

# Monthly Factsheet

31 MARCH 2011

## Investment Policy & Objective

The Company's investment objective is to provide shareholders with a combination of a high level of income and capital growth over time, whilst preserving capital. The Company invests in senior secured loans of private equity-backed European mid-market companies. The Company intends both to purchase loans on a secondary basis and to invest in primary loans. The Company does not buy distressed loans.

### Key Information: Ordinary Shares

Fund Type	Closed-ended Fund
Base Currency	UK Sterling
ISIN	GG00B4N5LG23
Ticker	HSLE/LON
Launch Date	26 May 2010
AIC Sector	Global High Income
Domicile	Guernsey
NAV Frequency	Monthly
Dividend Policy	Semi-Annual
Yield	3.1%*
Management Fee	0.25% per Calendar Quarter of Net Invested Assets
Performance Fee	Yes
Total Expense Ratio	—
Net Assets	£98.36m
Market Cap	£97.05m
Net Gearing	100

### Key Statistics: Ordinary Shares at 31 March 2011

Share Price	96.0p
Net Asset Value	97.30p
(Discount)/Premium	(1.3%)

\* In respect of financial year 30 June 2011.

### Market Commentary

The European private equity-related senior leveraged loan market continued its recovery in the first quarter of 2011 and has now reached, in terms of number of loans and amounts raised, levels of activity last seen in 2004. According to *S&P LCD*, 36 distinct senior financings or re-financings closed in the first quarter of 2011 in this market, amounting to €9.2 billion of new issuance. These figures mark a significant increase compared to the €4.9 billion issued during the same period last year. It is also worth noting that in excess of 97% of all private equity-related leveraged loans issued so far this year has been for first-lien senior loans. In other words, both the second-lien senior loan and the mezzanine markets have displayed very little to no activity so far this year in Europe. The buoyancy of the high yield market partly explains the quasi-disappearance of these two sources of financing. In fact, €5.6 billion of private equity-related high yield bonds were issued during the first quarter.

The pricing of the so-called institutional senior loan tranches – essentially the bullet loan or B tranche, as opposed to the amortising or A tranche – stabilised at around Libor/Euribor +450 basis points. Although pricing has softened from the Libor/Euribor +475 to 525 basis points seen over the previous two years, it is still markedly above the 2000 to 2007 period when typical pricing for this tranche was at Libor/Euribor +250 to 300 basis points.

In the first quarter of 2011, leverage levels for buyouts continued to increase slowly and have reached a two-year high of 4.4x total debt to EBITDA or 4.2x senior debt to EBITDA according to *S&P LCD*. These leverage ratios remain well below the peak levels observed in 2007 with 6.4x and 5.4x of total leverage and senior leverage, respectively. Indeed the total leverage ratio observed during the first quarter of 2011 most mirrors levels seen in 2003 (4.4x and 3.6x), although the proportion of senior debt in buyout financings is higher in today's market.

The investment manager is expecting similar trends to continue through the second quarter of 2011 with no significant acceleration of deal pace and perhaps even a slowdown. On the back of the Japanese natural disaster and the geopolitical troubles in the MENA region, new private equity deals notably slowed down towards the end of the first quarter and during the early part of the second quarter of 2011.

## Investment Update

At 31 March 2011 the Company had completed or committed to transactions representing approximately 84% of IPO net proceeds. The investment manager is actively negotiating and reviewing six primary transactions and four secondary transactions, and it remains focused on investing the remaining 16% of IPO net proceeds.

One additional primary loan was finalised during March, representing approximately 4.4% of IPO net proceeds at the time of commitment.

The Group has committed €5 million to the term loan A tranche of the senior loan package of a German specialised retail company. The weighted-average coupon of the invested and committed portfolio is Libor +448 basis points. Coupons on primary deals, with a weighted average of Libor +461 basis points, are towards the top end of the range that the investment manager anticipated prior to the Company's IPO.

