VICTORY PARK
CAPITAL

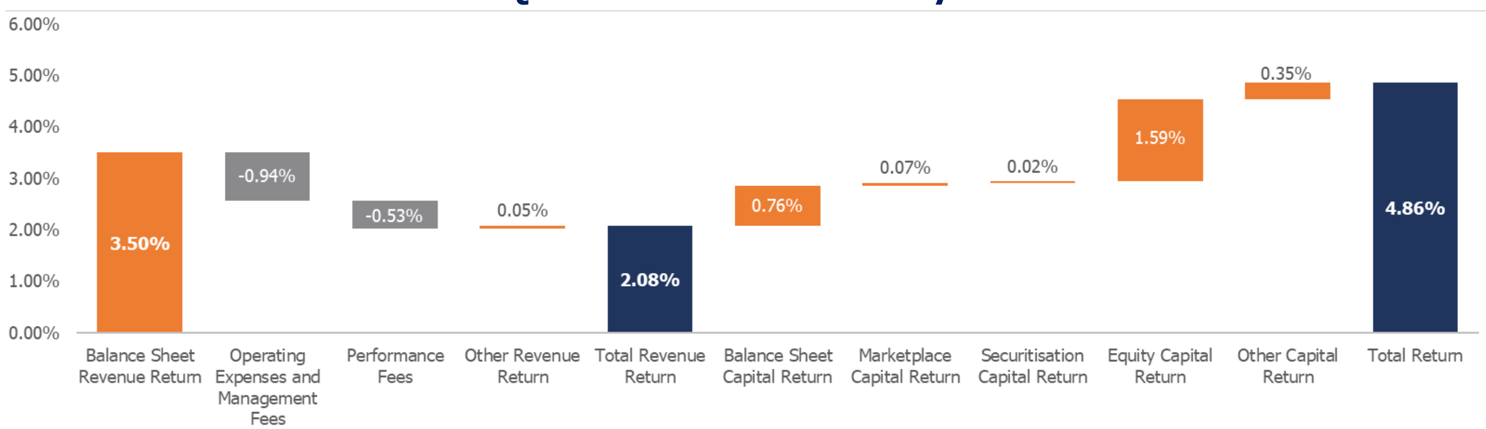
VPC Specialty Lending Investments PLC

Quarterly Letter – Third Quarter 2020

Quarterly Review

VPC Specialty Lending Investments PLC ("VSL" or the "Company") completed the third quarter with a quarterly NAV (Cum Income) return of 4.86%. Revenue returns of 2.08% were driven by continued strong performance of the Company's balance sheet investments and Capital returns were 2.78%, including releases of some expected credit loss reserves booked in March and by unrealised gains on our private venture equity investments. Gross revenue returns remained consistent with previous quarters as the Company recorded its eleventh successive quarter gross return of 3% or more. Net returns were slightly lower due to the impact of performance fee expense charged against revenue (including from capital returns).

Q3 2020 Total Return Analysis



Overall, the quarterly results proved to be positive news given the slightly improved economic back drop and we remain optimistic about performance heading into year end. Given the short duration and significant seasoning of the balance sheet investment portfolio since the onset of the COVID-19 pandemic, loans originated prior to the crisis have significantly de-risked and our structural protections have proved resilient. Despite significantly increasing the reserves for expected credit losses in March, we have yet to see any new payment defaults this year and the Company has received all contractual payments through the writing of this letter. As the worst-case scenarios feared in March have been avoided and the portfolio has continued to stabilise, some reserves during the quarter have been gradually released. During this volatile period, VSL delivered strong risk adjusted returns while also:

1) Generating large amounts of liquidity by waiving pre-payment penalties and generating cash at the Company level,

2) Reducing total Company level gearing (both recourse and non-recourse) from 0.59x at the end of March to 0.42x at the end of September,

3) The Company repurchased 28.5 million shares during 2020 through 30 September 2020 at an average price of 65.64p and an average discount to NAV of 21.60%, accounting for 9.20% of the outstanding shares as at 31 December 2019,

4) Maintaining our currency hedges despite significant volatility in GBP/USD, particularly during the March period when we had to post margin against our hedges as GBP plummeted, and

5) Closing five new balance sheet investments at attractive terms that should scale quickly over the next few quarters, providing opportunities to redeploy available cash.

The Company remains very focused on risk and takes nothing for granted in the future, it is however more optimistic that performance thus far this year should strengthen the investment case for the Company. Frequently, feedback is received indicating that while potential investors are impressed with the investment proposition and long track record of VPC investing in balance sheet loans, they did not feel the portfolio had been sufficiently stress tested through a recession. Most of these potential investors passed on the investment but said they would revisit investing in the Company after it had been through a "credit cycle". While historically the portfolio has been back tested against similar pools during the global financial crisis, it is true that portfolio had not experienced something like the COVID-19 crisis.

