

Pollen Street Secured Lending plc

AN ALTERNATIVE CREDIT INVESTMENT TRUST

Investment Manager's Commentary

Pollen Street Secured Lending plc (the "Company") delivered a NAV return of 1.1% on an annualised basis in April, which is the equivalent to 0.09% in the month.

The underlying result has been impacted by two items:

- A £2.0m provision for loans originated by Funding Circle. This provision has been raised to cover potential expected losses. This does not reflect actual losses at this stage but arises from a relatively high incidence of forbearance in this portfolio. The comparatively poor performance of this portfolio has been noted in previous newsletters
- £1.3m of costs incurred to date by the Trust in relation to the possible offer from Waterfall Asset Management LLC.

Excluding the exceptional items the result would have been 6.0% demonstrating a strong performance from the core portfolio.

Investment Assets and Leverage

The Manager has continued to focus on cash collections with a prudent approach to new lending such that over the course of April, Net Investment Assets reduced by £25m closing at £918m and cash balances increased to £92m from £67m at the end of March. Cash has further increased in May.

As at 30 April, PSSSL's Total Net Debt to Equity ratio was 0.33x. This is calculated as £330m of debt, less £92m of cash, divided by the NAV. The debt is composed of £116m of recourse debt under the top-co facility; £92m of non-recourse debt in an SPV structure; and £122m of implied debt from holding junior bonds in legacy securitisation structures (this debt is recognised under the accounting standards because the structures are consolidated onto PSSSL's balance sheet, despite PSSSL not being the issuer of the debt). The Total Net Debt to Equity Ratio reduced by 0.05x over the month, principally due to the proceeds from the reduction in Net Investment Assets and receipt of £7m of margin from hedging counterparties.

Financial Information

| | |
|---|------------|
| Monthly NAV Return (Annualised) | 1.13% |
| Monthly NAV Return | 0.09% |
| YTD ⁽¹⁾ NAV Return | 1.06% |
| ITD ⁽²⁾ NAV Return | 28.11% |
| NAV Cum. Income | £713.8m |
| NAV Ex. Income | £699.7m |
| Market Capitalisation | £443.0m |
| Net Investment Assets | £918m |
| Maximum Allowable Leverage ⁽³⁾ | 150% |
| Total Net Debt to Equity Ratio | 0.33x |
| 12m Trailing Div. ⁽⁴⁾ | 48p |
| 12m Trailing Div. Yield on Share Price | 8.03% |
| Shares in Issue | 74,077,289 |
| Share Price | 598p |
| NAV Cum. Income per Share | 964p |
| NAV Ex. Income per Share | 944p |
| Discount to NAV Cum. Income | (37.9%) |

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.

⁽⁴⁾ The 12m period includes the four most recent quarterly dividends

⁽⁵⁾ Forbearance statistic from one portfolio where the data is provided which represents circa half the balances

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Portfolio Impact

The Manager continues to work very closely with all platforms to mitigate the impact of Covid-19 on the portfolio. Cash collections and forbearance statistics are tracked daily for both the whole loan portfolio, where the Company owns loans directly, and the underlying loan portfolios of structured loan facilities.

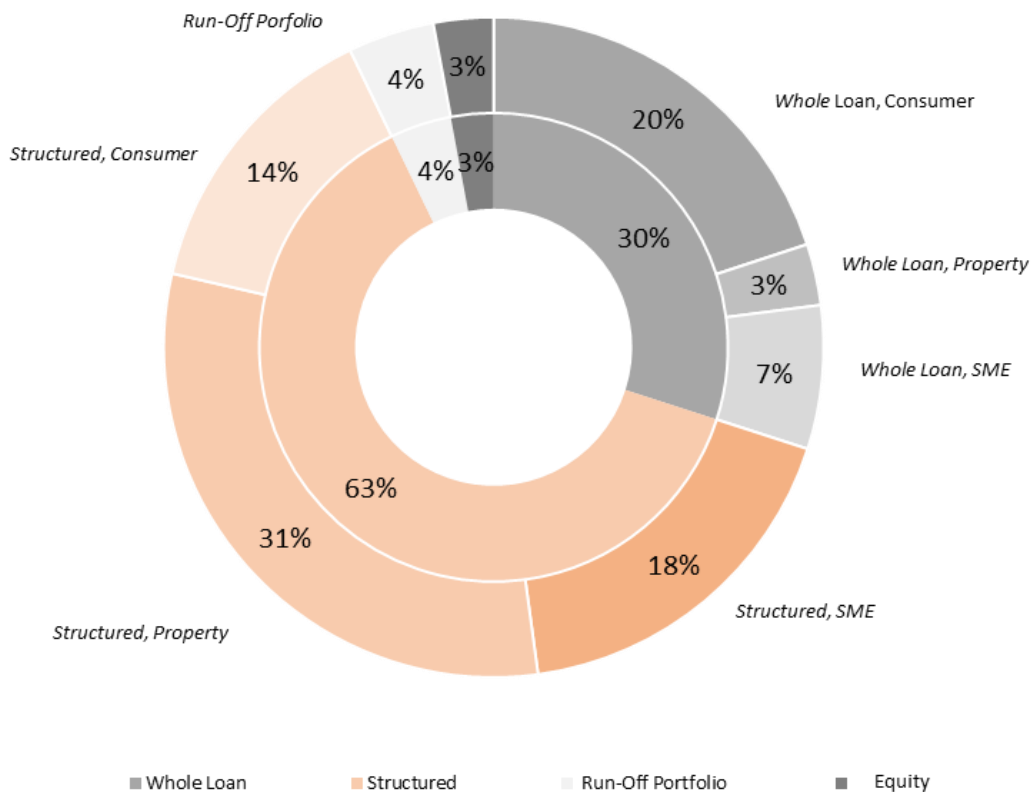
Across the portfolio new forbearance requests continue to decline and cash collections remain strong and in line with March and April. The recent announcements about the extension of the government support schemes is considered a positive development and will continue to support consumers and SMEs.

