VICTORY PARK
CAPITAL

VPC Specialty Lending Investments PLC
Quarterly Letter – Second Quarter 2020

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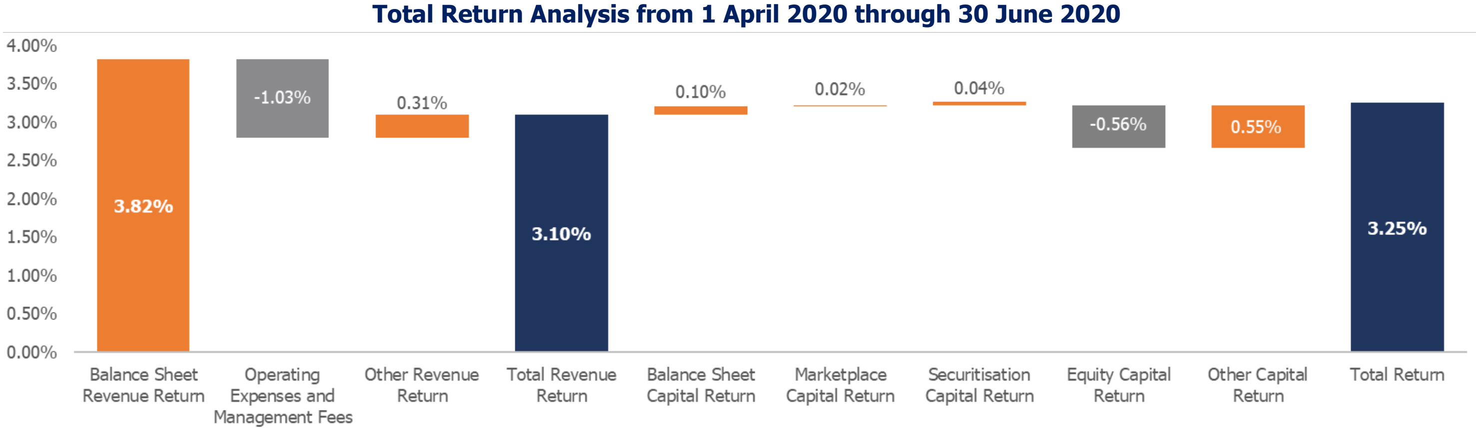
Quarterly Review

VPC Specialty Lending Investments PLC ("VSL" or the "Company") completed the second quarter with a quarterly NAV (Cum Income) return of 3.25%. Revenue returns were 3.10%, driven by continued performance of the Company's balance sheet investments and the partial impact of the share buyback programme on revenue returns. Capital returns were 0.15%, driven by gains from the increased activity in the share buyback programme and a minor release of expected credit loss reserves, which were offset by unrealised losses on the Company's equity investments and the cost of the foreign exchange hedging.

Total Return Analysis from 1 April 2020 through 30 June 2020



Despite the challenging societal, economic and market activity of the past few months, overall, we are pleased with the NAV returns during the quarter and feel the portfolio and the protections structured into the balance sheet investments are in a strong position as of this writing.

We would also note that at the Company's AGM on 24 June 2020 the Company received a high level of support for the continuation of the Company as 87% of shareholders voted in favour of continuation for an additional five-year period. While it was conducted largely at the Board level, going through our first continuation process in the midst of an uncertain economic environment with extreme market volatility was a learning process for the entire VPC team. We would like to sincerely thank our longstanding shareholders for their continued support of the Company, and we believe we can continue to deliver strong risk-adjusted NAV returns for the Company in the coming years.

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 2020[1].