In many ways the nature of this economic crisis could have been a worst-case scenario for the portfolio given the rapid onset of the spread of the disease and the subsequent lockdowns across the world. During historic recessions good lenders have slowly tightened credit and increased the credit quality of the book as unemployment slowly crept higher, so by the time it peaked (with the benefit of hindsight) the portfolio had seasoned and average credit quality had improved, insulating the lender from the weakening credit environment. In this case the Company's investment manager worked with lenders to reduce volumes as fast as possible, which in most cases had largely stopped by early to mid-March, but this is very different to historical recessions where credit could be tightened slowly over time. Given the unique nature of the pandemic the US effectively went from near full employment to a near depression within two months, an unprecedented event in American history.

As previously discussed, the lenders experienced some immediate increases in requests for payment deferrals from their customers. However, during Q3, two important signals have been observed consistently across the portfolio; first, rates of payment deferral have reverted to pre-COVID levels, and second, the performance of borrowers who had taken deferrals has continued to exceed best case expectations. A significant majority of borrowers who had taken payment deferrals successfully returned to a normal payment schedule after the deferral elapsed, which, along with the continued seasoning of the portfolio, provides a strong indication that the environment has stabilised. There is potential for a new wave of unemployment as the virus continues to take a toll on populations and economies, but at this point the portfolio is significantly de-risked and any new originations have been underwritten to tighter credit standards which specifically factor in macro COVID-19 risk factors. Accordingly, the portfolio is well positioned should further stress materialise.

While we remain disappointed and frustrated by the continuing trading discount to NAV, we believe we can now present potential shareholders with an even stronger, validated investment proposition given that the portfolio performance has now been through an extreme economic shock.

Top Ten Positions

Below is a summary of the top ten positions, excluding equity exposure, held by the Company as at 30 September 2020[1].

Investment	Country	% of NAV	Gearing
Applied Data Finance, LLC	United States	19.35%	NO
Caribbean Financial Group Holdings, L.P.	Latin America	13.81%	NO
Elevate Credit, Inc.	United States	11.76%	YES
ATA KS Holdings, LLC	United States	8.51%	NO
West Creek Financial LLC	United States	4.02%	NO
Avant, Inc.	United States	2.76%	YES
Counsel Financial Holdings LLC	United States	2.67%	NO
Deinde Group, LLC	United States	2.64%	NO
LendUp, Inc.	United States	2.08%	NO
Caribbean Cliffs Capital Limited	Latin America	1.91%	NO

Portfolio Update

Below are a few highlighted portfolio company updates:

1) **Caribbean Financial Group Holdings, L.P.** ("CFG"): CFG's performance has continued to hold up despite macro disruption caused by COVID-19. The Company has outperformed its stress case scenario, with 2020 expected to provide positive net income despite increases in the loan loss reserve due to COVID-19. CFG has also seen cash collections rebound since March, with collections approaching normalised levels in Trinidad, where VPC has a first lien. VPC's Trinidad collateral has exhibited particularly strong performance, attributed to the country's strong response to the pandemic.

2) **Applied Data Finance, LLC** ("ADF") has outperformed its initial COVID-19 projections, seeing stronger credit performance than anticipated across its portfolio. Due to drastically reduced

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

originations the Company's book has declined by over 1/3 from peak levels but originations have ticked up recently as demand for consumer credit has begun to recover. Management believes ADF is well positioned and anticipates growth the resume in 2021.

3) **FinanceApp AG** ("WeFox"): Our equity investment in WeFox has continued to perform strongly as the company has become the leading insurtech business in Europe, with triple digit revenue growth that is again trending above plan for 2020. The investment added approximately 1.25% to our performance during the quarter and we remain very bullish on the prospects for the company and optimistic about future NAV gains as the company continues to execute on its long-term plan.

4) **Counsel Financial Holdings LLC** ("Counsel"): The uncorrelated nature of Counsel's strategy of legal lending helped insulate the business from the immediate effects of the COVID-19 crisis. The loan book remains relatively flat year over year while gross profits and margins have increased, and the business remains net income positive.

5) **Konfio, Ltd.** ("Konfio"): In September, the Company was fully refinanced from the credit facility with the Mexican small business lender Konfio. As part of the refinancing the Company received a pre-payment penalty that was paid partially in cash and partially in newly issued warrants. The Company had also received warrants at the inception the deal which we sold in March of this year as part of an equity round that was led by Softbank Group. Overall, the Company generated a gross deal IRR of 20.0% on the transaction.

