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This announcement is an advertisement and not a prospectus. It does not constitute an offer of securities for sale or subscription in any jurisdiction. Investors should not subscribe for or purchase any securities referred to in this announcement except in compliance with applicable securities laws and only on the basis of information in the prospectus (the "**Prospectus**") expected to be published by Funding Circle SME Income Fund Limited (the "**Company**") in due course in connection with the Issue (as defined below) and the proposed admission of its ordinary shares (the "**Ordinary Shares**") to listing on the Premium Segment of the Official List (the "**Official List**") of the Financial Conduct Authority (the "**FCA**") and to trading on the main market for listed securities of the London Stock Exchange plc (the "**London Stock Exchange**") (together, "**Admission**"). The Prospectus will be, following publication, available for inspection, subject to applicable securities laws, from the Company's website at [www.fcsmeif.com](http://www.fcsmeif.com).

24 September 2015

## FUNDING CIRCLE SME INCOME FUND LIMITED

Announcement of intention to launch a new London-listed fund  
investing in loans originated by Funding Circle, the leading marketplace for small business loans

- Funding Circle SME Income Fund intends to raise £150 million via an initial placing and offer for subscription.
- The Company will provide investors with access to a diversified pool of loans originated through Funding Circle's marketplaces (the "**Marketplaces**").
- The Company's investment policy will focus on small business lending in the UK and US.
- Funding Circle SME Income Fund will become a strategic lender to the Funding Circle marketplaces and is intended to grow in line with those marketplaces.
- The target NAV total return will be 8-9% per annum.<sup>1</sup>
- The target dividend yield will be 6-7% per annum.<sup>1</sup>
- There will be no fund management or performance fees charged at the Company level.
- Funding Circle is in discussion with the European Investment Bank in connection with a project to provide financing to UK SMEs via the UK marketplace. It is envisaged that the Company may participate in this financing project, subject to Board and EIB approval.

### Richard Boléat, Chair of the Funding Circle SME Income Fund, commented:

*"Funding Circle SME Income Fund is a differentiated new entrant to the alternative lending sector, with unrivalled access to the Funding Circle marketplaces, a focus on small business lending in the UK and US, a conservative gearing policy and a competitive cost structure."*

### Samir Desai, CEO of Funding Circle, commented:

*"This will be the first fund to exclusively lend to small businesses through the Funding Circle marketplaces, and is a response to the huge demand we're seeing from a wide range of investors for small business loans. Today marks an important step on our journey to creating a global marketplace where any investor, big or small, can lend to small businesses across the world."*

### For more information, please contact:

#### Goldman Sachs International

Tel. +44 (0)20 7774 1000  
Daniel Martin  
Chris Emmerson

#### Numis Securities Limited

Tel. +44 (0)20 7260 1000  
Nathan Brown  
Rupert Krefting  
James Glass

#### Media Enquiries

David de Koning / Natasha Jones  
+44 (0)20 3667 2245  
[press@fundingcircle.com](mailto:press@fundingcircle.com)

<sup>1</sup> These targets are applicable once the IPO proceeds are fully deployed and, in respect of the NAV total return, also once the Company's leverage policy has been implemented. These are targets only and not forecasts. There can be no assurance that these targets can or will be met, and it should not be seen as an indication of the Company's expected or actual results or returns. Accordingly, investors should not place any reliance on these targets in deciding whether to invest in the Ordinary Shares, or assume that the Company will make any distributions at all.

## ABOUT FUNDING CIRCLE SME INCOME FUND

The Company today announces its intention to offer up to 150 million<sup>2</sup> Ordinary Shares of no par value each at an issue price of £1.00 per Ordinary Share pursuant to a placing and offer for subscription (together the “**Issue**”). It is intended that the Company will seek admission of the Ordinary Shares to the premium listing segment of the Official List and for all such Shares to be admitted to trading on the main market of the London Stock Exchange.

The Company is intending to apply to be declared as a Registered Closed-ended Investment Scheme registered pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended and the Registered Collective Investment Scheme Rules 2015 issued by the Guernsey Financial Services Commission. The Company has not yet applied for or received such declaration.

The Company will pursue its Investment Objective and implement the Investment Policy set out below. It is intended that the aggregate proceeds of the issue of the Ordinary Shares, less the fees and expenses of the Issue (the “**Net Issue Proceeds**”) will be substantially fully invested in accordance with the Investment Policy within nine months from Admission.

The Company will be self-managed by its board of directors (the “**Board**”).

## MARKET OPPORTUNITY

Funding Circle is a technology platform that connects investors directly with small businesses looking for finance. Since launching in 2010, more than 10,000 small businesses have borrowed over \$1 billion from investors in the UK and US.

