested to return the Form of Proxy enclosed with this Circular. Shareholders are asked to complete, sign and return the Form of Proxy in accordance with the instructions printed thereon, by one of the following means: (i) in hard copy form by post, by courier, or by hand to the Company's Registrar, Link Asset Services, PXS 1, The Registry, 34 Beckenham Road, Kent, BR3 4TU, United Kingdom; or (ii) in the case of CREST members, by utilising the CREST system service (details of which are contained in this Circular), in each case as soon as possible and, in any event, not later than 9:15 a.m. on 7 June 2019. The lodging of a Form of Proxy will not prevent a Shareholder from attending the Extraordinary General Meeting and voting in person if they so wish.

**This Circular should be read as a whole. Your attention is drawn to the letter from the Chairman of the Company which is set out on pages 2 to 10 of this Circular and which recommends that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting. Your attention is drawn to the section entitled "Action to be Taken by Shareholders" on page 10 of this Circular, and to the section entitled "Risk Factors" on pages 7 to 9 of this Circular. The definitions used in this Circular are set out in Part III on pages 13 to 15.**

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## EXPECTED TIMETABLE OF EVENTS

Latest time and date for receipt of Forms of Proxy for the Extraordinary General Meeting\* 9:15 a.m. on 7 June 2019

Extraordinary General Meeting 9:15 a.m. on 11 June 2019

Announcement of the result of the Extraordinary General Meeting 11 June 2019

Each of the times and dates in the expected timetable of events may be extended or brought forward without further notice. If any of the above times and/or dates change, the revised time(s) and/or date(s) will be notified to Shareholders by an announcement through a Regulatory Information Service provider. All references to times are to London times.

\* Please note that the latest time for receipt of the Forms of Proxy in respect of the Extraordinary General Meeting is forty-eight hours (excluding weekends) prior to the time allotted for the meeting.

**PART I – LETTER FROM THE CHAIRMAN**  
**FUNDING CIRCLE SME INCOME FUND LIMITED**

*(A company incorporated in Guernsey under The Companies (Guernsey) Law, 2008, as amended,  
with registered no.60680)*

*Directors*

Richard Boléat (Chairman)  
Jonathan Bridel  
Richard Burwood  
Frederic Hervouet  
Sachin Patel

*Registered Office*

De Catapan House  
1 Grange Terrace  
St Peter Port  
Guernsey  
GY1 2QG

21 May 2019

Dear Shareholders,

**EXTRAORDINARY GENERAL MEETING AND RECOMMENDED PROPOSALS FOR: (I) A  
MANAGED WIND-DOWN OF THE COMPANY; (II) AMENDMENTS TO THE COMPANY'S  
INVESTMENT OBJECTIVE AND POLICY; (III) AMENDMENTS TO THE COMPANY'S ARTICLES  
OF INCORPORATION; (IV) PROPOSED CHANGE OF NAME; AND (V) APPOINTING FUNDING  
CIRCLE GLOBAL PARTNERS LIMITED TO FACILITATE POTENTIAL PORTFOLIO SALES ON  
BEHALF OF THE COMPANY**

**1. Introduction**

I am writing to you to outline details of proposals regarding the future of Funding Circle SME Income Fund Limited (the "**Company**"). Your Directors are recommending a managed wind-down of the Company with consequential amendments to the Company's Investment Objective and Policy and to its Articles of Incorporation (the "**Articles**") to permit the redemption of its Shares.

On 5 April 2019, the Company announced that, following consultation with Shareholders accounting for over two thirds of the Shareholder register, it acknowledged Shareholders' preference to cease investment in new Credit Assets and commence a process to return capital in an orderly and expeditious fashion with the objective of optimising returns to Shareholders.

As such, the Board is proposing that the affairs of the Company be wound down and that capital be returned to Shareholders with a view to achieving a balance between: (i) a timely return of cash; and (ii) maximising the realisation value of the Company's investments, having regard to cost efficiency and working capital requirements.

The Proposals involve modifying the Company's Investment Objective and Policy to reflect a realisation strategy and amending the Articles to include a mechanism to enable the Company to redeem Shares in the Company compulsorily so as to return cash to Shareholders. Details of the UK tax consequences of the Proposals are set out in Part II of this Circular.

The proposed modification to the Company's Investment Objective and Policy is considered a material change to the Investment Objective and Policy, which requires the consent of Shareholders in addition to obtaining the approval of the FCA, in accordance with the Listing Rules. The amendments to the Company's Articles to allow Shareholders to realise their investment through Compulsory Redemptions of their Shares also require Shareholder approval, pursuant to the Companies Law. Shareholders are being asked to approve the appointment of Funding Circle Global Partners Limited ("**FCGPL**"), which is the Company's current corporate services provider, to

facilitate the potential portfolio sales on behalf of the Company pursuant to the Managed Wind-Down.

Finally, the Proposals also include a change of name of the Company from "Funding Circle SME Income Fund Limited" to "SME Credit Realisation Fund Limited", to reflect the move away from the Company's current strategy of active investment in Credit Assets originated by the Platforms to a realisation strategy. The proposed change of name is subject to Shareholder approval (and subsequent registration at the Guernsey Registrar of Companies) pursuant to the Companies Law.

This Circular sets out details of, and seeks your approval for, the Proposals and explains why the Board is recommending that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting to be held at 9:15 a.m. on 11 June 2019. Notice of the Extraordinary General Meeting is set out at the end of this Circular. The Proposals are described in paragraph 3 of Part I of this Circular.

The Company's listing and the capacity to trade in its Shares will be maintained for as long as the Directors believe it to be practicable during the Managed Wind-Down period, subject to being able to meet the spread of investment risk requirements of Chapter 15 of the Listing Rules. Accordingly, once a significant proportion of the Company's assets have been realised, the Board will then consider, in the light of the then prevailing market conditions and Shareholders' views, proposing a resolution for a formal voluntary liquidation of the Company, which will require additional Shareholder approval at that time.

The Board believes that, following the feedback from major Shareholders for the Company indicated above, the Proposals are in the best interests of the Shareholders. Implementing a managed and orderly disposal of assets is expected to achieve a balance between maximising the value from the realisation of the Company's investments and making timely returns of capital to Shareholders. Further, the Proposals will allow cash to be returned to Shareholders in a cost-effective manner through the Compulsory Redemption of Shares (or other such mechanisms which the Directors consider, in their discretion, are in the best interests of Shareholders, including but not limited to tender offers and dividend payments).