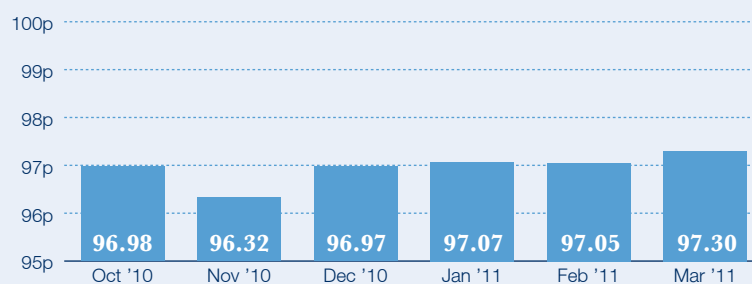
The Company has now completed and settled on loans representing 69.2% of IPO net proceeds and has committed to loans representing a further 14.6% of IPO net proceeds. The completed and committed capital has been allocated to six primary transactions, representing approximately £35.5 million at the time of investment, and eight secondary transactions, representing approximately £47.5 million at the time of investment. Of that capital, approximately £14.4 million has been allocated to transactions yet to complete.

The Company's March NAV exposure to euros was approximately 34% and approximately 66% to sterling. With respect to the committed and completed loans, the currency is split 55% to sterling and 45% to euro at 31 March 2011.

On a geographical basis, the Company's completed and committed transactions provide exposure to the following six countries on a net invested assets basis: the UK (55%), the Netherlands (19%), Italy (10%), France (5%), Germany (5%) and Sweden (5%).

The Company's portfolio has currently been invested in a ratio of 57% to secondary and 43% to primary transactions on a completed and committed basis. As previously noted the secondary portfolio consists of two different kinds of transactions: «discounted secondaries» that offer expected yields to refinancing in excess of the primary market, and «lower risk secondary loans», which offer similar yields to the primary market with lower risk as measured by a ratio of senior leverage to earnings. The Company currently has three discounted loans in its portfolio, representing 21% of the completed and committed transactions. The investment manager expects to source additional discounted secondaries.

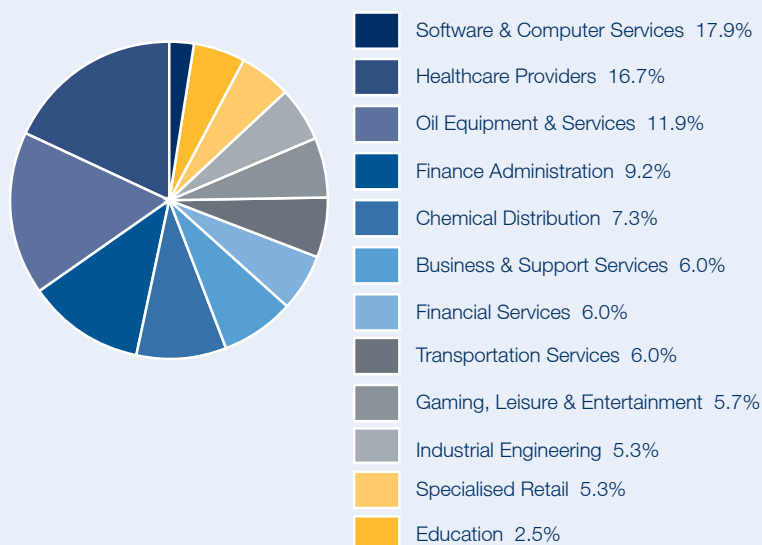
## 6-month Net Asset Value Performance



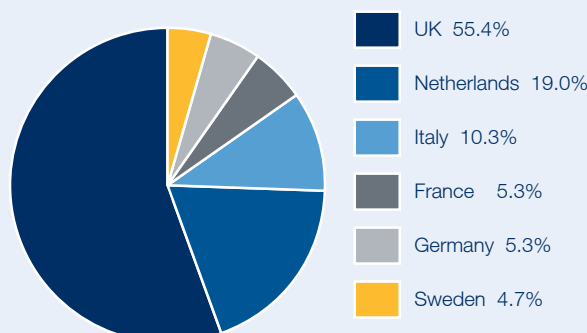
## Share Price Performance Against NAV to 31 March 2011