The Company has identified the platform as a leader in the growing marketplace lending space. It is the largest UK marketplace lending platform to small businesses, and investors through the UK marketplace are, in aggregate, the fifth highest net lender to SMEs in the UK in each case in the second quarter of 2015.

The Company believes that certain marketplace lending platforms with established infrastructure, scale of origination volumes and expertise in accurately assessing loan applications, are well placed to compete for originations against traditional financial institutions, challenger banks, direct lending funds and other forms of alternative lending platforms.

The Funding Circle marketplaces have now become well established in their respective markets, and present a broad (and potentially growing) range of products. Funding Circle’s technology-driven origination platform and experienced credit team has enabled Funding Circle to offer a transparent financing option to a diverse and growing borrower base, and attractive, stable returns to a broad range of investors.

## INVESTMENT OBJECTIVE

The Company’s Investment Objective is to provide its shareholders with a sustainable and attractive level of dividend income, primarily by way of investment in loan or debt or credit investment of any type originated through any of the Marketplaces (“**Credit Assets**”) both directly through the Marketplaces and indirectly, in each case as contemplated by the Investment Policy.

## INVESTMENT POLICY

The Company intends to achieve its Investment Objective by investing in a diversified portfolio of Credit Assets, both directly and indirectly.

### *Allocation Limits*

The Company will invest in Credit Assets originated through the various Marketplaces (whether directly or indirectly) in each case subject to the Allocation Limits described below. The proportionate division between Credit Assets originated through the respective Marketplaces 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, and other Funding Circle group entities, as appropriate) pursuant to the Services Agreement (such proportions being the “**Allocation Limits**”).

<sup>2</sup> If commitments and applications are received for more than 150 million Ordinary Shares, the directors of the Company reserve the right to increase the maximum number of Ordinary Shares issued to 200 million on the basis set out in the Prospectus.

## INVESTMENT POLICY (CONTINUED)

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

- Credit Assets originated through the UK Marketplace: Between 50 per cent. and 100 per cent. of GAV.
- Credit Assets originated through the US Marketplace: Between 0 per cent. and 50 per cent. of GAV.
- Credit Assets originated through other Marketplaces: Between 0 per cent. and 15 per cent. of GAV.

### *Borrowing Limitation*

The aggregate leverage of the Company and any investee entity formed or controlled by the Company in connection with its indirect investment in Credit Assets (on a look-through basis, including borrowing through securitisation of Credit Assets previously acquired directly or indirectly by the Company) shall not in aggregate exceed (at the time the relevant indebtedness is incurred) 0.25 times the then-current NAV, or up to 0.5 times the then-current NAV with the specific further approval of the Board. There will be no obligation to alter the Company's (or any other relevant person's) borrowing 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.

### *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 GAV 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.

## TARGET DIVIDEND AND DIVIDEND POLICY<sup>3</sup>

The Company is targeting an annual (unlevered) dividend of between 6 pence and 7 pence per Ordinary Share once the Company's portfolio is fully deployed.

The Company currently expects to pay a dividend of 0.75 pence per Ordinary Share by 31 April 2016 in respect of the quarter to 31 March 2016, and thereafter at a rate of 1.5 pence to 1.75 pence per Ordinary Share in respect of each subsequent quarter. The Company further intends to target a net total return (once leverage is in place in accordance with the Investment Policy) of between 8 per cent. and 9 per cent.

## THE BOARD OF DIRECTORS

The Board comprises five directors, all of whom are non-executive and all of whom except Samir Desai are independent of Funding Circle. Details of each of the directors are set out below.

### *Richard Boléat (Chairman)*

- Chairman of CVC Credit Partners European Opportunities Limited, listed on the London Stock Exchange, and Yatra Capital Limited, listed on Euronext, along with a number of other substantial collective investment and investment management entities established in Jersey, the Cayman Islands and Luxembourg. Specialises in hedge, private equity, corporate credit and real estate funds, SPVs and investment management groups.
- Licensed and regulated by the Jersey Financial Services Commission, and a Fellow of the Institute of Chartered Accountants in England & Wales.

<sup>3</sup>These are targets only and not forecasts. There can be no assurance that these targets can or will be met, and it should not be seen as an indication of the Company's expected or actual results or returns. Accordingly, investors should not place any reliance on these targets in deciding whether to invest in the Ordinary Shares, or assume that the Company will make any distributions at all.

## THE BOARD OF DIRECTORS (CONTINUED)

### *Jonathan Bridel*

- Non-executive chairman or director of various listed and unlisted investment funds and private equity investment managers including Alcentra European Floating Rate Income Fund Limited, Starwood European Real Estate Finance Limited, The Renewables Infrastructure Group Limited and Sequoia Economic Infrastructure Income Fund Limited which are listed on the premium segment of the London Stock Exchange.
- Previously Managing Director of Royal Bank of Canada's investment businesses in the Channel Islands.

