

FUNDING CIRCLE SME INCOME FUND LIMITED

Disclosure Document in respect of the Alternative Investment Fund Managers
Directive (“AIFMD”)

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Last update: October 2016

Introduction

Article 23(1) and (2) of the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers Directive (the "**AIFMD**") requires that Alternative Investment Fund Managers ("AIFMs") shall for each of the Alternative Investment Funds ("AIFs") that they market in the European Economic Area make available to AIF investors, in accordance with the AIF rules or instruments of incorporation, certain information before they invest in the AIF, as well as any material changes thereof.

The Company is a self-managed AIF for the purpose of the AIFMD.

This document contains either the information required by Article 23(1) and (2) of the AIFMD to be made available to investors in Funding Circle SME Income Fund Limited (the "**Company**") before they invest in the Company or cross-refers to the relevant document available to investors that contains such information. The Company is required to publish a prospectus in accordance with 2003/71/EC of the European Parliament and Council. Therefore, only the disclosure requirements of Articles 23(1) and (2) of the AIFMD apply.

This document refers to, and should be read in conjunction with, the prospectus of the Company dated 12 November 2015 (the "**Prospectus**") relating to placing and offer for subscription of up to 150 million ordinary shares of no par value shares at an issue price of £1.00 per ordinary share and the share issuance programme of up to 350 million ordinary shares and/or class C shares in aggregate (the "**Issue**"). The Company issued a further 14,285,000 ordinary shares on 25 July 2016 at a price of £1.0153 each under a Placing and Sponsor's Agreement.

Capitalised terms used in this document have the same meaning as in the Prospectus. This document does not update or amend any part of the Prospectus.

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Regulatory reference	Information or document reference
<u>Article 23(1) a</u>	
A description of the investment strategy and objectives of the AIF	Prospectus Part 2 under ‘Investment Objectives’ and ‘Investment Policy’, pages 63-66
If the AIF is a feeder AIF, information on where the master AIF is established	Not applicable
If the AIF is a fund of funds, information on where the underlying funds are established	Not applicable
A description of the types of assets in which the AIF may invest;	Prospectus Part 2, pages 68-69
The investment techniques that the AIF, or the AIFM on behalf of the AIF, may employ and all associated risks	Investment technique described in the Prospectus under Part 3: The Investment Process, pages 73-80 Risk description in the Prospectus ‘Risk Factors’ section, pages 16-37 Risk Matrix is also maintained
Any applicable investment restrictions	Prospectus Part 2 in the following sections: - Allocation limits (page 65) - Other limitations (page 66) - Portfolio Data and Portfolio Limits (page 66) - Listing Rule Investment Restrictions (page 67)
The circumstances in which the AIF may use leverage	Prospectus Part 2 under ‘Borrowing Limitation’, page 65

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Regulatory reference	Information or document reference
The types and sources of leverage permitted and the associated risks	Prospectus Part 2 under ‘Borrowing Limitation’, page 65
Any restrictions on the use of leverage an any collateral and asset re-use arrangements	Prospectus Part 2 under ‘Borrowing Limitation’, page 65
The maximum level of leverage which the AIFM is entitled to employ on behalf of the AIF	Prospectus Part 2 under ‘Borrowing Limitation’, page 65
<u>Article 23(1) b</u>	
A description of the procedures by which the AIF may change its investment strategy or investment policy, or both	Prospectus Part 2 under ‘Investment Objectives’ and ‘Investment Policy’, pages 63-66
<u>Article 23(1) c</u>	
A description of the main legal implications of the contractual relationship entered into for the purpose of investment, including information on jurisdiction, the applicable law and the existence or absence of any legal instruments providing for the recognition and enforcement of judgements in the territory where the AIF is established	Prospectus Part 5: Issue Arrangements under the ‘Legal Implications of Investment in the Company’, page 97
<u>Article 23(1) d</u>	
The identity of the AIFM, the AIF’s depositary, the auditor and other service providers and a description of their duties and the investors’ rights	The Company is a self-managed AIF The Company is not required to appoint a depositary for the purpose of the AIFM Directive as noted on page 165 of the Prospectus The auditors of the Company are PricewaterhouseCoopers CI LLP

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	Other service providers and their duties are described on pages 6-8 of the Prospectus and their respective agreements with the Company The following additional service providers have been added to the Company’s Financial Position and Prospects Procedures Memorandum (“FPPP”) which were not mentioned in the Prospectus: - Funding Circle Spain has been appointed pursuant to the Spanish Origination Agreement and the Spanish Servicing Agreement. - Funding Circle Netherlands has been appointed pursuant to the Dutch Origination Agreement and the Dutch Servicing Agreement. - Funding Circle CE has been appointed pursuant to the German Origination Agreement and the German Servicing Agreement.
<u>Article 23(1) e</u>	
A description of how the AIFM complies with the AIFMD’s requirements relating to professional liability risk	Not applicable, the AIF is a self-managed AIFM
<u>Article 23(1) f</u>	
A description of: - Any AIFM management function delegated by the AIFM; - Any safe-keeping function delegated by the depositary; - the identity of each delegate appointed; and - any conflicts of interest that may arise from such delegations	No AIFM management function has been delegated although the Board of Directors of the Company has delegated some of the day-to-day portfolio management to Funding Circle No safe-keeping function has been delegated