Investment	Country	% of NAV	Gearing
Applied Data Finance, LLC	United States	19.89%	NO
Caribbean Financial Group Holdings, L.P.	Latin America	14.19%	NO
Elevate Credit, Inc.	United States	13.43%	YES
ATA KS Holdings, LLC	United States	8.42%	NO
West Creek Financial LLC	United States	4.13%	NO
Deinde Group, LLC	United States	3.34%	NO
Avant, Inc.	United States	2.84%	YES
Counsel Financial Holdings LLC	United States	2.75%	NO
Caribbean Cliffs Capital Limited	Latin America	2.41%	NO
LendUp, Inc.	United States	2.14%	NO

VPC Update

During the second quarter of 2020, the COVID-19 pandemic continued to significantly impact global health, economies and social behaviour. As the world continues to navigate towards a road to recovery, VPC has adapted to the new environment while closely following the everchanging health rules and regulations, governmental policies and safety guidelines. VPC employees continue to work remotely, following the firm's Business Continuity Plan that was implemented on 12 March 2020. The firm's robust technology systems and resources have enabled us to operate without disruption. We are proud of the work we have done as a team during these unprecedented times, with a specific emphasis on telecommuting since the health and safety of our employees and their families remain most important.

We continue to closely monitor the latest health developments to determine when it will be appropriate to return to our offices. To that point, in July, VPC instated a Pandemic Response Plan which includes defined safety policies and procedures surrounding the action plan if a COVID-19 case is confirmed in our office once we reopen. The plan also includes employee responsibilities, travel policies as well as the current telecommuting policy. An internal Pandemic Response Team ("PRT") has also been formed to help employees navigate through these new policies and procedures. The team focuses on monitoring health metrics and guidance, implementing relevant changes to our policies and procedures as applicable to ensure the safest work environment and diligently communicating the updates to the firm as they are developed.

As it relates to portfolio management, we remain focused on proactive risk management and controls across the portfolio and retain a defensive position. Our senior management team continues to hold multiple calls each week and the investment teams are in constant contact with our portfolio companies to proactively ensure that they are taking prudent steps to mitigate risk on a real time basis.

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

Portfolio Update

As of the writing of this letter in early August, the existing balance sheet debt portfolio has continued to perform well through the crisis. Since the beginning of the pandemic, collection performance has exceeded our downside expectations on nearly every portfolio investment and the structural protections built into the transactions have remained resilient to the macroeconomic stress. The underlying credit portfolio is seasoned and has deleveraged with significant levels of cash being generated at the special purpose vehicle ("SPV") level as a result of reduced levels of originations combined with the short duration of the underlying portfolios. In addition, we also reduced the gearing ratio of the Company by using repayments on balance sheet facilities to pay down both the non-recourse first out facilities and the Company's Pacific Western Bank facility. Look through gearing reduced from 0.59x at the end of March to 0.45x at the end of June despite significant buyback activity during the quarter which inherently increases the look-through gearing ratio. Given the above we feel that our portfolio is well positioned to sustain any continued volatility or deterioration in the credit environment as the effects of the immediate fiscal stimulus in the U.S. start to be reduced and the long term impacts of the crisis unfold.

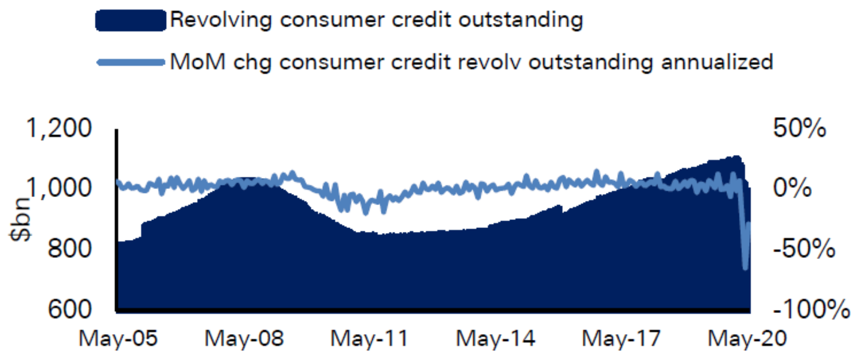
On the existing U.S. consumer portfolio, payment performance has continued to surpass expectations and the deferment population has continued to decline. Another encouraging trend has been the payment performance on borrowers completing a hardship deferment. Across the portfolio we have seen that after completing a deferment, on average approximately 65%-75% of borrowers are getting back on a regular payment schedule, and less than 10% of this population is defaulting on the payment (the difference is largely consumers that are seeking extended deferrals or some form of reduced payment plan).