### *Richard Burwood*

- Non-Executive Director of the RoundShield Fund (European asset-backed special opportunities fund providing financing to small and mid-cap businesses) since Jan-2014 and the TwentyFour Income Fund (UK and European asset-backed fund) since Jan-2013.
- Was previously investment manager at Man Fund Management (Guernsey) and Executive Director and Portfolio Manager at EFG Financial Products Guernsey.

### *Frederic Hervouet*

- Non-executive director for a number of hedge funds, private equity & credit funds (including structured debt, distressed debt and asset backed securities), for both listed (SFM on LSE, Euronext) and unlisted vehicles
- Managing Director and Head of Commodity Derivatives Asia for BNP Paribas including Trading, Structuring and Sales until Sep-2013, and prior to that was involved in two multi-billion multi-strategy hedge funds
- Member of the UK Institute of Directors, a member of the Guernsey Chamber of Commerce and a member of the Guernsey Investment Fund Association

### *Samir Desai*

- Global CEO and co-founder of Funding Circle
- Was previously an Executive at Olivant, a private equity investor in financial services businesses in Europe, the Middle East and Asia and a management consultant at BCG advising a number of major UK and global banks and insurers

## FEEES AND EXPENSES

### *Initial expenses*

The initial expenses of the Company are those which are necessary for the incorporation of the Company, Admission and the Issue and are capped at two per cent. of the Gross Issue Proceeds. Any excess initial expenses will be met by Funding Circle UK.

### *Ongoing expenses*

The Company will not pay any direct fund management or performance fees.

In a similar manner to other institutional investors acquiring whole loans through the Marketplaces, the Company (directly or indirectly) will, however, bear fees in connection with the servicing of its investment portfolio. As at Admission, the fees payable to Funding Circle UK and Funding Circle US under the Servicing Agreements are 1 per cent per annum on the aggregate Outstanding Principal Balance of the respective portfolio. In addition the Company will bear (directly or indirectly) a percentage of any collections received on any charged-off assets and will reimburse expenses incurred in the performance duties under the Servicing Agreements. These fees may be reviewed in future by agreement between the parties to the Servicing Agreement (subject to compliance with the Listing Rules, where relevant). Where the Company invests indirectly, the fees payable to Funding Circle will be determined by the Board on a case by case basis. The Company will also pay to Funding Circle UK an annual fee of 0.1 per cent of daily NAV for the provision of certain corporate services under the Services Agreement. Additional fees and expenses will be payable to other service providers.

## IMPORTANT INFORMATION

The contents of this announcement, which have been prepared by and are the sole responsibility of the Company, have been approved by Goldman Sachs solely for the purposes of section 21(2)(b) of the Financial Services and Markets Act 2000, as amended (the "FSMA"). This announcement is not intended for distribution to, or use by, any person in any jurisdiction where such distribution or use would be contrary to local laws or regulations.

Each of Goldman Sachs International ("Goldman Sachs") and Numis Securities Limited ("Numis") (together the "Banks") and their respective affiliates expressly disclaim any obligation or undertaking to update, review or revise any forward-looking statements contained in this announcement whether as a result of new information, future developments or otherwise.

This announcement contains "forward-looking" statements, beliefs or opinions. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the control of the Company and all of which are based on its directors' current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believes", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "projects", "continues", "assumes", "positioned" or "anticipates" or the negative thereof, other variations thereon or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events, assumptions or intentions. These forward-looking statements include all matters that are not historical facts. Forward-looking statements may and often do differ materially from actual results. They appear in a number of places throughout this announcement and include statements regarding the intentions, beliefs or current expectations of the Board or the Company with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company's business concerning, amongst other things, the financial performance, liquidity, prospects, growth and strategies of the Company. These forward-looking statements and other statements contained in this announcement regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Company. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed or implied in such forward-looking statements. The forward-looking statements contained in this announcement speak only as of the date of this announcement. Nothing in this announcement is, or should be relied on as, a promise or representation as to the future. The Company disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this announcement to reflect any change in its expectations or any change in events, conditions or circumstances on which such statements are based unless required to do so by applicable law, the Prospectus Rules, the Listing Rules or the Disclosure Rules and Transparency Rules of the FCA. No statement in this announcement is intended as a forecast or profit estimate.