## **2. Proposed Managed Wind-Down**

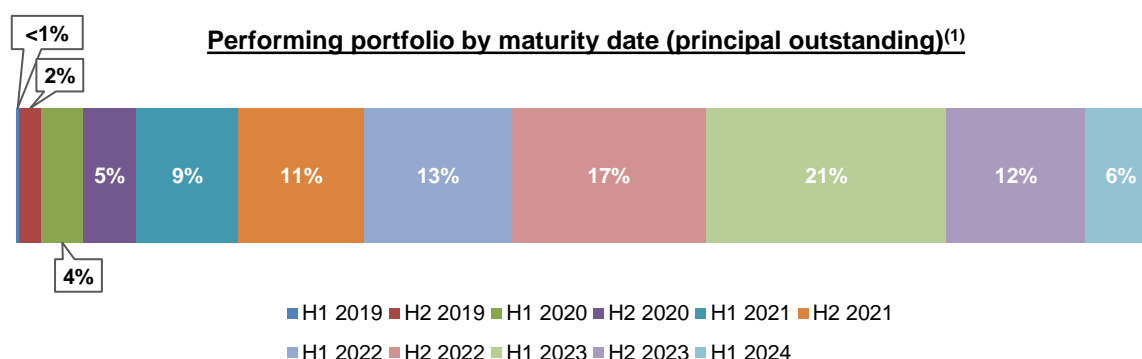
If the Proposals are approved, the Directors will be able to execute a Managed Wind-Down of the Company, in a prudent manner consistent with the principles of good investment management as required by the Listing Rules. The Board notes that, given the nature of the Credit Assets as relatively short duration amortising loans, there is natural liquidity in the Company's Portfolio as these Credit Assets mature. In order to seek to distribute cash to Shareholders more quickly, the Company may also undertake opportunistic portfolio sales of the Credit Assets. The Board expects the Company's existing IFRS 9 provision on performing loans to gradually unwind as the Portfolio amortises.

Following shareholder approval of the Proposals, the Company expects to cease its current strategy of making regular share repurchases and, instead, switch to an approximately quarterly redemption cycle. As and when proceeds from the sales of the Company's assets accumulate, the Directors will have the discretion to return these proceeds to Shareholders pro rata by redeeming such number of Shares as have an aggregate NAV equivalent to the amount proposed to be returned to Shareholders. Following feedback received from the Company's major Shareholders, the Company proposes to maintain quarterly dividend payments of 5.25 pence per Ordinary Share on an annualised basis for at least the period to 31 March 2020 (being the Company's financial year-end) which is expected to be partially uncovered by income (which would have the effect of reducing the amount of capital available for distribution to Shareholders at each Compulsory Redemption and on the eventual liquidation of the Company). The Directors will continue to periodically review the Company's approach to dividend payments in response to Shareholder feedback and the progression of the Managed Wind-Down. It is noted that such dividend payments would be made in addition to distributions made by way of the Compulsory Redemption process (or by means otherwise determined appropriate by the Directors), Notwithstanding the proposed share redemption mechanism and the quarterly dividend, the Directors may determine, in their absolute discretion where they consider it to be in the best interests of Shareholders, to return cash from natural amortisation of Credit Assets or sales made pursuant to the Managed Wind-Down to Shareholders by way of special dividend or any other distribution permitted by the Listing Rules

and the Companies Law. For UK resident individuals or companies, any distributions made by way of dividend would be treated as income, which attracts a higher rate of tax than distributions that are treated as capital. Details of the UK tax treatment applicable to income and capital distributions are set out in Part II of this Circular.

Shareholders should expect that, under the terms of the Managed Wind-Down, the Board will be committed to distributing as much of the available cash as soon as reasonably practicable (on the approximately quarterly redemption basis described above) having regard to cost efficiency and working capital requirements. Accordingly, in order to minimise the administrative burden, Shareholders are advised that future returns of cash may not necessarily be made as soon as cash becomes available. Alternatively, the Board reserves the right to make an ad hoc return of capital by way of an interim redemption (i.e. outside of the approximately quarterly cycle), where the Board considers that it has substantial amounts of available cash so as to make such interim redemption prudent and in the best interests of Shareholders. Shareholders should also note that, as there is no guarantee of an active or liquid secondary market for the Credit Assets, there can be no certainty of the length of time it may take to complete the Managed Wind-Down.

The chart below seeks to provide Shareholders with an overview of the Portfolio's allocation to performing Credit Assets with different maturity dates, as at 30 April 2019<sup>1</sup>, so as to provide a basis from which approximate contractual cashflows from Credit Assets in the Portfolio can be derived; this does not reflect a number of factors including, but not limited to, possible prepayments, losses, recoveries, costs and the repayment of the Company's borrowings to senior finance providers in the Leveraged Transactions.



In order to assist the Company in delivering the Managed Wind-Down, the Directors are proposing to appoint the Company's current corporate services provider, FCGPL (or its affiliates) to facilitate such potential portfolio sales in accordance with the revised Investment Objective and Policy. The appointment of FCGPL to facilitate potential portfolio sales is conditional on the passing of Resolution 1 (as defined below). FCGPL will not be entitled to a fee in respect of the performance of these services. Potential conflicts of interest will be managed in accordance with Funding Circle's policies and in accordance with the corporate services agreement dated 26 November 2018 between the Company and FCGPL. The appointment of FCGPL is not exclusive and the Directors are entitled to appoint other advisers to assist in executing portfolio sales.

If the Managed Wind-Down is approved at the Extraordinary General Meeting, the Board considers that, due to the limited life of the Company and the risks associated with the Managed Wind-Down, the Shares would no longer be suitable to be made available or otherwise marketed to "retail investors" (as defined in the PRIIPs Regulation). As such, the key information document (as defined in the PRIIPs Regulation) relating to the Shares will be removed from the Company's website immediately following the approval of the Managed Wind-Down. It is expected that, following the removal of the key information document from the Company's website, distributors will cease to make the Shares available for purchase on their respective platforms. An updated target market assessment pertaining to the Shares will be published on the Company's website ([www.fcincomefund.com](http://www.fcincomefund.com)) immediately following the approval of the Managed Wind-Down.

<sup>1</sup> Where "performing" is defined as loans which are current or less than one month late.

### 3. Proposals

The Proposals comprise:

- amending the Company's Investment Objective and Policy in the manner set out in paragraph 4 of Part I of this Circular ("**Resolution 1**");
- appointing FCGPL to facilitate potential portfolio sales on behalf of the Company ("**Resolution 2**");
- amending the Articles to permit the Compulsory Redemption of Shares, from time to time and at the discretion of the Board, prior to the Company's eventual liquidation, the purpose of such amendment being to facilitate the return to Shareholders of cash proceeds in a cost-efficient manner in accordance with the proposed amended Investment Objective and Policy ("**Resolution 3**"); and
- changing the Company's name from "Funding Circle SME Income Fund Limited" to "SME Credit Realisation Fund Limited" ("**Resolution 4**"),

(together, the "**Proposals**").

The Proposals are subject to the approval of Shareholders, and this Circular contains a notice of the Extraordinary General Meeting at which Resolutions to approve the Proposals will be considered. The Proposals, if approved, will result in Shareholders having their shareholdings in the Company realised in an orderly manner by way of Compulsory Redemptions of their Shares on a pro rata basis in accordance with the New Articles (or by way of other such mechanisms which the Directors consider, in their discretion, are in the best interests of Shareholders, including but not limited to tender offers and dividend payments).

In the event that Resolution 1 to be proposed at the Extraordinary General Meeting is not passed, the Company will continue to operate under its current Investment Objective and Policy and the Board will consider alternative proposals for the future of the Company. Resolutions 2, 3, and 4 are conditional upon Resolution 1 being approved by Shareholders. In the event that Resolution 1 is passed but Resolution 3 is not, the Company will consider alternative methods for distributing the proceeds of disposals carried out in accordance with its amended Investment Objective and Policy.

**The Board considers that the Proposals are in the best interests of Shareholders as a whole and accordingly recommends that Shareholders vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting.**

### 4. Investment Objective and Policy

In order to implement the Managed Wind-Down, it is necessary to amend the Company's Investment Objective and Policy to reflect the objective of realising the Company's Portfolio.