## Industry Exposure Represented by Purchase or Committed Price as a Percentage of Portfolio at 31 March 2011



## Geographical Split as a Percentage of Portfolio at 31 March 2011



## Performance Update

The Company has reported that its estimated Net Asset Value at 31 March 2011 is 97.30 pence per share. This represents a 0.3% increase from 28 February 2011 (97.05 pence per share). The change resulted from income received from coupon payments accrued on completed loans, fees received on primary loans and investment income from cash and treasury investments (0.32 pence gain per share) and positive foreign currency movement (1.08 pence gain per share), partially offset by ongoing operating expenses (0.15 pence loss per share) and a dividend payment of 1.0 pence per share. During March, the euro appreciated 4.3% against sterling.

## Primary Pipeline

The investment manager is currently analysing additional opportunities primarily in Spain, the UK, Germany and France and is continuing discussions on other prospective deals that are expected to develop into formal invitations over the coming weeks. The primary market remains strong. Demand for loans is however increasing (as explained above in the market commentary) and the investment manager's privileged access to transactions remains a critical competitive advantage for the Company.

## Secondary Pipeline

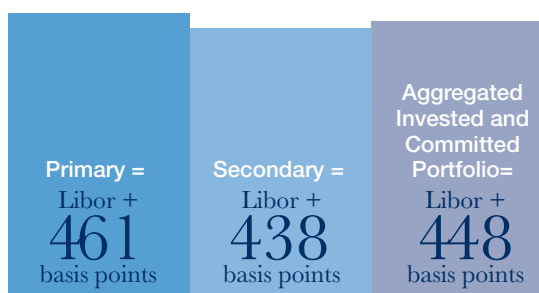
The investment manager continues to review individual opportunities at various levels of discounts, and to track some large, mid-market portfolios, seeking loans with conservative levels of leverage. These discussions are slow going to ongoing strategy and de-risking reviews that are continue to take place within the banking sector.

## Other News

The Company's 26,688,900 million C shares have today been admitted to the premium segment of the Official List and to trading on the main market of the London Stock Exchange. The C shares trade under the ticker symbol HSLC.L with the SEDOL code of B6883D1 and ISIN code of GG00B6883D13.

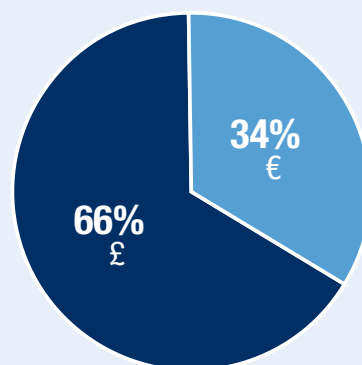
## Weighted-Average Coupons of Aggregate Invested and Committed Portfolio

Secondary and Primary Transactions at 31 March 2011

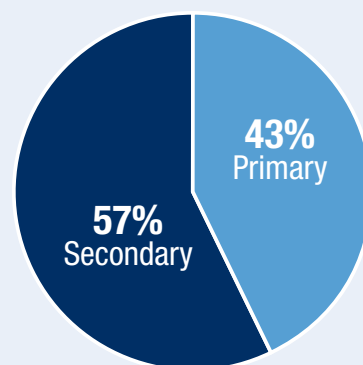


Note: Libor is used here as a generic benchmark term for each underlying loan. For euro loans, the benchmark is generally Euribor.

