

## **INVESTMENT OBJECTIVE, INVESTMENT POLICY AND INVESTMENT RESTRICTIONS**

### ***Investment Objective***

The Company aims to generate attractive and regular dividends through investment in secured debt instruments of UK SMEs and mid-market corporates and/or individuals including any loan, promissory notes, lease, bond, or preference share (such debt instruments, as further described below, being “Loans”) sourced or originated by the Investment Manager with a degree of inflation protection through index-linked returns where appropriate.

### ***Investment Policy***

The Company will seek to meet its investment objective by making investments in a diversified portfolio of Loans to UK SMEs and mid-market corporates and/or to individuals. These Loans will generally be, but not limited to, senior, subordinated, unitranche and mezzanine debt instruments, documented as loans, notes, leases, bonds or convertible bonds. Such Loans shall typically have a life of 2-10 years. In certain limited cases Loans in which the Company invests may have equity instruments attached, ordinarily any such equity interests would come in the form of warrants or options attached to a Loan. Typically the Loans will have coupons which may be fixed, index-linked or LIBOR linked.

For the purposes of this investment policy, UK SMEs include entities incorporated outside of the UK provided their assets and/or principal operations are within the UK. The Company is permitted to make investments outside of the UK to mid-market corporates.

Loans will be directly originated or sourced by the Investment Manager who will not invest in Loans sourced via or participations through, peer to peer lending platforms.

Loans in which the Company invests will be predominantly secured against assets such as real estate or plant and machinery and/or income streams such as account receivables.

The Company will make Loans to borrowers in a range of Market Sectors within certain exposure limits which will vary from time to time, according to market conditions and as determined by the Board, subject to the Investment Restrictions set out below.

The Company will at all times invest and manage its assets in a manner which is consistent to the spreading of investment risk.

### ***Investment Restrictions***

The following investment limits and restrictions will apply to the Company's Loans and business which, where appropriate, shall be measured at the time of investment or once the Company is fully invested:

- the amount of no single Loan shall exceed 10 per cent. of Gross Assets;
- exposure to a single borrower shall not exceed 10 per cent. of Gross Assets;
- Loans will be made across not less than four Market Sectors;

- not less than 70 per cent. of Gross Assets will be represented by Loans denominated in Sterling or hedged back to Sterling;
- Loans made to borrowers in any one Market Sector shall not exceed 40 per cent. of Gross Assets;
- Loans with exposure to project development /construction assets shall not exceed 20 per cent. of Gross Assets;
- the Company will not provide Loans to borrowers whose principal business is defence, weapons, munitions or gambling;
- the Company will not provide Loans to borrowers which generate their annual turnover predominantly from tobacco, alcohol or pornography; and
- the Company will not invest in other listed closed-ended funds.

In the event of a breach of the investment guidelines and restrictions set out above, the Investment Manager shall inform the Board upon becoming aware of the same and if the Board considers the breach to be material, notification will be made to a Regulatory Information Service and the Investment Manager will look to resolve the breach with the agreement of the Board.

The Company intends to conduct its affairs so as to qualify as an investment trust for the purposes of section 1158 of the CTA 2010, and its investment activities will therefore be subject to the restrictions set out above.

### ***Borrowing and gearing***

The Company may utilise borrowings for share buybacks and short term liquidity purposes. The Company may also, from time to time, use borrowing for investment purposes on a short term basis where it expects to raise additional equity. Gearing represented by borrowings will not exceed 20 per cent. of Net Asset Value calculated at the time of drawdown.

### ***Hedging and derivatives***

The Company may invest in derivatives for efficient portfolio management purposes. In particular the Company can engage in interest rate hedging. Loans will primarily be denominated in Sterling, however the Company may make limited Loans denominated in currencies other than Sterling and the Board, at the recommendation of the Investment Manager, may look to hedge any other currency back to Sterling should they see fit.

In accordance with the requirements of the UK Listing Authority, any material change to the Company's investment policy will require the approval of Shareholders by way of an ordinary resolution at a general meeting.