The current Investment Objective and Policy of the Company is set out in the Appendix to this Circular. It is proposed that, if the Proposals are approved, the new Investment Objective and Policy of the Company will be as follows:

#### ***"Investment Objective***

*The Company will be managed with the intention of realising all remaining assets in the Portfolio in a prudent manner which achieves a balance between maximising the value from the realisation of the Company's investments and making timely returns of capital to Shareholders.*

#### ***Investment Policy***

*The Managed Wind-Down will be effected with a view to the Company realising all of its investments in accordance with the Investment Objective set out above. Such realisations will comprise natural amortisation of the Company's investments in Credit Assets as well as potential, opportunistic portfolio sales.*

*The Company will not allocate new capital to Credit Assets, directly or indirectly via Leveraged Transactions or SPVs, or undertake capital expenditure except where necessary in the reasonable opinion of the Board in order to protect or enhance the value of any existing investments or to facilitate orderly disposals.*



*Any cash received by the Company as part of the realisation process prior to its distribution to Shareholders will be held by the Company as cash on deposit and/or as cash equivalents."*

## **5. Amendments to the Articles**

In order to effect the compulsory redemptions described in this Circular, it is necessary for the Company to make changes to its Articles. The substantive change which is proposed to be made to the Articles will, if the New Articles are adopted by Shareholders at the Extraordinary General Meeting, facilitate the Directors, at their sole discretion, to redeem Shares compulsorily on an ongoing basis, and pro rata to each Shareholder's shareholding in the Company, in order to return capital to Shareholders ("**Compulsory Redemption**").

A detailed description of the Compulsory Redemption mechanism included in the New Articles is set out in paragraph 6 of this Part I of this Circular.

A copy of the existing Articles and the New Articles will be available for inspection at the offices of Herbert Smith Freehills LLP, Exchange House, Primrose Street, London EC2A 2EG and at the registered office of the Company during normal business hours on any Business Day from the date of this Circular until the conclusion of the Extraordinary General Meeting and at the place of the Extraordinary General Meeting for at least 15 minutes prior to, and during, the meeting.

## **6. Compulsory Redemptions, settlement and alternative mechanisms to return cash**

### ***Compulsory Redemption mechanism***

Pursuant to the Proposals, and subject to the passing of the Resolutions, the Company will have the power, under the New Articles, to make Compulsory Redemptions of Shares in volumes and on dates to be determined at the Directors' sole discretion, with the amount distributed in respect of the Shares on each occasion representing the cash available for distribution by the Company at the relevant time. Shares will be redeemed from all Shareholders pro rata to their existing holdings of the Shares on the Redemption Date. The Redemption Price will be equal to the prevailing Net Asset Value per Share on the relevant Redemption Date, less the costs associated with the relevant redemption and as adjusted as the Directors consider appropriate. It is expected that Directors will make regular redemptions, approximately quarterly, but reserve the right to make an ad hoc return of capital by way of an interim redemption (i.e. outside of the approximately quarterly cycle), where the Board considers that it has substantial amounts of available cash so as to make such interim redemption prudent and in the best interests of Shareholders.

Details of the UK tax consequences of the Proposals are set out in Part II of this Circular.

As and when the Directors exercise their discretion to redeem compulsorily a given percentage of the Shares in issue, the Company will make a Redemption Announcement in advance of the relevant Redemption Date. The Redemption Announcement is expected to include the following details:

- the aggregate amount to be distributed to Shareholders;
- the Relevant Percentage of Shares to be redeemed (pro rata as between the holders of Shares as at the Redemption Record Date);
- a timetable for the redemption and distribution of redemption proceeds, including the Redemption Date and Redemption Record Date;
- the Redemption Price per Share in respect of the Shares to be redeemed;
- a new ISIN in respect of the remaining Shares which will continue to be listed following the relevant Redemption Date; and
- any additional information that the Board deems necessary in connection with the redemption.

Redemptions of Shares will become effective on each Redemption Date. In determining the timing of any Redemption Date, the Directors will take into account the amount of cash available for payment of redemption proceeds and the costs associated with such redemption. Accordingly, the proceeds of the disposals of the Company's Credit Assets will not necessarily be distributed at or soon after the date of any such disposal but may be retained and aggregated with the proceeds of other disposals pending distribution. The Shares to be redeemed will be the Relevant Percentage of the Shares registered in the names of Shareholders on the Redemption Date. Shareholders will receive the Redemption Price per Share in respect of each of their Shares redeemed compulsorily.

## **Settlement**

In the case of Shares held in uncertificated form (that is, in CREST), redemptions will take effect automatically on each Redemption Date and redeemed Shares will be cancelled. All Shares in issue will be disabled in CREST on the Redemption Date and the existing ISIN applicable to such Shares (the "**Old ISIN**") (which, as at the date of this Circular, is GG00BYYJCZ96), will expire. A new ISIN (the "**New ISIN**") in respect of the remaining Shares in issue and which have not been redeemed will be enabled and available for transactions from and including the first Business Day following the relevant Redemption Date (or such other date notified to Shareholders). The New ISIN will be notified to Shareholders in the relevant Redemption Announcement. Up to and including the Redemption Date, Shares will be traded under the Old ISIN and, as such, a purchaser of such Shares would have a market claim for a proportion of the redemption proceeds. CREST will automatically transform any open transactions as at the Redemption Date (which may be the record date for the purposes of the redemption) into the New ISIN.

In the case of Shares held in certificated form (that is, not in CREST), redemptions will take effect automatically on each Redemption Date. As the Shares will be compulsorily redeemed, certificated Shareholders do not need to return their Share certificates to the Company in order to claim their redemption monies. Shareholders' existing Share certificates will be cancelled and new Share certificates will be issued to each such Shareholder for the balance of their shareholding in the Company after each Redemption Date. Cheques will automatically be issued to certificated Shareholders upon the cancellation of any of their Shares. All Shares that are redeemed will be cancelled with effect from the relevant Redemption Date. Accordingly, once redeemed, Shares will be incapable of transfer.

Payments of redemption monies are expected to be effected either through CREST (in the case of Shares held in uncertificated form) or by cheque (in the case of Shares held in certificated form) within 14 Business Days of the relevant Redemption Date, or as soon as practicable thereafter. Shareholders will be paid their redemption proceeds in Sterling.

## **Alternative methods to return cash to Shareholders**

Following the adoption of the new Investment Objective and Policy, the Directors will discontinue the current programme of making regular, daily repurchases of Shares in favour of switching to the quarterly Compulsory Redemptions as the primary means to return capital to Shareholders. However, the Directors shall continue to have the right to return cash otherwise than through Compulsory Redemptions, such as by way of tender offers to Shareholders to purchase their Shares or by carrying out Share repurchases other than by way of tender offer. Any tender offer or Share repurchase will be made in accordance with market practice and in compliance with the Listing Rules and the Companies Law. In addition to distributions made by way of the Compulsory Redemption process, or by means otherwise determined appropriate by the Directors, the Company proposes to maintain quarterly dividend payments of 5.25 pence per Ordinary Share on an annualised basis for at least the period to 31 March 2020, which may be partially uncovered by income. The Directors will continue to periodically review the Company's approach to dividend payments in response to Shareholder feedback and the progression of the Managed Wind-Down. Notwithstanding the quarterly dividend, the Directors may determine, in their absolute discretion where they consider it to be in the best interests of Shareholders, to return cash from natural amortisation of Credit Assets or sales made pursuant to the Managed Wind-Down to Shareholders by way of dividend or any other distribution permitted by the Listing Rules and the Companies Law.

