

# VICTORY PARK

---

## CAPITAL

### VPC Specialty Lending Investments PLC

#### Second Quarter 2018

Please note that the information contained herein may not be reproduced, used or distributed to others, at any time, in whole or in part, for any purpose without the prior written consent of Victory Park Capital Advisors, LLC ("VPC" or "Victory Park").

### Quarterly Review

During the second quarter of 2018, the Company produced a gross revenue return of 3.25% and a total net revenue return of 2.79%. The capital return for the quarter was 0.58% for a total NAV return of 3.37%. The quarterly gross revenue return, net revenue return and total NAV return are inception-to-date record highs for the Company. Returns were driven by strong credit performance across our balance sheet investments after the repositioning and an uplift from our equity investment portfolio. At quarter end, the Company remained nearly fully invested across 25 balance sheet investments with a return on invested capital of the balance sheet investments during the quarter of 14.77%<sup>1</sup> on an annualised basis. In addition, VPC continues to have a very strong pipeline and unfunded commitments to existing investments that we expect will keep the Company nearly fully invested for the foreseeable future.

### Top Ten Positions

Set forth below is a summary of the top ten positions, excluding equity exposure, held by the Company as at 30 June 2018<sup>2</sup>. The top ten positions remain consistent as compared to 31 March 2018.

Investment	Country	Security Type	% of NAV	Gearing
Elevate Credit, Inc.	United States	Balance Sheet	16.74%	YES
Applied Data Finance, LLC	United States	Balance Sheet	6.66%	NO
LendUp, Inc.	United States	Balance Sheet	6.33%	NO
Borro Ltd.	United Kingdom	Balance Sheet	6.05%	NO
Community Choice Financial, Inc.	United States	Balance Sheet	5.98%	NO
iZettle Capital AB	Sweden	Balance Sheet	5.77%	NO
Oakam Ltd.	United Kingdom	Balance Sheet	5.43%	NO
Wheels Financial Group, LLC	United States	Balance Sheet	5.11%	YES
NCP Holdings, LP	United States	Balance Sheet	3.88%	NO
Avant, Inc. - Balance Sheet	United States	Balance Sheet	3.72%	YES

### Equity Returns

During the quarter, the Company generated 0.77% of capital return from its equity, convertible debt and warrant positions, highlighting an area that has been a strong point since inception. The equity investments held by the

---

<sup>1</sup> This return denotes an average return calculated by dividing the income earned on the balance sheet investments for the quarter by the average equity invested in balance sheet loans each month in the quarter.

<sup>2</sup> The summary includes a look-through of the Company's investment in VPC Offshore Unleveraged Private Debt Fund Feeder, L.P.

Company have increased in value on an unrealized and realized basis by 55%<sup>3</sup> inception-to-date. While our primary thesis continues to focus on driving strong income returns from our balance sheet portfolio, our broader strategy of backing the leading entrepreneurs with the best-in-class equity sponsors in strong performing verticals has historically driven strong equity returns as well. We gain equity exposure in several ways including convertible debt, preferred and common equity, or whenever possible in the form of warrants that come attached to our credit facilities.

The increase in the equity performance this quarter was driven mainly by three positions: 1) a Mexican technology-driven small business lender closed a Series B round at a significantly higher valuation than the company's previous fair value, 2) Elevate's stock price (NYSE: ELVT) continued to appreciate as the management team executes on its strategic plan and 3) an upcoming Series B investment by a leading technology investor into one of the platforms held by the Company at a higher value than the previous round.

Looking forward, our current equity exposure is spread across 25 different positions and comprises 8% of NAV. We are optimistic about the prospects for future gains across the equity portfolio, but we will continue to be opportunistic and attempt to realize gains when we feel it is appropriate.

## Data Analytics

In an effort to provide transparency into VPC's risk management function, we wanted to highlight the data analytics capabilities VPC uses to monitor and manage risk across the Company's investments. VPC continues to invest heavily in its risk management function including improved technology to provide real time visibility into key performance metrics, portfolio analytics and collateral performance across all transactions. We understand it is critical to be able to detect any signs of credit issues, either before they occur or as soon as they happen, to protect our investors' capital. A summary of our new and existing processes is provided below:

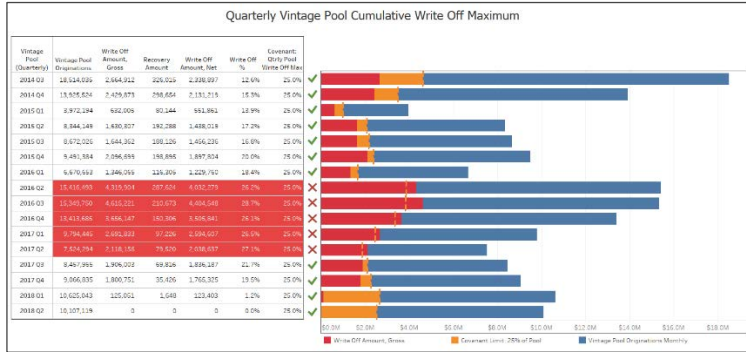
<p style="text-align: center;"><b>Dedicated, Independent Risk Committee</b></p> <ul style="list-style-type: none"> <li>VPC's Risk Committee is an independent function that reports to the Investment Committee, which has resources with combined industry experience of 40+ years</li> <li>The Risk Committee collaborates with deal teams throughout the investment lifecycle to achieve optimal outcomes and provides objective and expert input to the Investment Committee</li> </ul>	<p style="text-align: center;"><b>Risk &amp; Data Analytics Tools</b></p> <ul style="list-style-type: none"> <li>VPC supplements traditional risk management approaches with advanced portfolio analytics tools</li> <li>Systems aggregate firmwide exposure at the most granular level which allows for data analysis on a loan, deal and fund-level basis</li> </ul>
<p style="text-align: center;"><b>Process-Oriented, Systematic Approach</b></p> <ul style="list-style-type: none"> <li>VPC utilizes a hands-on approach when underwriting and managing investments, with detailed due diligence, analysis and monitoring from pre-investment through the entire course of the transaction</li> <li>Includes sourcing and screening of opportunities, deal selection and execution, multiple levels of due diligence, Investment Committee review, monitoring and reporting and exiting the investment</li> </ul>	<p style="text-align: center;"><b>Transparent Reporting &amp; Monitoring</b></p> <ul style="list-style-type: none"> <li>Review of collateral including bank accounts, borrowing base certificates and periodic field examinations</li> <li>Monitor operating performance by verifying financial covenants, reviewing financial statements and analyzing liquidity</li> <li>Review financial reporting package, including operating reports, financial statements and cash flow projections</li> </ul>

As highlighted above, VPC obtains loan-level data from its platforms and leverages a visualization software to present data in the most meaningful context and provide valuable insights into trends and anomalies. Loan-level

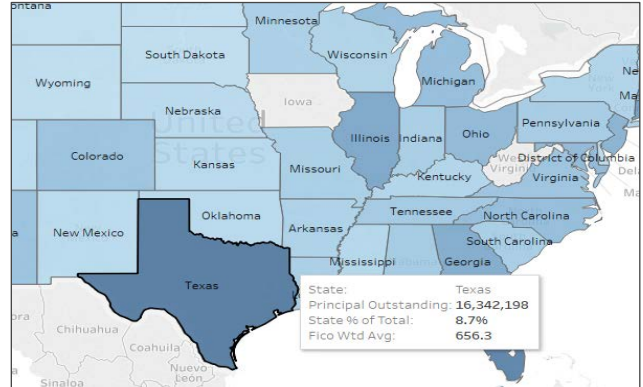
<sup>3</sup> Return is calculated as the total returns, both realized and unrealized inception-to-date, on equity investments divided by the gross invested capital in equity investments by the Company.

data and analytics provide a deeper look into the dynamics of the underlying collateral of each investment, allowing anyone at the firm the ability to see loan-level data in an easily digestible format. This process will continue to be iterative and evolve over time as we continue to strive to deliver strong risk-adjusted returns for the Company and our investors. A snapshot of some of the reports are shown below.

### Sample Covenant Testing<sup>4</sup>



### Sample Geographic Concentrations<sup>4</sup>



## Conclusion

The second quarter for the Company was, in our view, the strongest since inception on multiple fronts. The Company delivered the strongest NAV return since inception, and we believe the portfolio and its outlook are very positive for the remainder of the year. While the macro situation continues to perform strongly across our markets, we will continue to remain focused on identifying, monitoring and mitigating credit risk across the portfolio.

Kind Regards,

The VPC Team

27 July 2018

<sup>4</sup> For illustrative purposes only. Sample data is not based on actual results.

## **For Enquiries Please Contact:**

Investor Relations – Tel: +1 312 705 2789 / +44 (0) 20 3286 5922; Email: info@vpcspecialtylending.com

Press – MHP Communications. Tel: +44 (0) 20 3128 8100; Email: vpc@mhpc.com

## **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.

Past performance should not be seen as an indication of future performance. The value of investments and any income may fluctuate and investors may not get back the full amount invested. The views expressed are those of VPC at the time of writing, are subject to change without notice and do not constitute investment advice. Whilst VPC has used all reasonable efforts to ensure the accuracy of the information contained in this report, we cannot guarantee the reliability, completeness or accuracy of the content.

Issued in the UK by VPC. This report is provided for the purpose of information only, and if you are unsure of the suitability of this investment you should take independent advice. NAV performance is not linked to share price performance and shareholders may realise returns that are lower or higher in performance.

This report may not be distributed or transmitted in or into the United States of America, Canada, Australia or Japan, or in any other country outside the United Kingdom where such distribution may lead to a breach of law of regulatory requirements, or transmitted, distributed or sent to or by any national, resident or citizen of such countries. The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any such distribution could result in a violation of the law of such jurisdiction.

The Company is authorised and regulated by the Financial Conduct Authority and is registered in England (registered number 9385218) with its registered office at 6<sup>th</sup> Floor, 65 Gresham Street, London, EC2V 7NQ.