RNS Number : 0793O
VPC Specialty Lending Invest. PLC
29 September 2023

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VPC SPECIALTY LENDING INVESTMENTS PLC

(the "**Company**" or "**Parent Company**" with its subsidiaries (together) the "**Group**")

Half-Year Report and Unaudited Financial Statements

For the Six-Month Period Ended 30 June 2023

The Board of Directors (the "Board") of VPC Specialty Lending Investments PLC (ticker: VSL) present the Company's Half-Year Report and Unaudited Financial Statements for the period ended 30 June 2023.

A copy of the Company's Half Year Report is available to view and download from the Company's website, https://vpcspecialtylending.com/documents/. Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into or forms part of this announcement.

A copy of the Half-Year Financial Report will be submitted shortly to the National Storage Mechanism ("NSM") and will be available for inspection at the NSM, which is situated at: https://data.fca.org.uk/#/nsm/nationalstoragemechanism, in accordance with DTR 6.3.5(1A) of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

All page numbers below refer to the Half-Year Report on the Company's website.

Further information on VPC Specialty Lending Investments PLC is available at https://vpcspecialtylending.com.

Enquiries

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INTRODUCTION TO THE COMPANY AND THE GROUP

VPC Specialty Lending Investments PLC (the "Company" or "VSL") provides asset-backed lending solutions to emerging and established businesses ("Portfolio Companies") with the goal of building long-term, sustainable income generation. VSL focuses on providing capital to vital segments of the economy, which for regulatory and structural reasons are underserved by the traditional banking industry. Among others, these segments include small business lending, working capital products, consumer finance and real estate. VSL offers owners of shares of the Company ("Shareholders") access to a diversified portfolio of opportunistic credit investments originated by non-bank lenders with a focus on the rapidly developing technology-enabled lending sector.

The Company's investing activities are undertaken by Victory Park Capital Advisors, LLC (the "Investment Manager"

The Company's investing activities are undertaken by Victory Park Capital Advisors, LLC (the "Investment Manager" or "VPC"). VPC is an established private capital manager headquartered in the United States ("U.S.") with a global presence. VPC identifies and finances emerging and established businesses globally and seeks to provide the Company with attractive yields on its portfolio of credit investments. VPC offers a differentiated private lending approach by financing Portfolio Companies through asset-backed delayed draw term loans, which is referred to as "Asset Backed Lending," designed to limit downside risk while providing Shareholders with strong income returns. Through rigorous due diligence and credit monitoring by the Investment Manager, the Company generates stable income with significant downside protection.

This half year report for the period to 30 June 2023 includes the results of the Company (also referred to as the "Parent Company") and its consolidated subsidiaries (together the "Group"). The Company (No. 9385218) was admitted to the premium listing segment of the Official List of the Financial Conduct Authority ("FCA") (the "Official List") and to trading on the London Stock Exchange's main market for listed securities (the "Main Market") on 17 March 2015, raising £200 million by completing a placing and offer for subscription (the "Issue"). The Company raised a further £183 million via a C Share issue on 2 October 2015. The C Shares were converted into Ordinary Shares and were admitted to the Official List and to trading on the Main Market on 4 March 2016. Proposals to amend the Company's investment policy to facilitate a managed wind-down of the Company were approved by Shareholders at the General Meeting on 12 June 2023.

INVESTMENT OBJECTIVE

Following the wind-down vote and accompanying amendments to the investment policy, the Company's investments will be realised in an orderly manner, that is, with a view to achieving a balance between returning cash to Shareholders promptly and maximising value. On pages 5 and 8 of this report more information is provided about the intended schedule for liquidating VSL's portfolio.

INVESTMENT POLICY

The Company seeks to achieve its investment objectives by investing in opportunities in the financial services market through Portfolio Companies and other lending related opportunities. There have been no new investments since 30 June 2023. The only circumstances where the Company will fund existing portfolio investments will be where there are contractual requirements to do so or where it is considered vital to protect the value of that investment.

The Company invests directly or indirectly into available opportunities, including by making investments in, or acquiring interests held by, third-party funds (including those managed by the Investment Manager or its affiliates).