## **7. Changes of the Company's name**

In order to reflect the move away from the Company's current strategy of active investment in Credit Assets to a realisation strategy, the Proposals also include a proposed change of name of the Company from "Funding Circle SME Income Fund Limited" to "SME Credit Realisation Fund Limited".

Pursuant to the Companies Law, the proposed change of name is conditional on the passing of Resolution 4 as a Special Resolution at the Extraordinary General Meeting and subsequent application by the Company to the Guernsey Registry whose approval is required to effect the change of name. The Company has reserved the ticker "SCRF" with the London Stock Exchange. Following the change of name taking effect, the Company will apply to the London Stock Exchange to change its ticker from "FCIF" to "SCRF".

## 8. Risks associated with the Proposals

In considering your decision in relation to the Proposals, you are referred to the risks set out below.

**Shareholders should read this Circular carefully and in its entirety and, if you are in any doubt about the contents of this Circular or the action you should take, you are recommended to seek immediately your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the UK Financial Services and Markets Act 2000 or, if you are in a territory outside the United Kingdom, from an appropriately authorised independent financial adviser.**

Only those risks which are material and currently known to the Company have been disclosed. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems to be immaterial, may also have an adverse effect on the Company.

- In a Managed Wind-Down, the value of the Portfolio will be reduced and concentrated in fewer holdings, and the mix of asset exposure, expressed as a percentage of the Company's gross asset value, will be affected accordingly, for example: geographic exposure to either the Platform originating the Credit Assets or the location of the borrower, counterparty exposure to any individual borrower or exposure to a Leveraged Transaction. It is also expected that the leverage profile of the Company will fluctuate during the Managed Wind-Down as a result of Credit Assets being realised and, accordingly, any previously published leverage targets will not be actively maintained.
- The Company might experience increased volatility in its Net Asset Value and/or its Share price as a result of possible changes to the Portfolio structure following the approval of the Proposals.
- Until the Managed Wind-Down is completed, the borrowers under the Credit Assets originated through the Platforms will continue to consist of SMEs. These businesses, compared to businesses which are larger or have more significant internal sources of funding, may be more susceptible to default during periods of heightened economic volatility and adverse changes in trading conditions. This in turn may impact their financial condition and may mean that they are unable to comply with their respective payment obligations. To the extent that a borrower is unable to meet its obligations, the value of the Company's investment in those Credit Assets will fall which may have an adverse impact on the Company's financial performance during the Managed Wind-Down.
- The Company's assets may not be realised at their fair market value as used by the Company currently in its calculation of the Net Asset Value.
- Sales commissions, asset liquidations costs, taxes and other costs associated with the realisation of the Company's assets will reduce the cash available for distribution to Shareholders.
- Due to the Compulsory Redemptions being proposed to be carried out on an approximately quarterly basis, it is possible that there may be potential time lags between sales made by the Company and any subsequent returns of capital to Shareholders.
- The Directors may determine, in order to maintain the payment of dividends in accordance with the Company's dividend guidance, to pay dividends from the capital of the Company. Where the Company does pay a dividend from capital, it has the effect of reducing the net asset value of the Company which, in turn, reduces the amount of capital available for distribution to Shareholders at each Compulsory Redemption and on the eventual liquidation of the Company.
- Given that there is no guarantee of an active or liquid secondary market for the Credit Assets, Shareholders may have to wait a considerable period of time before receiving all of their distributions pursuant to the Managed Wind-Down. During that time, the concentration of the value of the Portfolio in fewer holdings will reduce diversification and the spread of risk. This may adversely affect the Portfolio's performance.
- The maintenance of the Company as an ongoing listed vehicle will entail administrative, legal and listing costs, which will decrease the amount ultimately distributed to Shareholders.

- It should also be noted that there may be other matters or factors which affect the availability, amount or timing of receipt of the proceeds of realisation of some or all of the Company's investments, for example the amortisation profile of the Company's Leveraged Transactions. Additionally, ongoing redemptions will decrease the size of the Company's assets, thereby increasing the impact of fixed costs incurred by the Company on the remaining assets. In determining the size of any distributions, the Directors will take into account the Company's ongoing running costs. However, should these costs be greater than expected, or should cash receipts for the realisations of investments be less than expected, this will reduce the amount available for Shareholders in future distributions.
- Shareholders should note that the maturity profile of the Company's Credit Assets is not necessarily a wholly reliable indicator of the likely distributions to Shareholders of receipt of proceeds of the realisation of the Company, due to repayment priorities to the senior lenders in the Leveraged Transactions.
- Though the Board intends to make Compulsory Redemptions on an approximately quarterly basis, the precise timing for such redemptions of Shares will be made at the Directors' sole discretion and will depend on the Company having sufficient assets available to justify making a redemption. Shareholders may therefore have little certainty as to when their Shares will be redeemed.
- Following the approval of the Managed Wind-Down, the Board considers that the Shares would no longer be suitable to be made available or otherwise marketed to "retail investors" (as defined in the PRIIPs Regulation) and, accordingly, will remove the key information document from the Company's website. Following such actions, it is expected that distributors will cease to make the Shares available for purchase on their respective platforms, restricting the ability existing retail investors to acquire further Shares through such platforms. In any event, if the Company failed to meet the criteria for investment trust status under sections 1158 and 1159 of the UK Corporation Tax Act 2010 and, consequently, became subject to the rules relating to Non-Mainstream Pooled Investments, the Company would be restricted from being promoted to certain retail investors.
- Following the adoption of the Proposals, it is expected that the Company will continue to be considered a going concern. However, this may be required to change through the course of the Managed Wind-Down and, if so, there may be consequential changes in the Company's future accounting policies following the adoption of the Proposals, which may impact the methodology of the valuations of its assets and liabilities.

## **9. Extraordinary General Meeting**

An Extraordinary General Meeting of the Company will be held at 9:15 a.m. on 11 June 2019 at De Catapan House, 1 Grange Terrace, St Peter Port, Guernsey GY1 2QG for the purpose of approving the Proposals. The business to be considered at the Extraordinary General Meeting is contained in the Notice of Extraordinary General Meeting set out at the end of this Circular.

At the Extraordinary General Meeting, Resolutions 1 and 2 will be proposed as Ordinary Resolutions. Conditional upon Resolution 1 being approved by Shareholders, Resolutions 3 and 4 will be proposed as Special Resolutions. Resolutions 1 and 2 will each require the approval of a majority of members present by a show of hands or, if a poll is demanded, the total voting rights held by Shareholders cast at the Extraordinary General Meeting (in each case, whether voted by Shareholders in person or by proxy), while Resolutions 3 and 4 will require the approval of a majority of not less than three-quarters of the members present by a show of hands or, if a poll is demanded, the total voting rights held by Shareholders cast at the Extraordinary General Meeting (in each case, whether voted by Shareholders in person or by proxy).

In order to become effective, the Resolutions must be approved by the requisite majority of Shareholders at the Extraordinary General Meeting either by a show of hands or on a poll.

