

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 arranging issues of Medium Term Notes (MTNs) by SMEs and fixed income investing.

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

Key Facts

| | | | |
|----------------------------------|--|---------------------|-------------------------------------|
| Price at 31-Mar-21 | £130.56 (Starting at £100.00 1/6/16) | Minimum Investment | £20,000 |
| Fund Currency | GBP | Investment Advisor | LGB Investments |
| Fund Size | £5,799,465 | Investment Manager | Heritage Fund Managers Ltd |
| Management Fees | 1% p.a. + 5% of increase in NAV | Custodian | Butterfield Bank (Guernsey) Limited |
| Dealing (see Risk Factors below) | Monthly (Redemptions at NAV -1%) | Fund Domicile | Guernsey |
| Portfolio Composition | MTNs, shares and cash | Auditor | PWC CI LLP, Guernsey |
| Fund Status | Non-distributor ("roll-up") | Pricing Information | lgbc.com |
| Subscriptions | LGB Investments, Heritage Capital Management Ltd and 7IM | ISIN | GG00BG44XG61 |

Performance & Commentary

The NAV increased this month from £129.60 to £130.56 (+96bps). This represents a new high. The monthly return comprised a combination of interest received in the MTN portfolio as well as receipt of some capital repayments at par that had been valued at a discount during the first national lockdown one year ago. Provisions taken at that time can be seen in the NAV chart below.

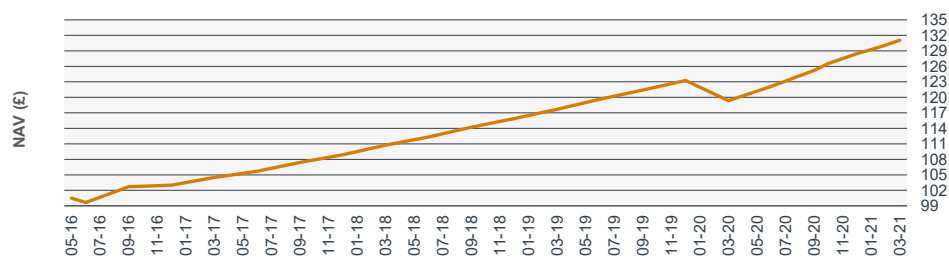
During March, the fund invested in a new issue of 3 year notes by Sema Lease UK Limited that pays 8% p.a. This increased the exposure to this issuer from 10.2% of the portfolio to 11.1%, spread out over different issues maturing between 2021 and 2024. It also extended the maturity of Ancelltek by up to 2 months to keep cash at work.

The fund is working actively with the LGB Capital Markets desk to identify new opportunities for investment, subject to their thorough due diligence and structuring process. It may also look to buy some additional bonds in the secondary corporate bond market to keep the portfolio at work.

NAV Performance

| | |
|---------------------|--------|
| 3 months | 2.03% |
| 6 months | 4.69% |
| 12 months | 9.85% |
| Since establishment | 30.56% |

LGB SME Fund NAV



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

Asset Allocation as of 31 March 2021



Form of Investment

| | |
|-----------------|-----|
| MTNs and Notes: | 91% |
| Cash: | 9% |

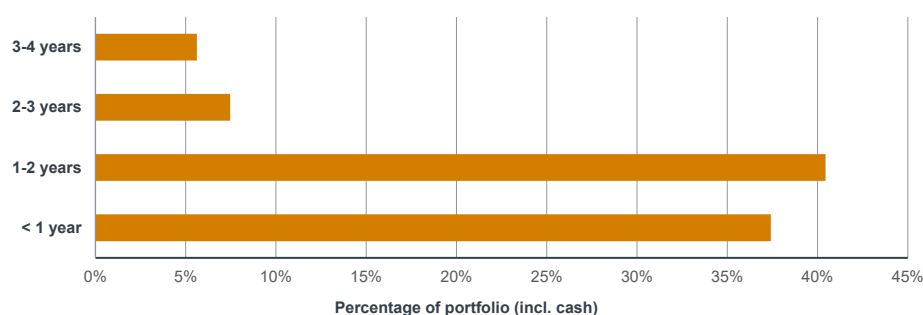
Portfolio fund:

£5.8m

MTN and note issues: 32

Loan note issuers: 12

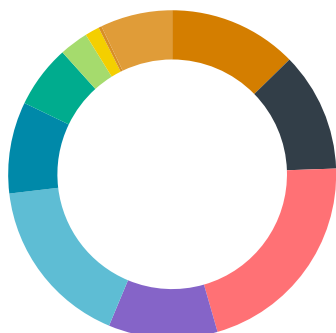
Duration Profile of Loan Note Portfolio



MTN and Fixed income Portfolio as of 31 March 2021

| Issuer | Sector | Interest Rate | Portfolio Weighting |
|---|---------------------------------|-------------------|---------------------|
| SRT Marine Systems plc | Technology Hardware & Equipment | 8.00% p.a. | 12.1% |
| Acamar Films Limited | Licensing | 8.50% p.a. | 11.2% |
| Sema Lease UK Limited | Leasing | 8.00% p.a. | 11.1% |
| SAF Group Finance Limited | Specialty Finance | 10.00% p.a. | 10.3% |
| Windmill Extrusions Limited | Industrial Manufacturing | 8.00% p.a. | 10.3% |
| Time Finance plc (previously 1pm plc) | Specialty Finance | 6.50/7.00% p.a. | 9.5% |
| AnCellTek Holdings Limited | Consumer Goods | 9.00% p.a. | 8.7% |
| Rivers Leasing Limited | Leasing | 8.00% p.a. | 5.9% |
| 600 Group plc | Industrial Engineering | 8.00% p.a. | 5.9% |
| Bruntwood Bonds 2 PLC | Property Investments | 6.00% p.a. | 3.0% |
| R.E.A Trading Limited 10% pref. | Wholesale Distribution | 10.00% p.a. | 2.6% |
| CLS Finance Limited | Vehicle Financing | default | 0.3% |
| Weighted Average Interest Rate/Total | | 8.20% p.a. | 90.9% |

LGB SME Fund Sector Allocation



| | |
|-----------------------------------|-----|
| ■ Licensing | 11% |
| ■ Industrial Engineering | 6% |
| ■ Cash | 9% |
| ■ Property / Property-backed | 3% |
| ■ Specialty Finance | 20% |
| ■ Consumer Goods | 9% |
| ■ Industrial Manufacturing | 10% |
| ■ Technology Hardware & Equipment | 12% |
| ■ Wholesale Distribution | 3% |
| ■ Leasing | 17% |

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 by issuer, the active management of maturities in the MTN portfolio and robust security arrangements in the terms of MTNs. However, investors should note that:

- There is no active market for MTNs and liquidity is dependent on identifying a buyer. Consequently, investors may experience delays in redeeming shares if redemption requests exceed the cash resources of the fund.
- MTNs 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.

The information contained herein relates to an investment fund which is not a recognised collective investment schemes for the purposes of the Financial Services and Markets Act 2000. The promotion of this fund is accordingly restricted by law. Past performance is not necessarily indicative of future results. Actual results could differ materially from those anticipated in any estimates provided. The value of investments and any income derived from them can go down as well as up. The fund invests in illiquid and non-publicly traded securities.