

VICTORY PARK CAPITAL

VPC Specialty Lending Investments PLC Fourth Quarter 2017

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Year in Review

During the year we made a great deal of progress and have now largely completed the Company's portfolio transition into balance sheet investments, which as at 31 December 2017 represented 79% of the portfolio and had a gross return on invested capital (ROIC) during the year of 14.25%¹. However, total NAV return for 2017 was 3.07%, below our target return levels and largely due to one-time losses from portfolio sales and drag from our securitisation residuals. We ended the year on a strong note having completed nine new balance sheet deals and exiting two deals that matured in November and December. Looking forward, VPC has a record number of 24 balance sheet deals and total unfunded commitments of \$1.1 billion on existing terms, providing attractive investment opportunities for the Company.

As a firm we have continued to invest heavily in both investment and operational resources to support our growth as one of the largest and most active fintech investors globally. Additionally, we expanded our relationships into new products and geographies to help foster innovation and growth in the fintech ecosystem. We are committed to producing strong risk-adjusted returns by partnering with the best management teams and sponsors in the industry, while at the same time focusing on downside protection from credit losses through rigorous analysis and portfolio monitoring.

Selected Statistics

Gross balance sheet revenue return	9.39%
ROIC of balance sheet investments	14.25% ¹
Non-recurring capital return on portfolio sales	-1.27% ²
NAV of marketplace loan portfolios sold	16.97% ³
Current balance sheet portfolio companies	24

Macro Update

Heading into 2018, VPC is taking a very cautious approach to credit given the long economic expansion in the U.S. and a loosening corporate credit environment. While we have seen no immediate signs of credit stress across our portfolio, there are pockets of credit weakness in the broader economy. Both prime credit cards and non-prime auto loans have recently displayed stress with rising delinquency rates and increased charge-offs. However, the recent tax overhaul in the U.S. should provide some relief to the consumer and wage growth. Last

1 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.

2 The loss on each portfolio sale is calculated off the NAV of the Company the month each individual sale was completed.

3 Represents the percentage of NAV comprised by the loans sold prior to the sale of loans calculated off the NAV of the Company the month each individual sale was completed.

year represented the strongest economic growth in the U.S. since before the financial crisis. In particular, wage growth seems to be the focus of the Federal Reserve, which led them to raise short-term interest rates three times during 2017. Given our balance sheet facilities are floating rate, the investments are not directly affected and indeed benefit from rising rates. However, the rate differential with the UK has widened, and in return this has subsequently increased our hedging costs throughout 2017 causing a 0.54% NAV loss on foreign exchange. The overall effect is largely neutral for the Company, since hedging costs are offset by more interest income earned in U.S. dollars.

Top Ten Positions

Set forth below is a summary of the top ten positions, excluding equity exposure, held by the Company as at 31 December 2017⁴.

Investment	Country	Security Type	% of NAV	Gearing
Elevate Credit, Inc.	United States	Balance Sheet	15.04%	YES
Borro Ltd.	United Kingdom	Balance Sheet	8.38%	NO
Applied Data Finance, LLC	United States	Balance Sheet	6.25%	NO
Community Choice Financial, Inc.	United States	Balance Sheet	5.70%	NO
iZettle Capital AB	Sweden	Balance Sheet	5.14%	NO
Wheels Financial Group, LLC	United States	Balance Sheet	5.12%	YES
Avant, Inc.	United States	Balance Sheet	4.30%	YES
Oakam Ltd.	United Kingdom	Balance Sheet	4.18%	NO
LendUp, Inc.	United States	Balance Sheet	4.06%	NO
The Credit Junction, Inc.	United States	Balance Sheet	3.95%	NO

Geographic Diversification

While the Company's investments are concentrated within the U.S., we continue to leverage our extensive sponsor network to build our international exposure and we expect this trend to continue over time. Furthermore, we are evaluating unique opportunities to partner with leading entrepreneurs in emerging markets. We have closed a total of eight financial services investments outside the U.S. and UK, and we are in final diligence with two companies which we expect to close in the near term. Throughout the year, the Company expanded its exposure to Mexico, Continental Europe, Kenya, Canada and Scandinavia. We expect to grow our international business over the next several years to supplement our existing exposure.

Major Equity Funding Updates

During the year, several of our portfolio companies announced new equity fundraisings led by renowned equity sponsors. The equity raised supplements our debt facilities and fosters growth. In addition, there are three investments not disclosed publicly by our portfolio companies.

- Over the course of the year, two of our portfolio companies completed their Initial Public Offerings, Elevate Credit, Inc. and Curo Financial Technologies Corp are now listed U.S. companies. The new capital raised will help support the rapid portfolio growth for both companies in conjunction with our current debt facilities
- Branch International, Inc.: Announced a \$25.0 million Series B equity round, led by Trinity Ventures, to support portfolio growth and geographic expansion

⁴ The summary includes a look-through of the Company's investment in VPC Offshore Unleveraged Private Debt Fund Feeder, L.P.

- iZettle Capital AB: Announced its fifth round of equity funding for a total of €40.0 million, led by the Swedish National Pension Fund and existing investors.
- Cognical, Inc.: \$10.0 million equity fundraising, led by Curo Financial Technologies Corp, one of our portfolio companies
- Bread Finance: \$26.0 million Series B equity round led by Menlo Ventures
- Applied Data Finance, LLC: Raised \$18.0 million from Red Point Partners

VPC Firm Update

Our team continues to grow as we hire new talent. VPC recently hired several new employees to strengthen its operations and investment teams, led by two senior additions to the financial services team. Troy Jamison joined as the new Chief Risk Officer and Todd Kushman as Principal and Head of Capital Markets.

Troy joined in October with over 20 years of experience in risk management, most recently at Second Order Solutions, a boutique credit advisory firm that we have worked with extensively. Prior to that he had a long career as a senior risk officer at Capital One, the largest issuer of non-prime credit cards in the United States. Troy and his team operate in a parallel function to the deal teams and do both quantitative and qualitative work to analyse loan pools and credit data to flag any issues to our Investment Committee. He will also oversee our platform audit process to coordinate our third party operational and financial audits which we perform annually on every portfolio company.

Todd Kushman joined us in December from Torrey Pointe Capital where he was a partner and chief operating officer. Prior to that role, he was a managing director at Cerberus Capital Management, where he centralised the firm's interest rate hedging program across all investment strategies and executed strategic financings. Todd will help with new product development and in identifying financing opportunities to support the firm's investment products. Additionally, he will assist VSL in finding more attractive and lower cost credit facilities.

Finally, VPC celebrated its 10th anniversary and relocated its Chicago headquarters to 150 North Riverside Plaza, Suite 5200, Chicago, Illinois 60606. The new office space compliments our offices in New York and Los Angeles, and allows our team to grow for years to come

Conclusion

Overall 2017 was an encouraging year, during which we completed new transactions and expanded our existing portfolio. Although our total return was not satisfactory, we feel that we have a strong portfolio that will drive higher returns in 2018. The marketplace loans and securitisations have proved to perform poorly, but we are proud to have successfully transitioned out of the majority of the portfolio's marketplace loan facilities and into superior balance sheet investments. As we stand today, VSL has the strongest team and credit portfolio since inception and we look forward to improved performance throughout 2018 and beyond.

Kind Regards,

The VPC Team

13 February 2018

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