Direct investments include consumer loans, small- and medium-sized enterprises ("SME") loans, advances against corporate trade receivables and/or purchases of corporate trade receivables originated by Portfolio Companies ("Debt Instruments"). Such Debt Instruments may be subordinated in nature, or may be second lien, mezzanine or unsecured loans.

Indirect investments include investments in Portfolio Companies (or in structures set up by Portfolio Companies) through the provision of senior secured floating rate credit facilities ("Credit Facilities"), equity or other instruments. Additionally, the Company's investments in Debt Instruments and Credit Facilities are made through subsidiaries of the Company or through partnerships in order to achieve bankruptcy remoteness from the platform itself, providing an extra layer of credit protection.

The Company may also invest in other financial services related opportunities through a combination of debt facilities, equity or other instruments.

The Company may also invest (in aggregate) up to 10% of its Gross Assets (at the time of investment) in listed or unlisted securities (including equity and convertible securities or any warrants) issued by one or more of its Portfolio Companies or financial services entities.

The Company invests across several Portfolio Companies, asset classes, geographies (primarily US, UK, Europe, Australia, Asia and Latin America) and credit bands in order to create a diversified portfolio and thereby mitigate concentration risks.

FINANCIAL HIGHLIGHTS

SUMMARY HIGHLIGHTS FOR THE FIRST HALF OF 2023

- **February 2023:** The Company declared its 20th consecutive dividend of 2.00p for the three-month period to 31 December 2022.
- **April 2023:** On 28 April 2023, the Company released its 2023 Annual Report, which was published on its website.
- **May 2023:** On 16 May 2023, the General Meeting Circular was announced and published to the Company's

website, inclusive of two proposals for the Company's managed wind-down, with a vote on the proposals taking place on 12 June 2023. On 31 May 2023, the recurring AGM Circular was announced and published on the Company's website.

- **June 2023:** At the General Meeting held on 12 June 2023, the resolutions put to the meeting inclusive of two proposals for the Company's managed wind-down were approved by Shareholders. The Company announced that at its AGM held on 23 June 2023, all resolutions set out in the Notice of AGM were passed by the requisite majority. On 26 June 2023, the Company declared its 21st consecutive dividend of 2.00 pence per share for the three-month period to 31 March 2023.

SUBSEQUENT EVENTS

- **July 2023:** The Company sold 932,968 shares of Bakkt (NYSE: BKKT) for US$1.6 million, including a gain of US$0.1 million.
- **August 2023:** In August 2023, the Company sold a portion of its remaining equity in Kueski, Inc. for US$0.8 million, including a gain of US$0.7 million. On 25 August 2023, the Company received a paydown of US$5.3 million on CFG Partners Holdings, L.P. that the Company used to reduce the outstanding gearing facility.
- **September 2023:** In September 2023, the Company received cash inflows totalling US$14.0 million from the Company's Asset Backed Lending and equity investments. The proceeds were used to partially reduce the outstanding gearing facility.

RETURN SUMMARY AS AT 30 JUNE 2023

	30 June 2023	30 June 2022	31 December 2022
Net Asset Value ("NAV" per Ordinary Share	94.18p	105.51p	98.19p
Ordinary Share Price	69.20p	83.40p	83.10p
Discount to NAV	26.53%	20.95%	15.37%
NAV (Cum Income) Return	-2.04%	-4.06%	-6.97%
Total Shareholder Return (based on share price)[1]	-14.32%	-5.21%	-1.19%
Dividends per Ordinary Share[2]	4.00p	4.00p	8.00p
Total Net Return	-£5.55 million	-£12.88 million	-£22.11 million
Revenue Return	+£21.79 million	+£13.21 million	+£28.02 million

1 Net of issue costs.

2 Dividends declared which relate to the period.

TOP TEN POSITIONS

The table below provides a summary of the top ten exposures of the Group, net of gearing, as at 30 June 2023. The summary includes a look-through of the Group's investments in VPC Synthesis, L.P. and VPC Offshore Unleveraged Private Debt Fund Feeder, L.P. to illustrate the exposure to underlying Portfolio Companies as it is a requirement of the investment policy (set out on page 3 to consider the application of the restrictions in this policy on a look-through basis.