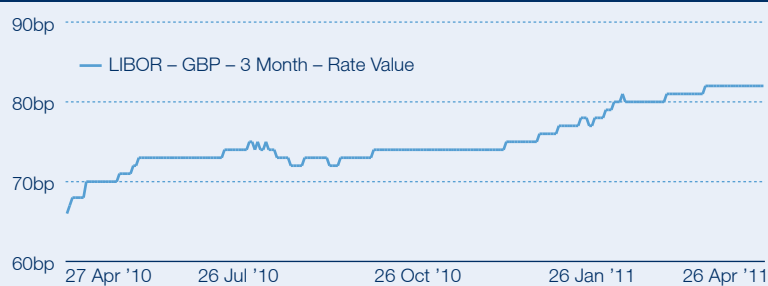
## Currency Exposure as a Percentage of March 2011 NAV



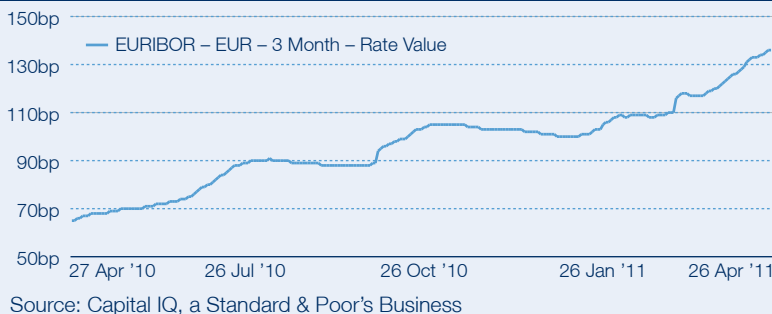
## Committed and Invested Capital by Type at 31 March 2011



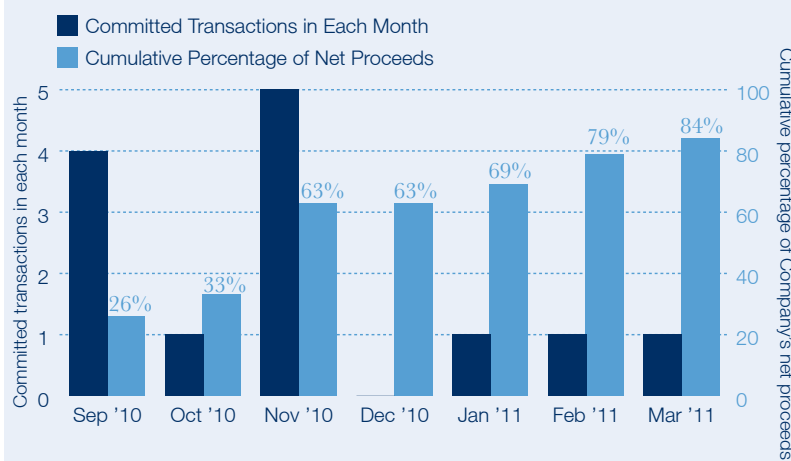
## 3-month Libor is on a Rising Curve at 26 April 2011



## 3-month Euribor is on a Rising Curve at 26 April 2011



## Programme of Activity – Committed Transactions in Each Month by Number of Transactions and as a Cumulative Percentage of the Company's Net Proceeds at 31 March 2011