As we mentioned during our last quarterly letter, origination levels at our portfolio companies came nearly to a complete halt in the middle of March as the crisis accelerated, and only recently have they returned in any meaningful way. Across the portfolio companies are gradually beginning to restart originations, using this time to originate small volumes to test the market and recalibrate underwriting models. Given the rapid changes in employment level, as well as lags in credit reporting and the broad use of payment deferments for mortgage or rent payments, lenders face unique challenges in underwriting credit for both consumers and small businesses. Common credit metrics such as FICO scores or other data typically used in underwriting can become quickly outdated. To counteract these underwriting challenges companies are adding additional data sources as well as new verification procedures. Compounding this issue is the somewhat surprising effect of there being a significant drop in demand for credit, as consumers across the credit spectrum have continued to pay down debt on an aggregate level.

As you can see in the chart on the next page, monthly change in consumer credit usage experienced the largest drop ever at the onset of crisis, with no major rebound yet. We do not believe that this will have a near term effect on the Company's performance as much of this has already been absorbed through deleveraging, but has caused some of our portfolio companies to downsize their fixed costs structures as a result.

The notable exception to this trend of lower consumer demand has been from our portfolio companies focused on e-commerce purchase finance, which typically involved paying for an item over a three to 14-month period after purchase. The Company has a total of four investments in this space (Sunbit, West Creek, Katapult, Bread) and all of them have seen an increase in demand as consumers increasingly moved online for both discretionary and non-discretionary purchases.

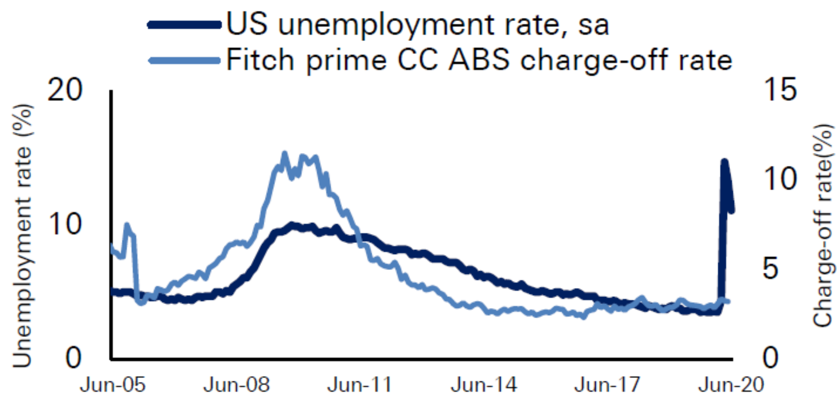
Consumer Credit Usage



Source: Credit Card ABS Monitor, Deutsche Bank, 31 July 2020

At the same time the unemployment rate in the U.S. has meaninfully diverged from charge off rates across the spectrum. Charge off rates at our platforms focused on consumer lending (inclusive of purchasee finance) in the U.S. have seen stable credit performance, with charge off rates largely flat and in some cases actually down year over year through the second quarter. Outside the U.S., credit performance has weakened slightly more without the benefits of the U.S. fiscal response, but overall remain within our underwritng ranges.