The quorum for the Extraordinary General Meeting will be two or more members (other than the Company itself where it holds its own Shares as treasury shares) present in person or by proxy. If within half an hour after the time appointed for the Extraordinary General Meeting a quorum is not present, the Extraordinary General Meeting shall stand adjourned for seven days at the same time and no notice of adjournment is required (or if that day is not a Business Day in the location of the

meeting, to the next Business Day). On the resumption of an adjourned Extraordinary General Meeting, those Shareholders present in person or by proxy shall constitute a quorum.

#### **10. Costs of the Proposals**

The Company will bear the costs incurred in relation to the Proposals which are estimated to amount to approximately £95,000, which is approximately 0.03 per cent. of the latest published Net Asset Value of the Company as at 30 April 2019 (being the latest practicable date prior to the publication of this Circular).

#### **11. Action to be Taken by Shareholders**

If you are a Shareholder, you will find enclosed with this Circular the Form of Proxy for use at the Extraordinary General Meeting. Whether or not you intend to be present at the Extraordinary General Meeting, you are asked to complete the Form of Proxy in accordance with the instructions printed thereon and return the Form of Proxy to the Company's Registrar, Link Asset Services, by one of the following means:

- in hard copy form by post, by courier or by hand to Link Asset Services, PXS 1, The Registry, 34 Beckenham Road, Kent, BR3 4TU, United Kingdom; or
- in the case of CREST members, by utilising the CREST system service in accordance with the procedures set out in the notes to the Notice of Extraordinary General Meeting.

In each case, the Form of Proxy must arrive by the time and date specified within. To be valid, the relevant Form of Proxy should be completed in accordance with the instructions accompanying it and lodged with the Company's Registrars by the relevant time.

The completion and return of the Form of Proxy will not preclude you from attending the Extraordinary General Meeting and voting in person if you wish to do so.

#### **12. Recommendation**

The Board considers that the proposals described in this Circular are in the best interests of Shareholders as a whole and accordingly recommends that Shareholders vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting.

The Directors intend to vote in favour of the Resolutions in respect of their holdings of Shares, amounting to 122,000 Shares in aggregate (representing approximately 0.04 per cent. of the issued share capital of the Company (excluding any Shares held in treasury) as at 20 May 2019 (the latest practicable date prior to the publication of this Circular).

Yours sincerely

Richard Boléat

**Chairman**

## PART II – TAXATION

### 1. Taxation

The following comments are intended only as a general guide to certain aspects of current UK tax law and HMRC's published practice, both of which are subject to change, possibly with retrospective effect. They are of a general nature and do not constitute tax advice and apply only to Shareholders who are resident in the UK (except where indicated) and who hold their Shares beneficially as an investment. They do not address the position of certain classes of Shareholders such as dealers in securities, insurance companies, collective investment schemes and persons acquiring their Shares in connection with their employment. The tax consequences for each Shareholder may depend upon the Shareholder's own tax position and upon the relevant laws of any jurisdiction to which the Shareholder is subject.

#### ***The Company***

The Directors have been advised that, following certain changes to the UK tax rules regarding "alternative investment funds" implemented by the Finance Act 2014 and contained in section 363A of the Taxation (International and Other Provisions) Act 2010, the Company should not be resident in the UK for UK tax purposes. Accordingly, and provided that the Company does not carry on a trade in the UK (whether or not through a branch, agency or permanent establishment situated therein), the Company will not be subject to UK income tax or corporation tax other than on any UK source income.

#### ***Compulsory redemption and liquidation***

##### *UK resident individuals*

Any individual Shareholder who is UK resident may, depending on that Shareholder's personal circumstances, be subject to capital gains tax in respect of any gain arising on a disposal (including a redemption or on any distribution paid on the final liquidation of the Company) of their Shares. For such individuals, capital gains are taxed at a rate of 10 per cent. (for basic rate taxpayers) or 20 per cent. (for higher or additional rate taxpayers). Individuals may, depending on their personal circumstances, benefit from certain reliefs and allowances (including an annual exemption from capital gains which is £12,000 for the tax year 2019/2020).

Shareholders who are not resident in the UK for taxation purposes will not normally be liable to UK taxation on chargeable gains arising from the disposal of their Shares unless those Shares are held for the purposes of a trade, profession or vocation through a UK branch, agency or permanent establishment, although such Shareholders may be subject to foreign taxation depending on their own particular circumstances. Individual Shareholders who are temporarily not resident in the UK for tax purposes may be liable to capital gains tax under tax anti-avoidance legislation.

##### *UK resident companies*

For Shareholders who are UK resident companies, the redemption of Shares may be treated as giving rise to both an income distribution and a capital disposal. The extent to which the proceeds are treated as a distribution will depend amongst other things on the amount initially subscribed for the redeemed Shares by the original subscriber and may be affected by subsequent transactions such as conversions of the Shares. Shareholders should seek appropriate professional advice where necessary.

Shareholders within the charge to UK corporation tax which are "small companies" (for the purposes of UK taxation of distributions) should expect to be subject to tax on any distribution deemed to arise on the redemption of Shares. Other Shareholders within the charge to UK corporation tax will not be subject to tax on any distribution deemed to arise on redemption of the Shares so long as the distribution falls within an exempt category and certain conditions are met. In general, a distribution to a UK corporate shareholder which holds less than 10 per cent. of the Shares should fall within an exempt category.

However, the exemptions are not comprehensive and are subject to anti-avoidance rules. If the conditions for exemption are not or cease to be satisfied, or such a Shareholder elects

for an otherwise exempt distribution to be taxable, the Shareholder will be subject to UK corporation tax on any distribution deemed to arise on redemption of the Shares.

Based on the existing practice of HM Revenue & Customs, the part of the proceeds that is not treated as an income distribution should be treated as consideration for a disposal of the shares for a Shareholder within the charge to UK corporation tax. This may, depending upon the Shareholder's circumstances and subject to any available exemption or relief, give rise to a chargeable gain or an allowable loss for the purposes of UK corporation tax.

Amounts received on a final liquidation of the Company following a managed wind-down should be treated as consideration for a disposal of the Shares for the purposes of United Kingdom taxation of chargeable gains for Shareholders within the charge to United Kingdom corporation tax.

#### *Offshore Fund Rules*

The treatment described above is based on any gain arising on a disposal of a Shareholder's Shares not being taxed as income under the "offshore fund" rules which apply for the purposes of UK tax legislation. Under current law, if the Company (or any class of shares) were to be treated for UK taxation purposes as an "offshore fund", gains on disposals of Shares realised by a Shareholder would be taxable as income and not as capital gains. Current HMRC guidance states that, for a company that is not an "offshore fund", entering into liquidation, or a self-managed wind down in contemplation of its ultimate liquidation, will not by itself bring that company into the definition of an "offshore fund".

#### **Dividends**

Significant changes were made to the income tax treatment of dividends with effect from 6 April 2016 (as amended from April 2018), with the dividend tax credit abolished and replaced with a nil rate of income tax on the first £2,000 of dividend income in a tax year (the "**Nil Rate Amount**"). Any dividend income received by a UK resident individual Shareholder in respect of the Shares in excess of the Nil Rate Amount will be subject to income tax at a rate of 7.5 per cent. to the extent that it is within the basic rate band, 32.5 per cent. to the extent that it is within the higher rate band and 38.1 per cent. to the extent that it is within the additional rate band.

