

VICTORY PARK

CAPITAL

VPC Specialty Lending Investments PLC

Third Quarter 2016

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Quarterly Review

In the third quarter of 2016, VPC Specialty Lending Investments PLC ("VSL" or the "Company") delivered a revenue return of 2.03%, which was offset by a reduction of capital in the amount of 1.17%, for a net return of 0.86%.

The key drivers of performance in the third quarter were similar to those in the previous quarter, namely:

- Shifting of the portfolio away from whole loans and redeploying to balance sheet investments;
- Continued softness in certain of the Company's whole loan portfolios, although this was somewhat offset by a one-time revenue item related to a single platform; and
- The downward pressure on the GBP requiring the company to post collateral, thereby reducing the amount of available cash to invest.

As at the end of the third quarter, the Company held whole loans from seven platforms. The loans from two platforms will be fully amortized shortly and the Company has largely stopped purchasing from three others, leaving only two platforms from which the Company is actively purchasing loans.

As the whole loan investment portfolio continues to amortize down, we have reinvested the capital into balance sheet investments. Over the first nine months of 2016, we have increased the level of balance sheet investments in the investment portfolio¹ of the Company from 27% as at the end of 2015 to 51% as at 30 September 2016. The coupons on our balance sheet investments range from 12% to 18% and we saw no impairments during the third quarter, both of which compare favourably to our whole loan portfolio. We expect the trend of deploying more capital to balance sheet investments to continue, subject to any limitations caused by continued weakening of the GBP, as more fully described below. VPC's pipeline of additional investments in existing balance sheet investments remains strong, and at the same time VPC has identified certain balance sheet investments to be funded in the fourth quarter and thereafter.

¹ Investment portfolio is defined as the net asset value of the investments made by the Company, excluding cash and restricted cash at the Company, in both periods. Equity investments comprise 2% and 6% of the investment portfolio as at 31 December 2015 and 30 September 2016, respectively.

Since a significant portion of the whole loan portfolio was purchased with proceeds from the IPO and C share issuances in 2015, much of our whole loan portfolios are aging along similar loss curves. As reported last quarter, under the current IFRS standard, the Company accounts for the whole loan portfolio at amortized cost. Reserves are booked only as we observe actual delinquencies, meaning losses do not occur evenly as compared to the interest income, which is received on a straight line basis.

Over the quarter, we saw softness in certain whole loan pools, while others performed in line with expectations. We stopped purchasing loans from those platforms that have underperformed, so the pools will amortize down over time. We also had markdowns of capital as a result of further reductions in the value of three residual interests in securitizations of certain whole loans as a result of higher than projected loss curves. Contributing to the revenue return in the quarter was a gain related to the reversal of a contingent payment due to the underperformance of one of the Company's whole loan platforms.

As of the end of the third quarter, roughly 72% of the Company's investments were dollar denominated. Consistent with the hedging program established at the time of the Company's IPO and C share offering, the Company hedges non-sterling denominated investments to the GBP via forward currency swaps. Since our dollar positions have been largely hedged, the P&L impact from the currency swings has been minimal. Nevertheless, the Company is obligated to post collateral when the GBP depreciates. Accelerated by the Brexit vote in June, the conversion rate versus the USD has gone from approximately 1.47 as at 31 December 2015 to approximately 1.30 as at 30 September 2016 – a downward move of more than 12%. The impact on the Company's liquidity has been dramatic, and the Company has settled £64.5 million as required margin to counterparties through 30 September 2016. Moreover, in order to settle the expiring hedges in the future, and to maintain additional liquidity for collateral in the event the GBP continues to depreciate, the Company will have to maintain cash to meet those commitments. The Company's objective is to be substantially fully invested, so we are reviewing all available options to reduce the cash drag related to the margin requirements, including putting in place a revolving credit facility to aid in short term cash management.

Finally, beginning for the month of July, as part of a previously announced amendment to its management agreement, Victory Park has been purchasing shares of the Company with 20% of VPC's monthly management fee. The shares were purchased at the prevailing market price. During the quarter, VPC purchased 154,789 shares at a total value of £125,953.

Portfolio Statistics

Set forth below is a summary of all positions held by the Company equal to or greater than 1% of NAV as at 30 September 2016.

INVESTMENT	COUNTRY	SECURITY TYPE	% OF NAV	GEARING
Borro Ltd.	United Kingdom	Balance Sheet	10.86%	NO
Avant, Inc. - Whole Loan	United States	Whole Loans	9.73%	YES
Funding Circle UK	United Kingdom	Whole Loans	8.77%	YES
Elevate Credit, Inc.	United States	Balance Sheet	7.81%	NO
Prosper Marketplace, Inc.	United States	Whole Loans	7.76%	YES
Funding Circle US, Inc.	United States	Whole Loans	6.66%	NO
Avant, Inc. - Balance Sheet	United States	Balance Sheet	6.62%	YES
Wheels Financial Group, LLC	United States	Balance Sheet	5.64%	YES
zipMoney Limited	Australia	Balance Sheet	5.51%	NO
Avant, Inc. - Securitization	United States	Whole Loans	3.86%	YES
The Credit Junction, Inc.	United States	Balance Sheet	3.61%	NO
Upstart Network, Inc.	United States	Whole Loans	2.83%	YES
Kreditech	Germany	Balance Sheet	2.25%	NO
Applied Data Finance, LLC	United States	Balance Sheet	1.99%	NO
Fundbox Ltd.	United States	Balance Sheet	1.87%	NO
LendUp, Inc.	United States	Balance Sheet	1.77%	NO
Funding Circle Europe	Luxembourg	Whole Loans	1.60%	YES
Renovo Financial	United States	Balance Sheet	1.03%	NO

Outlook

We are pleased with the progress we have made in redeploying the portfolio into new and existing balance sheet loans. At the same time, we continue to closely monitor the portion of the whole loan portfolio that is challenged, including exploring ways to tactically reduce exposure. Due to predicted continued volatility in the currency market, we will continue to closely monitor the Company's cash management and may be forced to be under-invested in the short term.

Kind Regards,

The VPC Team

28 October 2016

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Important Information

All data in this quarterly letter (the “report”) is at or to the final day of the calendar month identified in the heading of the report’s front page unless otherwise stated.

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