New Investments

Since the onset of the COVID-19 crisis VPC has closed on nearly $600m of new deal capacity that will provide significant investment opportunities for the Company as they scale in the coming years.

1) **Laybuy Holdings Limited** ("Laybuy"): As previously disclosed in last quarterly letter, VPC closed on a new £80 million facility with Laybuy to help grow their product in the UK. The investment comes with a warrant package that can be converted into common shares of Laybuy which, as of as of the writing of this letter, trades in Australia under the ticker LBY. Launched in 2017, Laybuy is New Zealand's leading buy now, pay later service partnering with over 4,500 retail merchants across the country, and is also available in the UK and Australia. Laybuy allows the customer to purchase and receive the item immediately and pay for the item in six equal weekly instalments with zero interest. The full press release can be found here.

2) **PerchHQ LLC** ("Perch"): In July, the VPC closed on a $100 million senior secured credit facility with Perch. Perch is a technology-enabled platform that acquires and operates a diverse portfolio of Amazon third-party seller assets. As part of the transaction the Company received warrants in exchange for providing the credit facility. Perch acquires winning consumer brands and uses its

technology and operational expertise to drive growth through pricing strategy, advertising strategy, cost savings, supply chain efficiencies, and general Amazon account management optimisation. Perch was founded by CEO Chris Bell in October 2019 and is led by a team of former colleagues from Wayfair and Bain & Company.

3) **Zip Co Limited** ("Zip Money"): VPC recently announced a second credit facility with listed Australian point of sale lender Zip Money, after having been previously refinanced from our first facility in 2017. This facility is for A$100 million and will help finance the growth of their small business working capital product, which was recently expanded through a joint venture with eBay. The full press release can be found here.

4) **FinAccel Pte. Ltd.** ("FinAccel"): FinAccel is a Singapore based fintech that provides Indonesian consumers with a digital credit platform (d/b/a "Kredivo") to finance e-commerce purchases, pay bills, and secure personal loans. In July, Victory Park provided a $100 million senior secured credit facility and received penny-warrants exercisable into 1.0% of the fully diluted common equity of the company. FinAccel is one of the fastest growing fintechs in Indonesia with 2 million active users and $50 million in monthly originations. In 2019, the company raised $90 million in Series C equity funding in round that was jointly led by Mirae Asset-Naver's Asia Growth Fund and Square Peg Capital, joining existing investors Jungle Ventures, Openspace Ventures and MDI Ventures.

6) **Heyday Technologies, Inc.** ("Heyday"): In August, the VPC closed on its investment in Heyday, consisting of a $150 million senior secured credit facility and investment into the Series A preferred stock. The credit facility will help to expand and grow Heyday's portfolio of third-party marketplace sellers backed by a diverse spectrum of cash flowing brands. The credit facility is secured by first priority lean on all of the brands and assets of the business.

7) **VPC Impact Acquisition Corp.** ("VIH"): The Company was one of the sponsors of VIH, the first special purpose acquisition company ("SPAC") launched by VPC, which closed in September and trades on the Nasdaq under the tickers VIH and VIHAW (converted effective 12 November 2020 from VIHAU). The public filings for VIH can be found here. The SPAC will seek to merge with a high growth fintech firm with a target valuation of $1-2 billion. VPC has an extensive deal sourcing network in the fintech universe through its existing business and the SPAC was a natural way to capitalise on the network for the benefit of our shareholders. While the investment is relatively small for the Company, the economics of SPAC sponsorship are highly asymmetrical and if the SPAC was able to execute on a high quality deal, this could potentially add meaningfully to the VSL returns over the next 1-2 years.

Conclusion

Approaching the end of the year and nearly eight months into the COVID-19 crisis, the Company has managed risk well to this point and by aggressively pursuing new deals the Company is positioned to generate strong risk adjusted NAV returns in the coming quarters and years. Given the low level of originations during the crisis our existing portfolio is now heavily seasoned and de-risked, and while originations have started, they remain well below pre-COVID-19 levels. In the meantime the Company has paid down credit facilities to further de-risk the Company while also buying back signifcant numbers of shares at discount levels accretive to all shareholders. With nearly $600 million of new investments closed since the crisis, the intent is to increase exposure gradually and reinvest cash at attractive rates of returns as new investments scale over time. All these factors leave the Company extremely well positioned to continue to deliver strong NAV returns for the foreseeable future.

Kind Regards,

The VPC Team

23 November 2020

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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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