INVESTMENT	COUNTRY	INVESTMENT TYPE	EXPOSURE
Deinde Group, LLC	United States	Asset Backed Lending	12.65%
Caribbean Financial Group Holdings, L.P.	Latin America	Asset Backed Lending	6.90%
FinanceApp AG	Switzerland	Equity	6.58%
Applied Data Finance, LLC	United States	Asset Backed Lending	6.23%
FinAccel Pte Ltd	Singapore	Asset Backed Lending	5.90%
Perch HQ, LLC	United States	Asset Backed Lending	4.91%
Razor Group GMBH	Germany	Asset Backed Lending	4.46%
Heyday Technologies, Inc.	United States	Asset Backed Lending	3.95%
Heyday Technologies, Inc.	United States	Equity	3.25%
Elevate Credit, Inc.	United States	Asset Backed Lending	3.13%

CHAIRMAN'S STATEMENT

I present to you the half-year results for the Company for the period to 30 June 2023. Over this period, the Company delivered a total return of -2.04%, with strong revenue returns of 5.94% but capital and other returns were down by 8.10% due to challenges in the broader equity markets. Through this period, the Company's investment portfolio remained stable, and its dividend has been unaltered with quarterly dividends totalling 4.00 pence per share declared with 2.00 pence per share paid as of 30 June 2023.

The first half of 2023 has been dominated by Western economies attempting to dampen rising inflation with sustained monetary policy tightening. These efforts have made daily life increasingly difficult for consumers and borrowers, and investor sentiment has suffered. That said, there were some positive developments this year. For example, fears of banking sector contagion following the fallout of Silicon Valley Bank in March have dissipated, and lending conditions have tightened by less than initially feared. Moreover, even as growth has been anaemic, larger economies have so far this year managed to avoid recession. Consequently, we may be closer to the end of the rate-hiking cycle in both Europe and the U.S., even if the U.S. Federal Reserve ("Fed") appears unlikely to ease monetary policy before early 2024.

Closer to home, the Association of Investment Companies ("AIC") reported that UK investment trusts as a whole are now trading at the widest discount to net asset value ("NAV") since 2009 at the height of the Global Financial Crisis. The discount then continued to widen because of the still challenging economic environment eroding investor confidence. Indeed, discounts appear particularly steep for those investment trusts invested in relatively illiquid assets, including private companies and real estate. Investment trust discounts are unlikely to close significantly until investors feel far more optimistic about the future direction of the global economy.

THE COMPANY'S INVESTMENTS

The Company continues to generate robust returns from its core lending business in asset backed investments (which represent 76% of the total portfolio as at 30 June 2023). The core lending business benefits from a secure lending position, targeting minimal capital losses and a high level of income generation that supports regular dividend payments. Most of the Company's asset backed investments are delayed draw, floating rate senior secured loans that may have equity subordination. These asset backed investments are secured primarily by underlying collateral consisting of consumer loans, small business loans and alternative assets.

The Company's equity interests are often an affiliated accompaniment to its core lending activity, as are its investments in Special Purpose Acquisition Companies ("SPACs"). During the half-year review period, the proportion of the overall portfolio represented by equity investments, including investments in SPACs, increased slightly from 22% to 23%. The Company's investment in SPACs is valued at £4.9 million, approximately 2% of NAV.

More information about the performance of the Company's investments can be found in the Investment Manager's Report.

INVESTMENT OBJECTIVE

Proposals to amend the Company's investment policy to facilitate a managed wind-down of the Company were approved by Shareholders at the General Meeting on 12 June 2023. There are two key aspects of the wind-down process I am keen to address to Shareholders; the first is the timing of realisations, and the second is the expedient and measured return of capital. In terms of realisations, the Investment Manager is committed to ensuring that the Company's investments will be realised in an orderly manner, that is, intending to achieve a balance between returning cash to Shareholders promptly and maximising value. Given the illiquid nature of the Company's investments, it is difficult to provide certainty on the timeframe for realisation; however, I would direct Shareholders to the Company's website to view the most recently published Monthly Report, where we will continue to publish any information relating to actual and potential realisations. The profile of contractual maturities less projected borrowing paydowns for Asset Backed Lending Investments as at 30 June 2023 is available on the Company's website: https://vpcspecialtylending.com/documents/ and updates will continue to be provided monthly. For ease of reference the maturity profile as at 30 June 2023 can be found on page 8 below.