Dividend income that is within the Nil Rate Amount counts towards an individual's basic or higher rate limits – and will therefore affect the level of savings allowance to which they are entitled, and the rate of tax that is due on any dividend income in excess of the Nil Rate Amount. In calculating into which tax band any dividend income over the Nil Rate Amount falls, savings and dividend income are treated as the highest part of an individual's income.

#### **Stamp duty**

No UK stamp duty or stamp duty reserve tax ("**SDRT**") will be payable by a Shareholder on the redemption of Shares.

**Shareholders who are subject to tax in a jurisdiction other than the UK or who are in any doubt as to the potential tax consequences of the Proposals for their Shares are strongly recommended to consult their own professional advisers without delay.**

21 May 2019

### **PART III – DEFINITIONS**

|  |  |
|--|--|
| <b>"Articles"</b>                        | the articles of incorporation of the Company in force at the date of this Circular   |
| <b>"Board" or "Directors"</b>            | the board of directors of the Company whose names are set out in Part I of this Circular   |
| <b>"Business Day"</b>                    | means any day other than a Saturday or Sunday or a day on which the major clearing banks are not open for business in London and Guernsey  |
| <b>"Circular"</b>                        | this document  |
| <b>"Companies Law"</b>                   | the Companies (Guernsey) Law, 2008, as amended   |
| <b>"Company"</b>                         | Funding Circle SME Income Fund Limited   |
| <b>"Compulsory Redemption"</b>           | has the meaning given in paragraph 5 of Part I of this Circular  |
| <b>"Credit Assets"</b>                   | loans or debt or credit instruments of any type originated through any of the Platforms  |
| <b>"CREST"</b>                           | the system for paperless settlement of trades and the holding of uncertificated securities administered by Euroclear   |
| <b>"Extraordinary General Meeting"</b>   | the extraordinary general meeting of the Company convened for 9:15 a.m. on 11 June 2019  |
| <b>"FCA"</b>                             | the Financial Conduct Authority of the United Kingdom  |
| <b>"FCGPL"</b>                           | Funding Circle Global Partners Limited   |
| <b>"Form of Proxy"</b>                   | the form of proxy for use at the Extraordinary General Meeting   |
| <b>"GFSC"</b>                            | the Guernsey Financial Services Commission   |
| <b>"HMRC"</b>                            | HM Revenue & Customs   |
| <b>"Investment Company Act"</b>          | the US Investment Company Act of 1940, as amended  |
| <b>"Investment Objective and Policy"</b> | the Company's investment objective and policy as set out in the appendix to this Circular  |
| <b>"Leveraged Transaction"</b>           | a structured finance transaction that the Company has entered into by the Company from time to time  |
| <b>"Listing Rules"</b>                   | the listing rules made by the FCA for the purposes of Part VI of the UK Financial Services and Markets Act 2000  |
| <b>"Managed Wind-Down"</b>               | the proposed wind-down of the Portfolio to effect the disposal of the Company's investments, as described in this Circular   |
| <b>"NAV" or "Net Asset Value"</b>        | the total assets of the Company less the total liabilities of the Company (including accrued but unpaid fees) valued in accordance with the accounting policies adopted by the Company from time to time |
| <b>"Net Asset Value Date"</b>            | a date as at which an estimated or confirmed Net Asset Value per Share is published by the Company   |



|  |   |
|--|---|
| <b>"New Articles"</b>                            | the new articles of incorporation of the Company as proposed to be adopted at the Extraordinary General Meeting pursuant to Resolution 3  |
| <b>"New ISIN"</b>                                | a new ISIN in respect of the Shares which have not been redeemed and remain in issue following a particular Redemption Date   |
| <b>"Notice of Extraordinary General Meeting"</b> | the notice convening the Extraordinary General Meeting, as set out at the end of this Circular  |
| <b>"Old ISIN"</b>                                | the disabled ISIN by virtue of the redemption of Shares on a particular Redemption Date (being, at the date of this Circular, GG00BYYJCZ96)   |
| <b>"Ordinary Resolution"</b>                     | an ordinary resolution set out in the Notice of Extraordinary General Meeting and to be proposed at the Extraordinary General Meeting, which requires a majority of the Shareholders present in person or by proxy and entitled to vote and voting at the appropriate meeting       |
| <b>"Platforms"</b>                               | the lending platforms operated in Germany, the Netherlands, the UK and the US respectively by Funding Circle, together with any similar or equivalent lending platform established or operated by Funding Circle in any jurisdiction  |
| <b>"Portfolio"</b>                               | the Company's portfolio of investments from time to time  |
| <b>"PRIIPs Regulation"</b>                       | Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) and its implementing and delegated acts  |
| <b>"Proposals"</b>                               | the proposals described in paragraph 3 of Part I of this Circular for the amendment of the Company's Investment Objective and Policy and the amendment of the Articles  |
| <b>"Redemption Announcement"</b>                 | each announcement to be made by the Company to Shareholders through a Regulatory Information Service provider in advance of any Compulsory Redemption   |
| <b>"Redemption Date"</b>                         | the date on which a Compulsory Redemption becomes effective   |
| <b>"Redemption Price"</b>                        | the Net Asset Value per Share in respect of the Shares that will be redeemed on a particular Redemption Date (as at a Net Asset Value Date selected by the Directors), less the costs associated with the relevant redemption and as adjusted as the Directors consider appropriate |
| <b>"Redemption Record Date"</b>                  | in respect of any Compulsory Redemption, the close of business on the relevant Redemption Date or as otherwise set out in the relevant Redemption Announcement  |
| <b>"Registrar"</b>                               | Link Asset Services   |
| <b>"Relevant Percentage"</b>                     | the percentage of Shares to be redeemed by the Company on a particular Redemption Date  |
| <b>"Resolutions"</b>                             | Resolution 1, Resolution 2, Resolution 3 and Resolution 4 (as set out in the Notice of Extraordinary General Meeting  |

|                             |                    |  |
|-----------------------------|--------------------|--|
|                             |                    | appended to this Circular)   |
| <b>"Regulatory Service"</b> | <b>Information</b> | a regulatory information service, being one of the service providers listed in Schedule 12 of the Listing Rules  |
| <b>"Rules"</b>              |                    | the Guernsey Authorised Closed-Ended Investment Schemes Rules 2008   |
| <b>"Securities Act"</b>     |                    | the US Securities Act of 1933, as amended  |
| <b>"Shareholders"</b>       |                    | holders of Shares  |
| <b>"Shares"</b>             |                    | ordinary shares of no par value in the capital of the Company  |
| <b>"Special Resolution"</b> |                    | a special resolution set out in the Notice of Extraordinary General Meeting and to be proposed at the Extraordinary General Meeting, which requires a majority representing not less than three-fourths of the Shareholders present in person or by proxy and entitled to vote and voting at the appropriate meeting |
| <b>"SPV"</b>                |                    | a special purpose vehicle, being a company or other entity whose sole purpose is the holding of any particular asset or assets   |
| <b>"US Persons"</b>         |                    | as defined in Regulation S under the Securities Act  |

