

Pollen Street Secured Lending plc

AN ALTERNATIVE CREDIT INVESTMENT TRUST

Background & Investment Objective

Pollen Street Secured Lending plc is a UK listed investment trust whose investment objective is to provide shareholders with an attractive level of dividend income through exposure to investments in alternative finance and related instruments.

The Company specialises in investing in small size private credit assets across SME, consumer (secured and unsecured), real estate and trade finance asset classes through strategic partnerships which encompass marketplace lending platforms, balance sheet lenders and other non-bank loan originators. The Company invests in the USA, Europe and Australasia and actively seeks opportunities in other markets.

The Company believes that this specialism has the potential to provide attractive returns for investors on a risk-adjusted basis. Changes in the focus of mainstream lenders together with the implementation of new models that utilise data, analytics and technology more effectively, provide an opportunity to deliver better products to borrowers while generating attractive returns for the Company.

Financial Information

Monthly NAV Return (Annualised)	6.29%
Monthly NAV Return	0.52%
YTD ⁽¹⁾ NAV Return	5.25%
ITD ⁽²⁾ NAV Return	26.77%
NAV Cum. Income	£718.2m
NAV Ex. Income	£703.2m
Market Capitalisation	£617.5m
Investment Assets	£948.5m
Maximum Allowable Leverage ⁽³⁾	150%
Total Net Debt to Equity Ratio	0.35x
12m Trailing Div.	48p
12m Trailing Div. Yield on Share Price	5.78%
Shares in Issue	74,402,289
Share Price	830p
NAV Cum. Income per Share	965p
NAV Ex. Income per Share	945p
Discount to NAV Cum. Income	(14.0%)

Fund Facts

Investment Manager	PSC Credit Holdings LLP
Sub Manager	Pollen Street Capital (US), LLC
Type of Fund	Closed Ended Investment Fund
ISIN	GB00BLP57Y95
Inception Date	30 May 2014
Dividend	Quarterly

⁽¹⁾ YTD: Year to Date

⁽²⁾ ITD: Inception to Date – Excludes Issue Costs

⁽³⁾ Leverage multiplies both gains and losses and may increase the risk of loss of investment during a downturn.

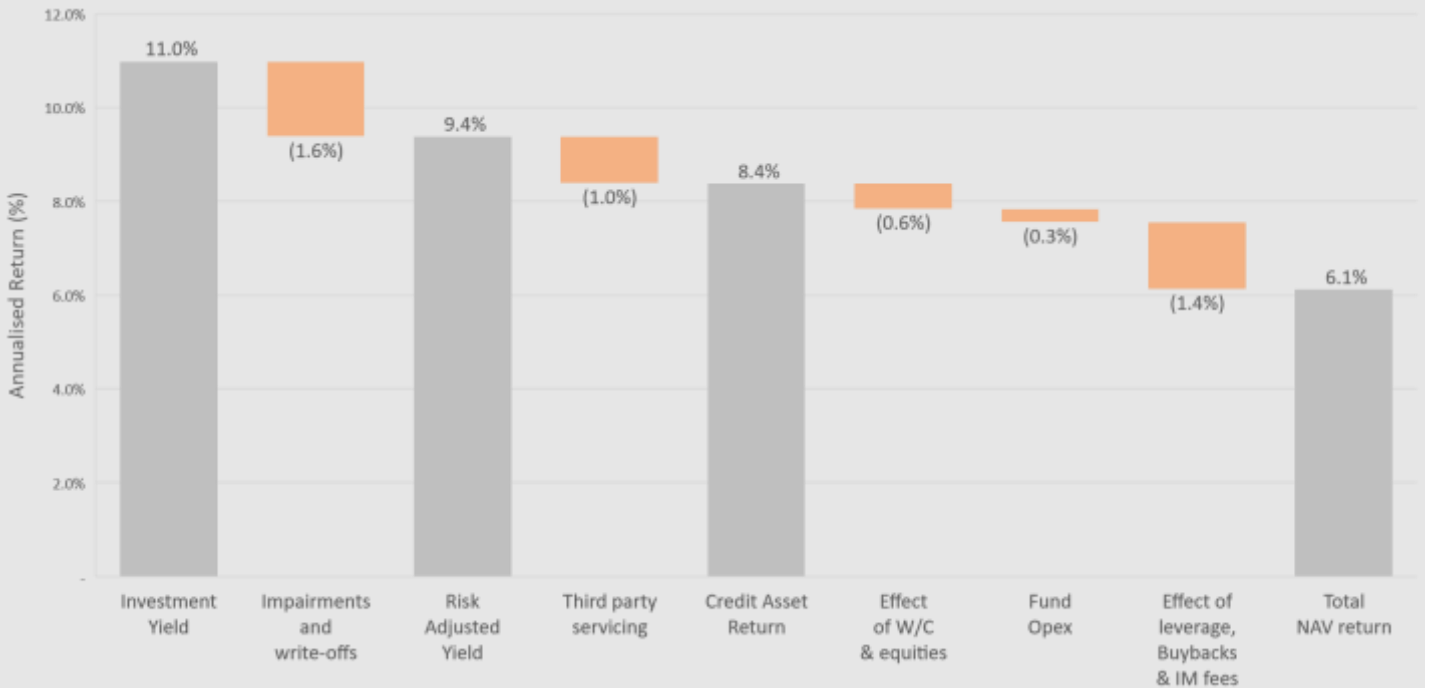
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Investment Returns

