

The Fund's objective is to generate steadily compounding returns for income and growth orientated investors with a long term investment horizon. It utilises LGB's expertise in secured SME lending and fixed income investing.

The LGB SME Fund is authorised by the Guernsey Financial Services Commission and may be marketed in the UK on a restricted basis to Investment Professionals, High Net Worth Investors and Sophisticated Investors.

## Key Facts

<b>Price at 31-Dec-18</b>	£115.40 (Starting at £100.00 1/6/16)	<b>Minimum Investment</b>	£20,000
<b>Fund Currency</b>	GBP	<b>Investment Advisor</b>	LGB Investments
<b>Fund Size</b>	£4,281,782	<b>Investment Manager</b>	Heritage Fund Managers Ltd
<b>Management Fees</b>	1% p.a. + 5% of increase in NAV	<b>Custodian</b>	ABN AMRO (Guernsey) Ltd
<b>Dealing (see Risk Factors below)</b>	Monthly (Redemptions at NAV -1%)	<b>Fund Domicile</b>	Guernsey
<b>Portfolio Composition</b>	Loan notes, shares and cash	<b>Auditor</b>	PWC CI LLP, Guernsey
<b>Fund Status</b>	Non-distributor ("roll-up")	<b>Pricing Information</b>	lgbc.com
<b>Subscriptions</b>	Heritage Capital Management Ltd	<b>ISIN</b>	GG00BG44XG61

## Performance & Commentary

The NAV was up 68bps this month to £115.40 which gives a one year performance of the fund's net asset value of 6.48%. Out of the total assets of the fund, 95.7% were invested in secured loan notes at the end of the month with a gross weighted average yield of 8.17%.

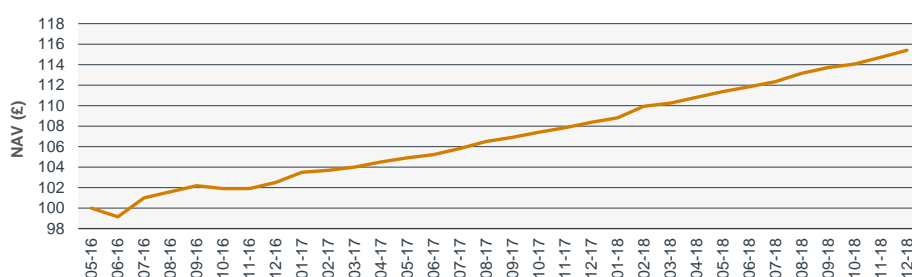
The portfolio is kept very liquid with 3% in cash and 70% of the portfolio invested in notes maturing within 2 years. During December the fund made a new one year investment in Windmill Extrusions Limited at 9%.

The fund continues to hold some small legacy AIM positions, currently 1.3% of the total fund, which it seeks to exit opportunistically. It is the intention that the fund will invest only in loan note issues going forward.

### NAV Performance

3 months	1.49%
6 months	3.18%
12 months	6.48%
Since establishment	15.40%

### LGB SME Fund NAV



Please note that past performance is not a guide to future performance.

## Asset Allocation as of 31 Dec 2018

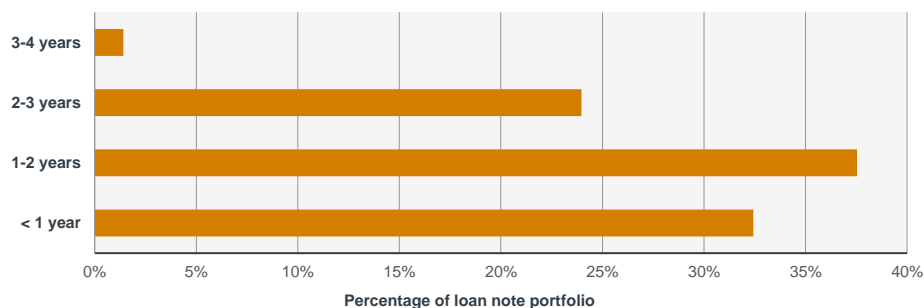
### Form of Investment

<b>Loan notes:</b>	96%
<b>AIM quoted shares:</b>	1%
<b>Cash:</b>	3%

**Portfolio fund: £4.3m**

Loan note issues:	32
Loan note issuers:	10
AIM shares:	4

### Duration Profile of Loan Notes



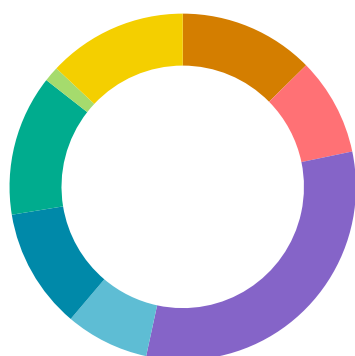
## Loan Note Portfolio as of 31 December 2018

Issuer	Sector	Interest Rate	Portfolio Weighting
<b>SRT Marine Systems plc</b>	Technology Hardware & Equipment	8.00% p.a.	11.7%
<b>AnCellTek Holdings Limited</b>	Consumer Goods	9.00% p.a.	11.6%
<b>Acamar Films Limited</b>	Licensing	8.50/9.00% p.a.	11.3%
<b>Sema Lease UK Limited</b>	Leasing	8.00% p.a.	10.7%
<b>Rivers Leasing Limited</b>	Leasing	8.00/8.50% p.a.	9.8%
<b>1pm plc</b>	Specialty Finance	6.50/7.00% p.a.	9.6%
<b>Windmill Extrusions Limited</b>	Industrial Manufacturing	9.00% p.a.	8.8%
<b>600 Group plc</b>	Industrial Engineering	8.00% p.a.	8.1%
<b>CLS Finance Limited</b>	Vehicle Financing	9.00% p.a.	7.0%
<b>SciSys plc</b>	Software	7.00% p.a.	7.0%
<b>Weighted Average Yield/Total</b>		<b>8.17% p.a.</b>	<b>95.7%</b>

## Equity Portfolio as of 31 December 2018

Issuer	Sector	AIM Ticker	Dividend Yield	Portfolio Weighting
<b>Collagen Solutions plc</b>	Healthcare	COS		0.4%
<b>Scancell Holdings plc</b>	Biotechnology	SCLP		0.4%
<b>Dillistone Group plc</b>	Technology	DSG	0.9%	0.3%
<b>Avingtrans plc</b>	Industrial Engineering	AVG	1.6%	0.2%
<b>Weighted Average Yield/Total</b>			<b>0.5%</b>	<b>1.3%</b>

## LGB SME Fund Sector Allocation



■ Licensing	13%
■ Industrial Manufacturing	9%
■ Leasing	32%
■ Software	8%
■ Specialty Finance	11%
■ Technology Hardware & Equipment	13%
■ AIM Equities	1%
■ Consumer Goods	13%

## UK Tax Reporting

Upon a realisation or other disposal of shares UK resident investors are liable for income tax on any increase in NAV. There are no UK tax reporting requirements for a tax year in which there have not been any disposals of shares.

## Risk Factors

The fund seeks to reduce portfolio risk through diversification of investments, robust security arrangements in the terms of loan notes and limited investment in shares on AIM. However, investors should note that:

- There is no market for loan notes and liquidity is limited on AIM. Consequently investors may experience delays in redeeming shares if redemption requests exceed the cash resources of the fund.
- Loan notes may experience events of default, in which case the fund may incur a capital loss or be required to enter a re-structuring process to recover its capital.
- AIM quoted shares can experience significant price fluctuations at times of market volatility or upon the announcement of company specific developments. These may affect the NAV of the fund.