## APPENDIX

### CURRENT INVESTMENT OBJECTIVE AND POLICY

*"The Company's Investment Objective is to provide Shareholders with a sustainable and attractive level of dividend income, primarily by way of investment in Credit Assets both directly through the Platforms and indirectly, in each case as contemplated by the Investment Policy.*

*The Company continues to pursue the Investment Objective by investing in a diversified portfolio of Credit Assets, both directly and indirectly. The Company holds Credit Assets through to maturity (subject to the making of indirect investments as described below).*

#### *Credit Assets*

*Credit Assets are loans, debt or credit instruments of any type originated through any of the Platforms. The type of loans or debt or credit instruments available through the Platforms may vary from time to time, and Funding Circle may in the future acquire, establish and/or operate Platforms in addition to its existing Platforms. In October 2015 Funding Circle acquired an operator of business lending platforms in Germany and the Netherlands, and is exploring further options (both in terms of organic expansion and acquisition) that may result in the availability of new Platforms in other countries in the future. On 14 March 2016, the Company announced the commencement of the purchasing of loans by the CE Platforms. When Funding Circle determines that any new Platform may be suitable for receiving investments from the Company (for example, when any such Platform is operational and is able to facilitate investment in Credit Assets by the Company in a manner consistent with this Prospectus), then Funding Circle may propose to the Company the terms and documentation on which investments in Credit Assets originated through such Platform shall be made (subject always to the Allocation Limits, below). The determination as to whether to proceed with investment in Credit Assets originated through a Platform other than the existing Platforms will be made by the Board (subject to the working capital requirements of the Company), and may be subject to other requirements to the extent that the relevant origination and servicing arrangements constitute "related party transactions" for the purposes of the Listing Rules (it being noted that it is currently intended that the aggregate remuneration payable to Funding Circle (or other persons which are "related parties" of the Company for the purposes of the Listing Rules) will not exceed 5 per cent. of the Company's NAV per annum, such that the modified requirements for smaller related party transactions will be applicable to such arrangements.*

#### *Direct Investment in Credit Assets*

*Pursuant to the Origination Agreements, the Company receives a random allocation of Qualifying Assets originated through the Platforms on each Business Day (as defined for the purposes of each Origination Agreement).*

*Subject to the Allocation Limits, the borrowing limitation and the other limitations described below, the Company is obliged to invest in all Credit Assets allocated to the Company without resulting in a breach of the Investment Policy (or any Portfolio Limits), and in each case subject to the Company and/or the relevant IrishCo having sufficient Available Cash.*

#### *Indirect Investment in Credit Assets*

*In addition to direct investments in Credit Assets the Company may, where the Board specifically determines and approves, invest indirectly in Credit Assets by means of the creation of, or participation in, securitisation or similar structures or instruments alongside third parties (which may include, without limitation, collective investment vehicles, institutional investors, commercial banks or supra-national agencies and government institutions).*

*The Board may determine to pursue indirect investment in Credit Assets for such reasons as it deems appropriate having regard to the Investment Objective. Indirect investment in Credit Assets may be undertaken by such means, and through investment in such instruments or securities, as the Board may approve. This may include (without limitation) the following techniques.*

- The acquisition, alongside one or more third parties, of debt or equity securities of whatever type or class (including in junior tranches) issued by special purpose vehicles or*

issuers established by any person (including Funding Circle and/or its Affiliates) in respect of the securitisation of underlying Credit Assets which have not previously been funded or held by the Company (or the relevant IrishCo).

- The securitisation by the Company (or the relevant IrishCo) of Credit Assets initially funded or held by the Company (or the relevant IrishCo) through the formation of a bankruptcy remote SPV and the issuance by that entity of certain asset backed securities secured on the assets within that SPV. Those asset backed securities may be acquired by one or more third parties, as well as by the Company (or the relevant IrishCo) which may acquire debt or equity securities of whatever type or class (including in junior tranches) so issued.

In either of the above scenarios, the relevant SPV used for securitisation will be ring-fenced from other SPVs or entities investing in or holding Credit Assets, and there will be no crosscollateralisation between SPVs in which the Company invests.

The Board will only approve the making of any indirect investment, however structured, if it is first satisfied that the making of such indirect investment will not result at the time of making the investment in a breach, on a “look-through” basis, of the Investment Policy (including the Allocation Limits, the borrowing limitation and the other restrictions described herein) or any Portfolio Limits. Indirect investments proposed to be made by an IrishCo will also require the approval of the relevant IrishCo Board. Where indirect investment in Credit Assets is made alongside third party participants, such that the Company is not the sole (indirect) owner of the relevant Credit Assets, the Investment Policy and any Portfolio Limits will be applied to the relevant indirect investments on a pro rata basis, proportionate to the Company’s indirect interest in the underlying Credit Assets. Investment in indirect investments is also subject to the Company (or the relevant IrishCo, as the case may be) having sufficient Available Cash.

As noted above, Funding Circle may (where it is lawfully able so to do) participate in the structuring, establishment and operation of vehicles established in connection with indirect investment in Credit Assets and may earn and retain remuneration or profits for performing any such role or service. It is anticipated that each relevant SPV will enter into service agreements with Funding Circle for the provision of services similar to those contemplated by the Servicing Agreements in the context of the Company’s portfolio of Credit Assets.

Funding Circle does not currently arrange, advise on or manage any indirect investment in Credit Assets by the Company (or the relevant IrishCo) but the Board may agree (subject to applicable law and regulation at the time, and to any requirements of the Listing Rules including those governing related party transactions) to appoint Funding Circle to provide services in connection with indirect investments in future (where it is lawfully able to do so).

#### Allocation Limits

The Company will invest in Credit Assets originated through the various Platforms in each case (whether directly or indirectly) subject to the Allocation Limits described below. The proportionate division between Credit Assets originated through the respective Platforms must fall within the ranges set out below. The actual proportion within the ranges will be determined by Funding Circle UK (and communicated by Funding Circle UK to Funding Circle US, Funding Circle CE, and other Funding Circle group entities, as appropriate) pursuant to the Services Agreement (such proportions being the “Allocation Limits”).

The Allocation Limits will be set by Funding Circle UK within the following parameters:

- Credit Assets originated through the UK Platform: Between 50 per cent. and 100 per cent. of GAV.
- Credit Assets originated through the US Platform: Between 0 per cent. and 50 per cent. of GAV.
- Credit Assets originated through other Platforms (including the CE Platforms): Between 0 per cent. and 15 per cent. of GAV.

In respect of direct or indirect investment, Funding Circle will allocate Credit Assets to the Company (pursuant to the allocation process described in Part 1 of this Prospectus in respect of direct investments) with regard to the Allocation Limits.