Unemployment vs Prime CC ABS Charge-off Rate



Source: Credit Card ABS Monitor, Deutsche Bank, 31 July 2020

Investment Pipeline

As mentioned above, the starkest divergence we have seen in our portfolio since the onset of the crisis has been the demand divergence between the e-commerce purchase finance (sometimes referred to as "Buy Now, Pay Later") subset of our portfolio from other types of receivables we finance. In order to capitalise on that theme we have focused our recent pipeline efforts on executing additional transactions in this sector as it meets all our desired credit expectations and there is a clear need for credit from prospective portfolio companies. Some of the features we really like about the product are outlined below:

- Short Duration: We have seen strong preference for short duration credit products, which has continued to prove its importance during this pandemic. These "Buy Now, Pay Later" products finance the purchase of a product online, either via a branded credit product or a white label product. The product is delivered immediately but paid for over a three to 12-month period via direct deposit or ACH payments directly from the customers bank accounts.

- Amortising: The product is typically financed via equal payments over the life of the loan, eliminating any bullet payment or refinancing risk.
- Identifiable use of proceeds: In our experience credit performance is more robust when the use of the proceeds of the credit is clearly identifiable, and even more so when the product is delivered directly to the merchant/recipient of the funds.
- Consumer friendly: Transparent and consumer friendly products almost always perform better on credit as you get positive selection bias in your customers, and are also a lower regulatory risk product, regardless of jurisdiction. Terms vary by platform among e-commerce purchase finance companies, but many products are interest free to the consumer for the life of the financing, and the lenders margin is obtained via merchant discount. Also, the marketing to consumers is done largely by the e-commerce firm, reducing the risk of regulatory oversight while also lowering the marginal cost of acquisition per customer.

Given we have four existing portfolio companies in the U.S. we concentrated our efforts on non-U.S. businesses in the space, and in the past two months we have closed two transactions and are in final diligence on a third. Some highlights below:

- Laybuy: On 28 July 2020, VPC announced the closing of an £80m debt facility to help finance the expansion of Laybuy in the UK, which has already shown exponential growth in its home base of New Zealand and Australia. See here for the full press release: Laybuy Secures Debt Facility.
- Opportunity 2: VPC recently closed a transaction in Asia which was executed with the help of our joint venture partner, the IFC, which has a substantial presence in the region. The company is headquartered in Singapore and is one of the leading FinTech companies in the region with top tier sponsors providing significant venture capital through several rounds of financing.
- Opportunity 3: We are in the final stages of diligence with an established and highly successful e-commerce purchase finance company in Australia. If completed, we expect this to be a sizable transaction.

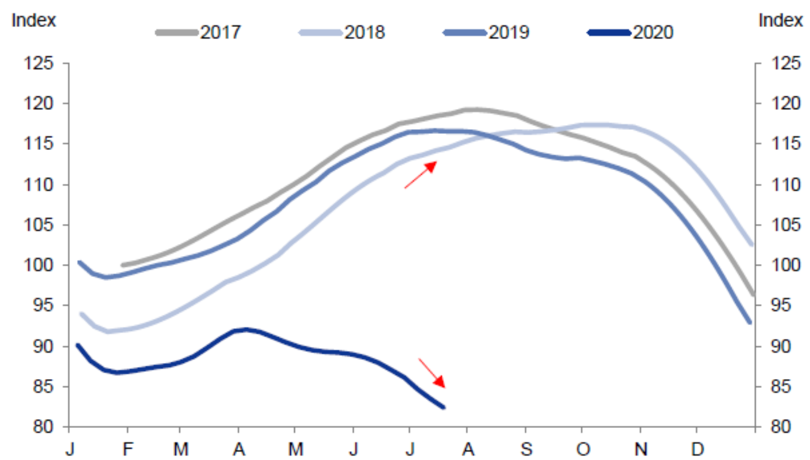
Macro Observations

The economic effects of COVID-19 as of August have been extreme but also surprising, most obviously highlighted by the complete dislocation of the stock market from the job market and the dominance of tech companies across all verticals. Indexes continue to make new highs as unemployment remains above 10% and economic activity restricted to varying degrees by government order depending on location. In the U.S., the dramatic fiscal and monetary response from Congress and the Fed have certainly played a huge role in this, and the long term effects remain to be seen, but it has temporarily cushioned what would have been an enormous hardship on millions of Americans. In particular the extension of unemployment benefits and the $600 per week additional subsidy have softened the blow for the 30 million people who were laid off on short notice within a two-month period.