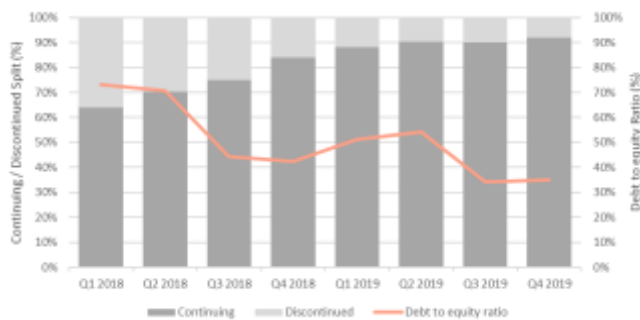
The Company delivered a strong December and Q4 2019 result generating 6.3% and 6.1% NAV return per share on an annualised basis respectively, excluding the effect of the previously announced write down of the legacy Zopa equity position. This brings the year to date return to 5.25% and 26.77% since inception. On this basis, the Company has delivered a NAV return in excess of 6.0% per annum in every month since August 2019.

Returns Bridge – Q4 2019⁽¹⁾



⁽¹⁾ Excludes impact of Zopa equity write down

Investment Asset Growth & Leverage



The Company made good progress in the quarter deploying the proceeds of the Castlehaven disposal with seven new structured deals completed and a strong pipeline for Q1 2020. The Company also completed another disposal of non-performing loans, which was executed at a slight premium to the carrying value and accelerated the run-off of the tail of the legacy portfolio whilst also maximising value.

The run-off credit asset portfolio is now only 7%⁽²⁾ of the total investment assets and is reducing on a monthly basis.

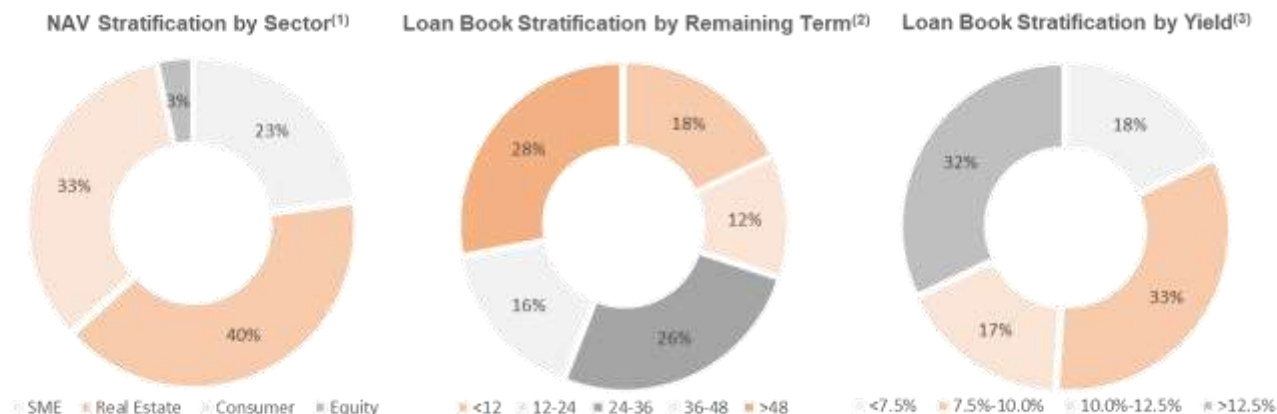
The manager has significantly reduced the debt to equity ratio of the trust since Q4 2017 as it has repositioned the strategy. We expect to increase back to the target level through 2020 to facilitate growth in the credit asset portfolio.

⁽²⁾ Run-off investment credit assets less debt but before the PSSS topco facility and deferred Castlehaven cash as a percentage of total investment assets

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Continuing Portfolio



⁽¹⁾ Continuing NAV excluding working capital, debt and receivable from Avenue Capital, stratified by sector

⁽²⁾ Gross outstanding loan balance, excluding Equity Assets and bonds stratified by the remaining term of each loan

⁽³⁾ Gross outstanding loan balance, excluding Equity Assets, stratified by the headline interest rate of each loan or bond