In terms of returning capital to Shareholders, we are conscious that our Shareholder register features both institutional and retail investors. With that in mind, we will seek to ensure as far as possible that no Shareholder group is disadvantaged in how capital is returned over time.

Although Shareholders should place only limited reliance on this information, it is the Board's current estimate that the first distribution will occur at the end of 2023 or in early 2024 and that distributions will continue thereafter with a substantial proportion of the portfolio being realised within the next three years. Based on existing market conditions, potential cash flows and on the assumption of continued strong portfolio performance, the Company currently expects to continue paying dividends at the current rate for at least a year and potentially longer. The Company will communicate the expected timing of distributions as the portfolio is realised, through Monthly Reports and via direct Shareholder communication as required.

INVESTOR ENGAGEMENT

Following the votes at the General Meeting and the AGM, the Board has been engaging with Shareholders to understand the reasons for over 20% of the votes being cast against Resolution 2 (To revise the investment management agreement) at the General Meeting and at the AGM: on Resolutions 5 (To re-elect the Chairman as a Director), 10 (To authorise the Directors to allot Ordinary Shares), and 11 (To dis-apply pre-emption rights). We acknowledged the outcome of these votes in our communications after both meetings and have subsequently been in contact with a number of Shareholders to listen to the reasons for their votes against those Resolutions and to assure them that their concerns have been acknowledged. I would like to thank those Shareholders who engaged in these constructive discussions. We will continue to consult Shareholders regularly.

One key piece of feedback was concern from some Shareholders regarding Resolution 2 of the General Meeting to restructure the Investment Manager's management and performance fee arrangements in light of the wind-down process. In response, it is important to note that the revised management and performance fee arrangements require a full NAV return (i.e., the High

Water Mark NAV Amount) in cash to Shareholders before any performance fees are paid to the Investment Manager, which was not previously the case. Further, the Company will not pay performance fees on unrealised gains in the future, with performance fees only being paid out of realised returns. The arrangement should mitigate against disposals at an excessive discount which would expedite the voluntary liquidation of the Company but may disadvantage Shareholders.

We continue to believe that the revised management and performance fee arrangements better align the interests of the Company, its Shareholders and the Investment Manager, as it incentivises the Investment Manager to undertake the wind-down process efficiently and in a way that optimises value and decreases risk for Shareholders. A fixed management fee alone could not achieve the same degree of alignment, and I hope this helps to further allay any Shareholder concerns on this matter.

THE COMPANY'S ESG IMPACT

As an investment trust, the Company does not have employees, property, or factories. Therefore, its ability to make a positive environmental, social, and governance ("ESG") impact is directed by the Investment Manager and through the Portfolio Companies the Company invests in. The Investment Manager aims to operate and invest responsibly, ethically, and fairly and continues to be a signatory of the United Nations Principles for Responsible Investment ("PRI"), the leading global network for investors committed to integrating ESG considerations into long-term investment decision-making.

As a consequence of the new investment policy, we recognise we have an even greater responsibility to ensure we treat all underlying Portfolio Companies fairly in respect of timings of exits and in our efforts to achieve a fair value for all concerned parties. Decisions will continue to be taken after considering the impact on all relevant stakeholders.

The Board and the Investment Manager remain committed to ensuring the Company's culture is aligned with its stated purpose, values, and strategy, throughout the wind-down process. Moreover, the Company continues to have policies and procedures in place to maintain a culture of good governance, including policies and procedures relating to all aspects of diversity, equity, and inclusion.

OUTLOOK

We have been encouraged by the Company's resilience during continued market uncertainty and in an era of significant interest rate hikes. This resilience stems from the nature of the core asset backed securities held by the Company, the deal structuring applied to portfolio investments, the risk management measures implemented, as well as the Investment Manager's long-standing credit expertise.

Now that the wind-down process has begun in earnest, the Board will meet regularly to review the following: (i) progress in implementing the Company's revised investment objective and policy, and (ii) the liquidity of unrealised holdings. We recognise that the strategy for realising individual investments must be flexible and may need to be altered to reflect changes in the circumstances of a particular investment or to account for prevailing market conditions. While some investments may be considered appropriate for sale in the shorter term, other investments may be held for a longer period with a view to enabling their inherent value to be achieved.