In addition to the stock market, one of the most surprising markets to watch over the course of the last five months has been the dramatic swings in the U.S. housing market. Initially both offering prices and transaction prices softened as sellers understandably expected a weaker market, but in the past two months there has been a dramatic reversal with transaction prices moving higher but offering prices gapping up to now 12% higher year over year.

These statistics surely hide huge regional shifts, as large cities are much weaker than the suburbs, and low tax states seeing an influx of buyers from high tax states such as California and New York. These housing trends reflect a confluence of several varying factors outside of the immediate health effects of the virus, from record low mortgage rates to expected near term local tax increases to employees expecting the switch to work from home to remain permanent.

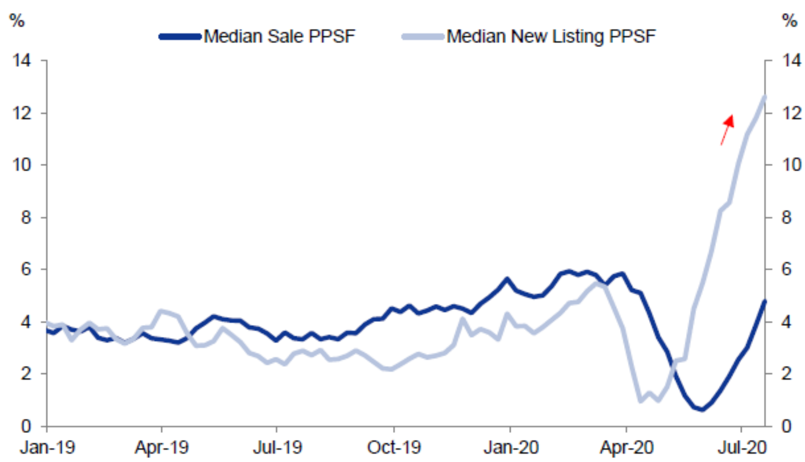
Inventory of Homes Available for Sale Continues to Decline



Source: Redfin, Goldman Sachs Global Investment Research, 7 August 2020

In the New York City and San Francisco areas in particular it is hard to go a day without hearing directly of someone relocating to another state or city and expecting it to be permanent, and apartment rental rates in these cities have seen substantial drops year over year. It remains to be seen whether these trends will revert to the norm over time, but as of now they appear to be accelerating. Perhaps the most dramatic statistic we have come across is a major office landlord in New York City estimating that the current occupancy as of mid-July at their portfolio of office towers was approximately 3%. At this point short of a widely distributed vaccine it is unclear to us what will reverse this trend in the near term, but we continue to think through how these dramatic trends can create either risk in our existing portfolio and create opportunities for VPC in the future.

Prices of new Home Listings are up Over 12% Year-Over-Year as of July



Source: Redfin, Goldman Sachs Global Investment Research, 7 August 2020

Conclusion

We believe the uncertainty in the economy over the next 12 to 24 months is possibly higher than at any point in our lifetimes, as the COVID-19 crisis continues to impact economic, societal and health environments on a global scale. In our opinion the dramatic efforts taken by governments and central banks globally has created a relative air pocket in economies around the world, and certainly so in the US. Eventually this government support and stimulus will taper off, and what happens after that is unclear but seems likely to insure a volatile future over the medium term. We will continue to be cautiously deploy capital, but to repeat ourselves at this point we feel the portfolio is well positioned to withstand future shocks changes to come this year and next. As always please feel free to reach out the team with any questions or comments.

Kind Regards,

The VPC Team

17 August 2020

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Important Information

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The Company is registered in England (registered number 9385218) with its registered office at 6th Floor, 65 Gresham Street, London, EC2V 7NQ.