Performance and Dividend History

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Inception to Date ¹	
Total NAV Return	2014					0.16%	0.17%	0.22%	0.23%	0.48%	0.54%	0.50%	2.32%	26.77%	
	2015	0.54%	0.59%	0.65%	0.41%	0.71%	131 ⁶	0.50%	0.49%	0.43%	0.56%	0.52%	0.20%		7.14%
	2016	0.41%	0.38%	0.48%	0.43%	0.48%	0.17%	0.37%	0.43%	0.23%	0.27%	0.27%	0.12%		4.10%
	2017	0.24%	0.38%	0.55%	0.45%	0.41%	0.29%	0.44%	0.14%	0.19%	(103%)	0.40%	0.55%		3.03%
	2018	0.36%	0.43%	0.12%	0.41%	0.42%	(0.14%)	0.52%	0.50%	0.44%	0.52%	0.57%	0.78%		5.21%
	2019	0.45%	0.31%	0.56%	0.44%	0.28%	0.48%	0.33%	0.82%	0.51%	0.50%	(0.07%)	0.52%		5.25%
Share Price Performance²	2014					7.25%	0.37%	(0.19%)	0.05%	(0.93%)	141%	9.26%	18.00%	(17.00%)	
	2015	(0.93%)	0.09%	(1.79%)	(0.17%)	(5.41%)	(2.03%)	2.07%	(5.99%)	3.24%	(6.46%)	152%	0.70%		(14.66%)
	2016	(6.85%)	(7.57%)	0.35%	6.03%	(5.69%)	(2.30%)	(2.94%)	152%	0.30%	(3.21%)	(8.79%)	7.75%		(20.66%)
	2017	(2.13%)	166%	(3.14%)	1136%	2.74%	0.74%	(0.34%)	(4.47%)	(4.73%)	(3.11%)	103%	3.43%		2.00%
	2018	123%	(3.88%)	(3.78%)	4.59%	0.13%	0.75%	-	(3.73%)	0.65%	(0.38%)	3.60%	(0.37%)		(1.60%)
	2019	3.12%	(1.57%)	(0.37%)	4.07%	142%	(140%)	0.47%	(1.18%)	(3.34%)	3.46%	(1.19%)	0.24%		3.49%
Dividend Per Share (Pence)	2014					-	-	-	-	-	6.00	-	6.00	254.20	
	2015	-	12.50	-	-	16.50	10.5 ³	-	-	-	18.50	-	58.00		
	2016	13.7 ⁴	-	-	11.50	-	-	11.00	-	-	11.00	-	47.20		
	2017	11.00	-	-	12.00	-	-	12.00	-	-	12.00	-	47.00		
	2018	12.00	-	-	12.00	-	-	-	12.00	-	-	12.00	48.00		
	2019	-	12.00	-	-	12.00	-	-	12.00	-	-	12.00	48.00		

¹ Inception to Date – Excludes Issue Costs but in June 2015 NAV return includes a 0.55% premium from a TAP issue. Until May 2017 this was reported as 0.77%, which did not include the TAP issue

² Based on issue price of 1000p

³ The July 2015 C Share was 9.5p

⁴ 8.5p per share was declared to the original C Shareholders prior to conversion

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I Glossary

NAV Cum. Income - The value of investments and cash, including current year revenue, less liabilities.

NAV Ex. Income - The value of investments and cash, excluding current year revenue, less liabilities.

NAV Return - The theoretical total return on shareholders' funds per share reflecting the change in Net Asset Value (NAV) per share.

Share Price - Closing mid-market share price at month end (excluding dividends reinvested).

Premium (Discount) - The amount by which the price per share is either lower (at a discount) or higher (at a premium) than the NAV Cum. Income per share, expressed as a percentage of the NAV Cum. Income per share.

Market Capitalisation - Month end closing mid-market share price multiplied by the number of shares outstanding at month end.

Total Net Debt to Equity – The total debt of the Company, whether incurred directly or indirectly through a subsidiary or an SPV established by the Company, and any investment fund which is managed by the Investment Manager, the Sub-Manager or their affiliates and in which the Company invests (on a look-through basis, proportionate to the percentage interest the Company retains in the most junior tranche of such investment fund), net of total cash held by the Company, divided by the Company's Net Asset Value.

Maximum Allowable Leverage - The maximum value of the total net debt to equity is 1.5 times.

Investment Yield – calculated as interest income on the loan and bond portfolio, including fee income net of amortised acquisition costs and FX swap costs over average credit assets for Q4 2019, annualised.

I Important Information

Data in this newsletter is at or to the final day of the calendar month identified in the heading of the newsletter's front page unless otherwise stated. In addition to this quarterly newsletter, the Investment Manager also produces a monthly newsletter. Issued in the United Kingdom by PSC Credit Holdings LLP.

For the purposes of this newsletter, Europe refers to the United Kingdom, mainland Europe or both.

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 PSC Credit Holdings LLP at the time of writing, are subject to change

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no. OC388668) with its registered office at 11/12 Hanover Square, London, England, W1S 1JJ.

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Pollen Street Secured Lending plc
6th Floor, 65 Gresham Street
London
EC2V 7NQ

Website: www.pollenstreetsecuredlending.com

For enquiries please contact:

Telephone: +44 20 7316 2038

Email: ir@pollenstreetsecuredlending.com