#### Borrowing Limitation

*In pursuit of the Investment Objective, the Company may borrow or use leverage, and may guarantee the borrowings of its Affiliates and Near Affiliates. Such borrowings or leverage will be used for the acquisition (directly or indirectly) of Credit Assets in accordance with the Investment Policy, or for the re-financing of Credit Assets previously acquired. Borrowing may be effected at the level of the Company or any of its Affiliates or Near Affiliates. In this regard, it should be noted that the Company may establish SPVs, whether as Affiliates, Near Affiliates or otherwise in connection with obtaining leverage against any of its assets or in connection with the securitisation of its Credit Assets. Such SPVs may be retained as Affiliates, but independently owned SPVs which are not Affiliates of the Company may be used to seek to protect the levered portfolio from group level bankruptcy or financing risks.*

*The aggregate leverage or borrowings of the Company, its Affiliates and any Near Affiliates (including the relevant IrishCo) and guarantees of such borrowing or leverage by such person(s), shall not exceed (at the time the relevant indebtedness is incurred or guarantee given) 0.5 times the then-current NAV. Notwithstanding the foregoing, no borrowing or debt financing arrangements made between or among any of the Company, any Affiliate of the Company or any Near Affiliate (including, without limitation, the borrowings of the relevant IrishCo under the relevant Note) shall count as borrowings, leverage or guarantees by any such person for the purposes of the foregoing limit.*

*There will be no obligation to alter the Company's (or any other relevant person's) borrowing or guarantee arrangements as a result of any subsequent variation in NAV. The Company may also, in connection with seeking such leverage or securitising Credit Assets, seek to assign existing assets to one or more SPVs and/or seek to acquire loans using an SPV.*

*The Company, its Affiliates or its Near Affiliates may employ leverage by borrowing funds from brokerage firms, banks and other financial institutions and/or through the use of derivatives and other non-fully funded instruments. Leverage obtained through borrowing will be obtained from the relevant lender. Leverage obtained through the use of derivatives and other non-fully funded instruments is obtained from the relevant counterparty.*

*The Company does not currently grant any guarantee under any leveraging arrangement. The grant of any such guarantee would be disclosed to Shareholders in accordance with the AIFM Directive.*

*Save as described above, there are no restrictions on the use of leverage by the Company except for those imposed by applicable law, rules and/or regulations. Funding Circle UK shall (to the extent it may lawfully do so) negotiate and implement all borrowing on behalf of the Company, as contemplated by the Services Agreement (subject to the restrictions and requirements in respect of indirect investments as described above).*

#### *Other Limitations*

*In addition to the Allocation Limits and the borrowing limitation described above, in no circumstances will Credit Assets be acquired by the Company, nor will indirect exposure to Credit Assets be acquired, if such acquisition or exposure would result in:*

- in excess of 50 per cent. of the Gross Asset Value being represented by Credit Assets in respect of which the relevant borrower is located in the US; or*
- the amount of the relevant loan or borrowing represented by any one Credit Asset exceeding, or resulting in the Company's exposure to a single borrower (legal entity) exceeding (at the time such investment is made) 0.75 per cent. of NAV.*

#### *Uninvested Cash*

*The Company may invest cash held for working capital purposes and pending investment or distribution in cash or cash equivalents, government or public securities (as defined in the rules of the FCA), money market instruments, bonds, commercial paper or other debt obligations with banks or other counterparties having a "BBB" (or equivalent) or higher credit rating as determined by any internationally recognised rating agency selected by the Board (which may or may not be registered in the EU)."*

**FUNDING CIRCLE SME INCOME FUND LIMITED**

*(A company incorporated in Guernsey under The Companies (Guernsey) Law, 2008, as amended, with registered no.60680)*

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at De Catapan House, 1 Grange Terrace, St Peter Port, Guernsey GY1 2QG at 9:15 a.m. on 11 June 2019 to consider and, if thought fit, to pass the following resolutions:**

**ORDINARY RESOLUTION**

**THAT:**

1. the Company modify its Investment Objective and Policy in the manner described in the Circular sent by the Company to its Shareholders on 21 May 2019 (the "**Circular**");
2. conditional upon the passing of Resolution 1 above, the Company appoints Funding Circle Global Partners Limited to facilitate potential portfolio sales on behalf of the Company;

**SPECIAL RESOLUTION**

**THAT:**

3. conditional upon the passing of Resolution 1 above, the New Articles, which are drafted to effect the Proposals described in the Circular, be approved and adopted as the articles of incorporation of the Company in substitution for and to the exclusion of the existing Articles in the form presented to the meeting and initialled by the Chairman for the purpose of identification; and
4. conditional upon the passing of Resolution 1 above, the Company change its name from "Funding Circle SME Income Fund Limited" to "SME Credit Realisation Fund Limited".

Save where the context requires otherwise, the definitions contained in the Circular shall have the same meanings where used in these Resolutions.

*By order of the Board*

Sanne Group (Guernsey) Limited  
Secretary

*Registered office:*

De Catapan House  
1 Grange Terrace  
St Peter Port  
Guernsey  
GY1 2QG

Date: 21 May 2019

### **Explanatory notes to the Notice of Extraordinary General Meeting:**

1. The approval of a majority of the total number of votes cast by Shareholders being entitled to vote is required to pass an Ordinary Resolution while the approval of not less than 75 per cent. of the total number of votes cast by Shareholders being entitled to vote is required to pass a Special Resolution.
2. A member of a company is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at a meeting of the Company. A member may appoint more than one proxy in relation to a meeting, provided that each proxy is appointed to exercise the rights attached to a different Share or Shares held by him.
3. Please indicate with an 'X' in the appropriate box how you wish your vote to be cast in respect of each Resolution. If you do not insert an 'X' in the appropriate box your proxy will vote or abstain at his discretion.
4. Any instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation either under its common seal or under the hand of an officer or attorney so authorised.
5. All joint holders should be named but the signature of any one is sufficient. In all cases, names must be entered as they appear on the Company's register.
6. Where there are joint registered holders of any Shares, such persons shall not have the right of voting individually in respect of such Share but shall elect one of their number to represent them and to vote whether in person or by proxy in their name. In default of such election the person whose name stands first on the Company's register of members shall alone be entitled to vote.
7. Any corporate which is a member of the Company may by resolution of its directors or other governing body or officers authorised by such body authorise such person as it thinks fit to act as its representative at any meeting of the Company and the person so authorised shall be entitled to exercise the same power on behalf of the corporation which he represents as that corporate could exercise if it were an individual member of the Company.
8. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority shall be delivered to Link Asset Services, PXS 1, The Registry, 34 Beckenham Road, Kent, BR3 4TU, United Kingdom not less than forty-eight hours (excluding weekends) before the time appointed for holding the meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken more than 48 hours after it is demanded, not less than twenty four (24) hours (excluding weekends) before the time appointed for the taking of the poll and in default, unless the Board directs otherwise, the instrument of proxy shall not be treated as valid.
9. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (RA10) not later than 48 hours before the time appointed for holding the meeting (excluding weekends). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
10. Only Shareholders registered in the register of members of the Company at the close of business on 7 June 2019 shall be entitled to attend or vote at the aforesaid meeting in respect of the number of Shares registered in their name at the time, or in the event that the meeting is adjourned in accordance with the provisions contained in the Company's Articles, in the register of members at close of business two days before the time of any adjourned meeting. Changes to entries on the register of members after such time or, in the event that the meeting is adjourned, to entries in the register of members after close of business before the time of the adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.

11. To change your proxy instructions, simply submit a new proxy appointment using the method set out above. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence. Please note that the cut-off time for receipt of proxy appointments also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
12. To appoint more than one proxy you may photocopy the Form of Proxy. Please indicate the proxy holder's name and the number of Shares in relation to which they are authorised to act as your proxy (which, in the aggregate, should not exceed the number of Shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
13. Completion of the Form of Proxy will not prevent a member from attending the meeting and voting in person should the member so wish.
14. Any alterations made to the Form of Proxy should be initialled.