A number of amendments to structured facilities have been made to adjust for the impact of Covid-19 with the Manager adopting a responsible and prudent approach to ensure borrowers are able to apply the correct customer treatment strategies whilst ensuring the Company’s debt is strongly secured. These facilities benefit from security over the borrowers underlying loan and receivable portfolios as well as corporate guarantees in most cases.

Conclusion

The last two months has been a period of intense activity to ensure the right approach is being taken across the portfolio to maximise value. The Manager is continuing with its prudent approach to new lending and cash generation is expected to remain high over the coming months. The Board and the Manager remain cautious about new opportunities and will therefore consider all options to maximise value for shareholders.

Portfolio (NAV Exposure)



Investment Assets net book value, excluding working capital and debt, stratified by structure and sector

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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% | | |
| | 2015 | 0.54% | 0.59% | 0.65% | 0.41% | 0.71% | 13.1% | 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% | (1.03%) | 0.40% | 0.55% | 3.03% | 28.11% |
| | 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% | |
| | 2020 | 0.49% | 0.43% | 0.04% | 0.09% | | | | | | | | | 1.06% | |
| Share Price Performance² | 2014 | | | | | 7.25% | 0.37% | (0.19%) | 0.05% | (0.93%) | 14.1% | 9.26% | 18.00% | | |
| | 2015 | (0.93%) | 0.09% | (1.79%) | (0.17%) | (5.41%) | (2.03%) | 2.07% | (5.99%) | 3.24% | (6.46%) | 15.2% | 0.70% | (14.66%) | |
| | 2016 | (6.85%) | (7.57%) | 0.35% | 6.03% | (5.69%) | (2.30%) | (2.94%) | 15.2% | 0.30% | (3.21%) | (8.79%) | 7.75% | (20.66%) | |
| | 2017 | (2.13%) | 1.66% | (3.14%) | 11.36% | 2.74% | 0.74% | (0.34%) | (4.47%) | (4.73%) | (3.11%) | 10.3% | 3.43% | 2.00% | (40.20%) |
| | 2018 | 1.23% | (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% | 1.42% | (1.40%) | 0.47% | (1.18%) | (3.34%) | 3.46% | (1.19%) | 0.24% | 3.49% | |
| | 2020 | 0.48% | 3.84% | (19.17%) | (14.57%) | | | | | | | | | -27.95% | |
| Dividend Per Share (Pence) | 2014 | | | | | - | - | - | - | - | 6.00 | - | 6.00 | | |
| | 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 | 266.20 |
| | 2018 | 12.00 | - | - | 12.00 | - | - | - | 12.00 | - | - | 12.00 | - | 48.00 | |
| | 2019 | - | 12.00 | - | - | 12.00 | - | - | 12.00 | - | - | 12.00 | - | 48.00 | |
| | 2020 | - | - | 12.00 | - | | | | | | | | | 12.00 | |

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

⁴ The July 2015 C Share was 9.5p

I 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.

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I Glossary

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

NAV Ex. Income - The value of investments and cash and other assets, 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 of an investment trust 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.

Annualisation Methodology – Monthly returns have been calculated by multiplying the actual number of days in the year divided by the actual number of days in the month.

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Net Asset Value performance is not linked to share price performance and shareholders may realise returns that are lower or higher in performance.

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 the Company's Investment Manager, PSC Credit Holdings LLP, as at the time of writing. These are subject to change without notice and do not constitute investment advice. Although the Company and PSC Credit Holdings LLP have used reasonable efforts to ensure the accuracy of the information contained in this newsletter, neither the Company nor Pollen Street Capital Limited make any warranties or representations with respect to the completeness or accuracy of the information set forth herein and the full impact of Covid-19 on markets and investments may not be foreseeable for some time. Examples of investment process, risk management, due diligence, position sizes, diversification, leverage, assessment of risk and similar information (together, the "Investment Programme") are presented as general guidelines used for illustration purposes only and are subject to change without notice to investors at any time at the sole discretion of Pollen Street Capital Limited. In addition, the composition and size of, and risks associated with, current or future investments of the Company may differ substantially from examples set forth in this newsletter. Accordingly, actual implementation of the Investment Program may vary from the examples presented herein.

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