The Company's goal in the wind-down is to keep Shareholders updated on progress and to achieve realisations in a timely and efficient manner. We recognise that to be overly prescriptive on the timeframe could prove detrimental to the overall aims of the orderly wind-down, which is to achieve the best value for Shareholders. However, our conversations with Shareholders confirmed that timing is paramount for some. We will therefore endeavour to keep all Shareholders informed and updated throughout the realisation process while being mindful of our responsibilities to all Stakeholders and Portfolio Companies.

Finally, your Board and I would like to thank all Shareholders for their continued support.

Graeme Proudfoot

Chairman

28 September 2023

INVESTMENT MANAGER'S REPORT

PERFORMANCE REVIEW

Amid ongoing economic uncertainty during the first half of the year, the Company generated negative performance primarily driven by unrealised losses on equity investments within the eCommerce aggregation portfolio. Even so, we believe the portfolio remains well-positioned due to the protections structured into the Company's balance sheet investments, and the Company continues to make quarterly dividend payments to its investors in line with expectations.

During the period, the Company generated a total return of -2.04% (2.00p) for shareholders, declared dividends for the period of 4.00p and produced a NAV per share as at 30 June 2023 of 94.18p. The Company generated gross revenue returns of 7.98% (7.83p) as a percentage of NAV in the first half of 2023 from the Company's balance sheet investments, continuing the stable trend of the past few years. As detailed in the returns table below, gross capital returns of -6.95% (-6.82p) were primarily due to the unrealised losses from the Company's privately held and publicly traded equity investments. Finance costs were -1.28% (-1.25p) and operating expenses and management fees were -1.09% (-1.07p) for the period.

Revenue growth and contribution margins continue to be depressed within the eCommerce aggregation portfolio, a dynamic felt across the broader eCommerce and retail industries, driving the decision to adjust the fair market value of some investments. In addition, certain individual Portfolio Companies underperformed to budget, exacerbating the valuation adjustments.

Overall, the continued weak performance of equities and sustained pressure on consumer spending were notable themes during the first six months of the year, a dynamic felt in particular across the broader eCommerce and retail industries. After experiencing rapid growth during the pandemic, eCommerce companies have experienced a notable post-pandemic slowdown, and have been forced to navigate a slower growth environment. For context, even Amazon reported its first unprofitable year since 2014. Inflation, while showing signs of abating, continues to be a primary driver of pressure on consumers, particularly those in the lower income brackets. While many of the supply chain challenges faced by eCommerce since early 2022 have eased, higher prices have not fully offset the pressure on margins and reductions in force have been more commonplace.

In the second quarter of 2023, eCommerce Portfolio Companies continued to right-size balance sheets by reducing inventory to unlock working capital and manage corporate spending. This is not unique to the Company's portfolio but has been a broader theme consistent across the industry, from large multinationals to small third-party sellers. On a positive note, there have been signs that these right-size measures are paying off. Revenue and margin performance are improving while liquidity remains generally robust, albeit continued risk-management efforts to improve profitability and underlying asset performance will remain a work in process through the back half of the year.

The Company's fintech credit facilities have demonstrated continued resilience. In the consumer space, consumer credit is showing signs of normalisation, with credit card delinquencies returning to pre-pandemic levels.

The demand in Venture Capital ("VC") markets has, in general, been notably weaker during 2023, with VC investors scaling back funding and taking longer to assess new investment opportunities. Public equity volatility and a general reset in valuations have led to a higher "bar" for new equity investments. According to Crunchbase, seed funding in the first quarter of 2023 was down 44% year over year, and early-stage funding was down 54% over the previous year. The slowdown led to a decrease in valuations for the private equity book.

By contrast, the demand for private debt as a practical alternative to growth equity financing for emerging businesses has continued. In 2007, the private debt market had approximately US$190 billion in assets. It has subsequently increased to approximately US$1.5 trillion in assets in 2022. The evidence suggests that as traditional funding has dried up, growth-stage companies are increasingly relying on debt financing and non-traditional funding to support their expansion plans.