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	There are no conflicts of interest identified from the delegated portfolio management function Other functions that the Board of Directors may delegate are described in the Prospectus under ‘Management’ on pages 84-85
<u>Article 23(1) g</u>	
A description of the AIF’s valuation procedure and of the pricing methodology for valuing assets, including the methods used in valuing any hard-to-value assets	Prospectus Part 4: Directors, Management and Administration under ‘Valuation Methodologies’, page 91
<u>Article 23(1) h</u>	
A description of the AIF’s liquidity risk management, including the redemption rights of investors in normal and exceptional circumstances, and the existing redemption arrangements with investors	Prospectus under ‘Risk Factors’, page 25
<u>Article 23(1) i</u>	
A description of all fees, charges and expenses, and the maximum amounts directly or indirectly borne by investors	Prospectus Part 4: Directors, Management and Administration under ‘Fees and expenses’, pages 87-90
<u>Article 23(1) j</u>	
A description of how the AIFM ensures a fair treatment of investors	Prospectus Part 4: Directors, Management and Administration under ‘Management’, pages 84-85

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Whenever an investor obtains preferential treatment or the right to obtain preferential treatment, a description of: - that preferential treatment; - the type of investors who obtain such preferential treatment; and - where relevant, their legal or economic links with the AIF or AIFM	Not applicable
<u>Article 23(1) k</u>	
The latest annual report	The Company published its first annual report for the period 22 July 2015 to 31 March 2016 on 23 June 2016. This report and copies of future annual reports will be made available on its website at http://fcincomefund.com
<u>Article 23(1) l</u>	
The procedure and conditions for the issue and sale of units or shares	Prospectus under ‘Share Capital’, pages 70-71
<u>Article 23(1) m</u>	
The latest net asset value of the AIF or the latest market price of the unit or shares of the AIF	Monthly Factsheet including the net asset value (“NAV”) per share is published on the Company’s website at http://fcincomefund.com/documents/ The Company’s shares are traded on the London Stock Exchange so the latest share price should be available on the www.londonstockexchange.com
<u>Article 23(1) n</u>	

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Where available, the historical performance of the AIF	Monthly Factsheet including the NAV per share, and including historical NAV per share, are published on the Company's website at http://fcincomefund.com/documents/
<u>Article 23(1) o</u>	
The identity of any prime broker: - a description of any material arrangements of the AIF with its prime brokerage firm and the way any conflicts of interest are managed; - the provision in the contract with the depositary on the possibility of transfer and reuse of AIF assets; - information about any transfer of liability to the prime brokerage firm that may exist	Not applicable, the Company has not appointed a prime broker as disclosed in the Prospectus under 'AIFM Directive' on pages 64-65
<u>Article 23(1) p</u>	
A description of how and when the information required under Article 23(4) and Article (23(5) of the AIFMD will be disclosed	Art. 23(4) requires the Company to disclose information relating to: (i) the percentage of the Company's assets that are subject to special arrangements arising from their illiquid nature; (ii) any new arrangements for managing the liquidity of the Company; and (iii) the current risk profile of the Company and the risk management systems employed by the Company to manage those risks.

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	The information shall be disclosed as part of the Company's periodic reporting to investors, as required by the Company's rules or articles of incorporation or at the same time as the prospectus and offering document and — at a minimum — at the same time as the Company's annual report is made available. The Company's latest annual report is available on the Company's website (http://www.fcincomefund.com). Art. 23(5) requires the Company to disclose on a regular basis: (i) any changes to: (a) the maximum level of leverage that the Investment Manager may employ on behalf of the Company; and (b) any right of re-use of collateral or any guarantee granted under the leveraging arrangement; and (ii) the total amount of leverage employed by the Company. Information on changes to the maximum level of leverage and any right of re-use of collateral or any guarantee under the leveraging arrangements shall be provided without undue delay. Information on the total amount of leverage employed by the Company shall be disclosed as part of the Company's periodic reporting to investors (monthly NAV, semi-annual report or annual report) as required by the Company's prospectus or applicable regulatory deadline in the case of the semi-annual report and the annual report. Any information that the Board believes is necessary to be communicated to investors ahead of the monthly NAV, semi-annual report or the annual report will be made by issuing an announcement via a Regulatory Information Service.

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Regulatory reference	Information or document reference
<u>Article 23(2)</u>	
An AIFM must inform investors before they invest in the AIF of any arrangement made by the depositary to contractually discharge itself of liability	Not applicable, the Company is not required to appoint a depositary for the purpose of the AIFM Directive as noted on page 165 of the Prospectus
The AIFM must also inform investors without delay of any changes with respect to depositary liability	Not applicable, the Company is not required to appoint a depositary for the purpose of the AIFM Directive as noted on page 165 of the Prospectus