Neither this announcement nor any copy of it may be made or transmitted into the United States of America (including its territories or possessions, any state of the United States of America and the District of Columbia) (the "United States"), or distributed, directly or indirectly, in the United States or to US Persons (as such term is defined in Regulation S under the US Securities Act of 1933, as amended (the "Securities Act")). Neither this announcement nor any copy of it may be taken or transmitted directly or indirectly into Australia, Canada, Japan or South Africa or to any persons in any of those jurisdictions, except in compliance with applicable securities laws. Any failure to comply with this restriction may constitute a violation of United States, Australian, Canadian, Japanese or South African securities laws. The distribution of this announcement in other jurisdictions may be restricted by law and persons into whose possession this announcement comes should inform themselves about, and observe, any such restrictions. This announcement does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for securities in the United States, Australia, Canada, Japan or South Africa or in any jurisdiction to whom or in which such offer or solicitation is unlawful.

The Company has not been and will not be registered under the US Investment Company Act of 1940, as amended (the "Investment Company Act"), and investors will not be entitled to the benefits thereof. In addition, the Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and, subject to certain exceptions, may not be offered, sold, pledged, or otherwise transferred, directly or indirectly, in or into the United States or to or for the account or benefit of US persons (as such terms are defined in Regulation S under the Securities Act ("Regulation S")). There will be no public offer of the Ordinary Shares in the United States.

The securities referred to herein have not been registered under the applicable securities laws of Australia, Canada, Japan or South Africa and, subject to certain exceptions, may not be offered or sold within Australia, Canada, Japan or South Africa or to any national, resident or citizen of Australia, Canada, Japan or South Africa.

The securities to which this announcement relates have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Ordinary Shares or the accuracy of adequacy of this announcement. Any representation to the contrary is a criminal offence in the United States.

Marketing for the purposes of the Directive 2011/61/EU (the "AIFMD") by the Company and/or any third party on its behalf will only take place in an EEA Member State if the Company is appropriately registered or has otherwise complied with the requirements under AIFMD (as implemented in the relevant EEA Member State) necessary for such marketing to take place.

This announcement is only addressed to and is only directed at persons in EEA Member States who are "qualified investors" within the meaning of Article 2(1)(e) of Directive 2003/71/EC, as amended including by Directive 2010/73/EU, (the "Prospectus Directive"). Any person who is not a qualified investor should not act or rely on this document or any of its contents.

## IMPORTANT INFORMATION (CONTINUED)

Any purchase of Ordinary Shares in the Issue should be made solely on the basis of the information contained in the Prospectus, which will contain detailed information about the Company and its management, as well as financial statements. Before purchasing any Ordinary Shares, persons viewing this announcement should ensure that they fully understand and accept the risks which will be set out in the Prospectus. The information in this announcement is for background purposes only and does not purport to be full or complete. No reliance may be placed for any purpose on the information contained in this announcement or its accuracy or completeness. This announcement does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for any Ordinary Shares or any other securities nor shall it (or any part of it) or the fact of its distribution, form the basis of, or be relied on in connection with, any contract therefor.

This announcement does not constitute a recommendation concerning the Issue. The price and value of securities and any income from them can go down as well as up. Past performance is not a guide to future performance. Information in this announcement or any of the documents relating to the Issue cannot be relied upon as a guide to future performance. The IPO timetable, including the date of Admission, may be influenced by a range of circumstances such as market conditions. There is no guarantee that Admission will occur and you should not base your financial decisions on the Company's intentions in relation to Admission at this stage. Potential investors should consult a professional advisor as to the suitability of the Issue for the entity concerned.

Goldman Sachs is authorised by the Prudential Regulation Authority (the "PRA") and regulated in the United Kingdom by the PRA and the FCA, and Numis is authorised and regulated by the FCA. Each of the Banks is acting exclusively for the Company and no one else in connection with the Issue. None of the Banks will regard any other person (whether or not a recipient of this document) as a client in relation to the issue and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for the giving of advice in relation to the Issue or any transaction, matter or arrangement referred to in this announcement.

In connection with the Issue, each of the Banks and any of their respective affiliates, acting as investors for their own accounts, may subscribe for or purchase Ordinary Shares and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Ordinary Shares and other securities of the Company or related investments in connection with the Issue or otherwise. Accordingly, references in the Prospectus to the Ordinary Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by any of the Banks or any of their respective affiliates acting as investors for their own accounts. Goldman Sachs and Numis and their respective affiliates do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Banks by FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of the Banks or any of their respective affiliates accepts any responsibility whatsoever for, or makes any representation or warranty, express or implied, as to the contents of this announcement or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares or the Issue and nothing in this announcement will be relied upon as a promise or representation in this respect, whether or not to the past or future. Each of the Banks and their respective affiliates accordingly disclaims all and any responsibility or liability, whether arising in tort, contract or otherwise (save as referred to above) in respect of this announcement or any such statement.

Certain figures contained in this announcement, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this announcement may not conform exactly with the total figure given.