The Company's asset backed investment portfolio primarily consists of senior secured floating rate credit facilities. The senior secured floating rate credit facilities are further structured to provide significant first-loss protection to Company's investments. Recent higher interest rates have positively affected revenue returns, as rates on the Company's facilities are floating.

In keeping with the Company's expected credit loss allowance policy, reserves are reviewed monthly. Given the continued challenging economic environment and in running the scenarios detailed in the footnotes to the financial statements, the Company saw a nominal increase in the expected credit loss reserves by 9.63% or £1.6 million during the period.

RISKS AND UNCERTAINTIES

Although there are several risks and uncertainties, the Investment Manager believes the most significant of these include:

- **Rising interest rates:** While the Company's investment portfolio primarily consists of floating rate credit facilities with interest rate floors, changes in interest rates could affect its investments, the profitability of the Portfolio Companies, and that of the underlying borrowers, potentially leading to lower returns or changes in repayments or default rates of the underlying borrowers.
- **Potential changes in credit risk:** There is inherent risk in the Company's underlying investments of a borrower default and a majority of the underlying exposure is in the U.S. Given the short duration of the collateral in the portfolio, the underly Portfolio Companies continue to generate sufficient cash flow.

The Investment Manager's proactive approach to mitigating risk includes tightening credit criteria on originations, bolstering operations, rationalising operating expenses, tightening structural protections, and leveraging third-party consultants as needed. It is also committed to ongoing monitoring on a daily, weekly, and monthly basis of cash reserve levels, collateral, and repayment activity.

INVESTMENT MANAGER UPDATE

VPC had a robust first half of 2023. As at 1 August 2023, VPC's team included 55 employees across its locations in Chicago, New York, Los Angeles, San Francisco, and London. The Investment Manager continues to operate in a hybrid workplace, with employees working from the office three days a week and remotely two days per week, respectively.

As it relates to portfolio management, the Investment Manager remains focused on proactive risk management and controls

As it relates to portfolio management, the Investment Manager remains focused on proactive risk management and controls across its portfolio. Senior management holds multiple calls each week, and the investment team is in regular contact with Portfolio Companies. With the help of the Investment Manager's proprietary Data Analytics and Risk Technology System (DARTS), VPC is able to monitor risk and performance proactively.

OUTLOOK

The last 18 months have seen interest rates raised by central bankers at an unprecedented pace. As recently as the first quarter of 2022, the Fed held the federal funds rate at near zero. Since then, the Fed has raised rates 11 times, taking the federal funds rate to a range of 5.25% to 5.50% at the time of writing. It is, therefore, not surprising that companies are struggling to acclimatise to borrowing rates. While there are growing hopes that U.S. monetary tightening has peaked, the Fed is not ruling out the possibility of more rate hikes this year.

The Company's average portfolio interest rate has increased as the Fed has raised rates, which has positively affected revenue returns over the period. However, the Investment Manager recognises that central bank policy is not an exact science, and just as policymakers take time to respond to changes in the economic outlook, the effects of their policy changes take time to filter through to the broader economy, companies, and consumers. The Investment Manager, therefore, is mindful that further increases in short-term rates could potentially lead to credit risk as Portfolio Companies will face greater than anticipated interest expenses. As well as monitoring credit performance, the Investment Manager continually assesses the overall corporate performance of the Portfolio Companies, including observing board meetings and holding weekly update calls with management.

From a macroeconomic standpoint, private debt as an asset class remains the stable choice in volatile times and continues to benefit from investors seeking income generation and resilient returns across market cycles. From a structural perspective, as the world adapts to the higher-for-longer interest rate environment, the Company continues to benefit from its floating rate credit facilities with interest rate floors, its short-duration collateral in the underlying Portfolio Companies, and its additional layers of corporate guarantees and structural protection. Overall, the Investment Manager anticipates valuations will be flat or slightly down next year as this environment encourages companies to be measured on valuation expectations. The theme of mergers and consolidation is expected to be a focus across the eCommerce space throughout the remainder of 2023 and well into 2024.

As the Investment Manager, VPC is managing the wind-down effectively with the near-term goal to maintain the Company's dividend target. VPC will manage the portfolio in accordance with the Firm's institutionalised policies and procedures with the goal of maximising returns for Shareholders.

Victory Park Capital Advisors, LLC
Investment Manager
28 September 2023

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