## Portfolio Overview at 31 March 2011

Loan	Margin (basis points)	Primary/Secondary Market	Net Total Leverage*	Net Senior Leverage*	Country	Price Structure	Currency	Maturity	Average life (years)	Repayment
Loan A	500	Secondary	3.7x	2.7x	UK	Lower Risk	£	2017	6.1	Bullet
Loan B	508	Secondary	3.8x	2.5x	UK	Par	£	2015 2016	4.9	Bullet and Amortising
Loan C	500	Secondary	2.3x	2.3x	UK	Lower Risk	£	2017	6.5	Bullet
Loan D	500	Secondary	3.8x	2.9x	UK	Lower Risk	£	2017	6.0	Bullet
Loan E	525	Secondary	2.7x	2.7x	UK	Lower Risk	£	2016	5.9	Bullet
Loan F	400	Secondary	5.5x	3.9x	Netherlands	Discounted Secondary	€	2016 2017	6.0	Bullet
Loan G	500	Primary	4.6x	3.5x	Italy	Primary Fees	€	2017	6.8	Bullet
Loan H	500	Primary	4.6x	4.6x	Netherlands	Primary Fees	€	2017	6.6	Bullet
Loan I	375	Primary	4.2x	2.9x	France	Primary Fees	€	2017	6.8	Bullet
Loan J	250	Secondary	6.6x	4.2x	Sweden	Discounted Secondary	€	2015	4.5	Bullet
Loan K	275	Secondary	5.9x	4.7x	UK	Discounted Secondary	£	2015	4.5	Bullet
Loan L	475	Primary	5.6x	4.2x	Netherlands	Par	€	2018	7.0	Bullet
Loan M	475	Primary	4.6x	4.6x	UK	Par	£	2018	7.0	Bullet
Loan N	400	Primary	2.9x	2.9x	Germany	Primary Fees	€	2016	3.5	Amortising

Note: Average life (years) means the weighted-average period in years required to repay a loan's outstanding principal through scheduled principal payments.

\* Amount of leverage to EBITDA.

## Contacts

**INVESTOR CONTACT**  
**AMANDA MCCRYSTAL**  
**HarbourVest Partners**  
**(U.K.) Limited**  
 Tel +44 (0)20 7399 9820  
 amccrystal@harbourvest.com

**BROKERS**  
**KATHERINE BURGDORF**  
**Liberum Capital**  
 Tel +44 (0) 3100 2235

**INVESTMENT MANAGER**  
**HARBOURVEST SENIOR**  
**LOAN ADVISERS L.P.**  
**c/o HarbourVest Partners, LLC**  
 One Financial Center  
 44th Floor  
 Boston MA 02111  
 U.S.A.  
 Tel +1 617 348 3707  
 Fax +1 617 350 0305

**REGISTERED OFFICE**  
**BNP Paribas House**  
 St Julian's Avenue  
 St Peter Port  
 Guernsey GY1 1WA  
 Channel Islands  
 Tel +44 (0) 1481 750 850

The commentary provided in this Factsheet is provided by the Company's investment manager.

For the purposes of efficient portfolio management, the Company has established one wholly-owned, Luxembourg incorporated subsidiary, Orange Senior Loans 1 S.à.r.l. which in turn itself has two wholly-owned, Luxembourg incorporated subsidiaries, Orange Senior Loans 2 S.à.r.l., and Orange Senior Loans 3 S.à.r.l. Together, the Company and its subsidiaries, which have been incorporated for the purpose of holding primary and secondary loans respectively, form the Group. All references to the Group in this Factsheet refer to the Company and its wholly-owned Luxembourg subsidiaries.

This document is not intended to be an invitation to engage in investment activity or a sales instrument; it constitutes neither an offer nor an attempt to solicit offers for the securities described herein. The report was prepared using financial information contained in HSLE's books and records as of the reporting date. This information is believed to be accurate but has not been audited by a third party. This report describes past performance, which may not be indicative of future results. The opinions and forecasts expressed herein are based on information which HSLE and HarbourVest Senior Loan Advisers L.P. believe to be accurate and reliable at the time of publication, however, these opinions and forecasts may change without notice.

The information contained herein, including any expressions of opinion or forecast, is for information purposes only and is given on the understanding that it is not a recommendation and anyone who acts on it, or changes their opinion thereon, does so entirely at their own risk. Neither HSLE nor HarbourVest Senior Loan Advisers L.P. accept liability for actions taken on the basis of the information provided.

This Factsheet may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor's. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. THIRD PARTY CONTENT PROVIDERS GIVE NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. THIRD PARTY CONTENT PROVIDERS shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of THEIR CONTENT, INCLUDING ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.