

VICTORY PARK

CAPITAL

VPC Specialty Lending Investments PLC

Second Quarter 2017

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Quarterly Review

In the second quarter of 2017, VPC Specialty Lending Investments PLC ("VSL" or the "Company") delivered a net revenue return of 1.84% (up from 1.56% in the first quarter). This was offset by a net capital return in the amount of -2.42%, for a net total return of -0.58%.

Some of the key developments in the second quarter include:

- In May, in line with the stated strategy of reallocating capital from marketplace lending to balance sheet lending, the company sold the majority of its Funding Circle US and Upstart marketplace loans, equivalent to 5.14% of the end-May NAV.
- In June, the Company made a significant initial balance sheet investment (equivalent to 5.44% of the end-June NAV) into a company which is leading provider of alternative financial services to underbanked consumers across the United States and also made an initial balance sheet investment into Bread which provides online point-of-sale, private label financing solutions for retailers.
- In June, balance sheet revenue increased for the 6th consecutive month, as more capital was allocated to this investment strategy. At the end of the second quarter, balance sheet investments accounted for 66% of NAV (further increasing to 70% by the end of July, on a pro forma basis).

The performance of the Company's investment portfolio remained sharply polarised in the second quarter of 2017, with strong balance sheet investment returns contrasting with weak marketplace returns. Total gross returns¹ during the second quarter of 2017 consisted of the following:

- 2.08% for balance sheet investments;
- -0.63% for marketplace loans;
- -0.84% for securitization residuals;
- -0.57% for equity investments; and
- -0.27% relating to FX and other capital returns.

The Company's balance sheet portfolio continued to perform in line with expectations, with an annualised levered return on allocated equity of 13.9%² in the second quarter, broadly in line with the 14.0% return for the trailing 12-month period. These investments benefit from excess spread and first loss protection, which provide downside protection. The credit metrics on the underlying loans show no signs of stress and we believe that the portfolio will continue to generate attractive risk-adjusted returns with low volatility. Furthermore, the pipeline of available investment opportunities remains strong.

¹ Consists of both revenue and capital returns of the Company.

² This return denotes an average return calculated by dividing the income earned on the balance sheet investments for the period by the average equity invested in balance sheet loans each month in the period.

By contrast, returns from the marketplace loan portfolio have remained subdued. The underlying issues identified in the previous quarterly commentaries persist, namely, higher-than-projected loss curves in certain of the loan portfolios and an adverse seasoning effect as the loan portfolio matures without subsequent purchases. This portfolio had a remaining weighted average life of 16.2 months as at 30 June 2017, and continues to amortise down.

During the second quarter of 2017, there has been further progress in the reallocation of capital from marketplace loans to balance sheet investments. By the end of the second quarter of 2017, balance sheet investments accounted for 66% of NAV, up from 63% at the end of the first quarter and 51% at the end of 2016. The percentage of NAV invested in balance sheet positions increased in the second quarter, despite unusually large repayments totalling 8% related to both the Elevate IPO and a zipMoney refinancing transaction. This progress demonstrates the Company's ongoing access to a strong pipeline of balance sheet investment opportunities. We expect this process to continue and, overtime, to drive higher returns for the Company.

The exposure to marketplace loans and securitisation residuals has correspondingly decreased, accounting for 19% of NAV at the end of the second quarter, down from 27% at the end of the first quarter and 31% at the end of 2016. To accelerate the transition, in May the Company sold the majority of its Funding Circle US and Upstart marketplace loans. The look-through gearing level of the Company has decreased from 0.53x at the end of March, to 0.39x at the end of June.

Due to an increase in the underlying loss curve projections, compounded with significant leverage, the Company recognized a loss on the Avant securitization residuals in the second quarter. The residuals accounted for 3.8% of NAV at the end of June. VPC believes that the majority of the potential total cumulative loss on these positions has already been incurred.

In May, the Company announced a hurdle in respect of the performance fees payable to the Investment Manager. The payment of any performance fees to the investment manager will be conditional on the Company achieving at least a 5.0% per annum total return for shareholders. The Company believes this new arrangement more closely aligns the performance incentive for the Investment Manager with the interests of the Company's shareholders.

The Company's buyback programme continued to be engaged during the second quarter, buying 929,888 shares at an average price of 80.56p, and accounting for 7.0% of the reported traded volume. In addition, VPC continues to purchase shares of the Company equal to 20% of VPC's monthly management fee at the prevailing market price. During the quarter, VPC purchased 227,766 shares at an average price of 79.35p.

Portfolio Statistics

Set forth below is a summary of all positions, excluding equity exposure, held by the Company equal to or greater than 1% of NAV as at 30 June 2017³.

Investment	Country	Security Type	% of NAV	Gearing
Borro Ltd.	United Kingdom	Balance Sheet	11.50%	NO
Avant, Inc. - Marketplace Loans	United States	Marketplace	9.34%	YES
Elevate Credit, Inc.	United States	Balance Sheet	9.23%	NO
Avant, Inc. - Balance Sheet	United States	Balance Sheet	5.52%	YES
Lender to underbanked consumers	United States	Balance Sheet	5.44%	NO
Wheels Financial Group, LLC	United States	Balance Sheet	5.09%	YES
Prosper Marketplace, Inc.	United States	Marketplace	4.46%	YES
The Credit Junction, Inc.	United States	Balance Sheet	4.16%	NO
Applied Data Finance, LLC	United States	Balance Sheet	3.91%	NO
Avant, Inc. - Securitisation Residuals	United States	Securitisation Residual	3.84%	YES
zipMoney Limited	Australia	Balance Sheet	3.80%	NO
LendUp, Inc.	United States	Balance Sheet	3.03%	NO
iZettle Capital AB	Sweden	Balance Sheet	2.86%	NO
Kreditech Holding SSL GmbH	Germany	Balance Sheet	2.69%	NO
Curo Technologies	United States	Balance Sheet	1.86%	YES
Funding Circle Europe	Luxembourg	Marketplace	1.57%	YES
Fundbox Ltd.	United States	Balance Sheet	1.51%	NO

Outlook

During the second quarter of 2017, we made significant progress towards redeploying the portfolio into new and existing balance sheet loans. This redeployment continued in the third quarter and by the end of July most of the remaining cash had been invested, with the percentage of NAV allocated to balance sheet positions increasing to 70% of NAV, on an end-June pro forma basis.

We remain confident that this repositioning will increase both the returns and the resilience of the Company. During the transition, we continue to closely monitor the portion of the marketplace portfolio that has underperformed, including exploring ways to further tactically reduce exposure. Finally, we will continue to purchase shares where it is accretive to shareholder value.

Kind Regards,

The VPC Team

14 August 2017

³ The summary includes a look-through of the Company's investment in VPC Offshore Unleveraged Private Debt Fund Feeder, L.P.

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