

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 -0.58% in the month.

The underlying monthly return was 5.5% per annum, reflecting the resilience of the underlying portfolio to the Covid crisis. The monthly result has been impacted by three items:

- Downward revaluation of £6.5m across the legacy equity positions following the half year review. The residual equity portfolio is now valued at £15.2m.
- Updating the IFRS 9 provision models to align them to the latest economic forecasts produced by Oxford Economics. Due to downgrade in economic forecasts principally in the US and an impact on the legacy Funding Circle assets this has resulted in an incremental provision of £1.6m to cover potential future losses. This does not relate to realised losses or actual observed performance and in particular the US portfolio is currently performing strongly with almost all customers having come off forbearance plans and cash collections broadly back up to January levels.
- A further £0.4m of costs incurred by the Board in relation to the possible offer from Waterfall Asset Management LLC

Investment Assets and Leverage

Net Investment Assets reduced by £32m over the course of June, including the effect of the items noted above, closing at £865m. £42m of the revolving debt facility was repaid in the month. These items together with the payment of the dividend resulted in the Company's Total Net Debt to Equity ratio reducing slightly to 0.28x from 0.29x at 31 May.

Equity Positions

The equity investments made by the previous manager primarily consist of investments in marketplace lenders in the UK, US and Australasia. These business models were challenged going into the COVID pandemic with many of them yet to reach profitability and therefore reliant on equity support to continue to operate. The current macro environment has heightened the stress on the business models. PSC has proactively sought to exit these positions where possible and has reduced the portfolio from £34.4m to £15.2m since September 2017.

The write down principally relates to two positions: Ratesetter and Payoff. We also reached agreement to sell PSSL's stake in another UK platform in the month for £1.6m, only a small discount to the carrying value.

Financial Information

Monthly NAV Return (Annualised)	(7.02%)
Monthly NAV Return	(0.58%)
YTD ⁽¹⁾ NAV Return	0.73%
ITD ⁽²⁾ NAV Return	27.69%
NAV Cum. Income	£700.8m
NAV Ex. Income	£691.9m
Market Capitalisation	£539.4m
Net Investment Assets	£864.9m
Maximum Allowable Leverage ⁽³⁾	150%
Total Net Debt to Equity Ratio	0.28x
12m Trailing Div. ⁽⁴⁾	48p
12m Trailing Div. Yield on Share Price	6.58%
Shares in Issue	73,888,011
Share Price	730p
NAV Cum. Income per Share	948p
NAV Ex. Income per Share	936p
Discount to NAV Cum. Income	(23.0%)

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

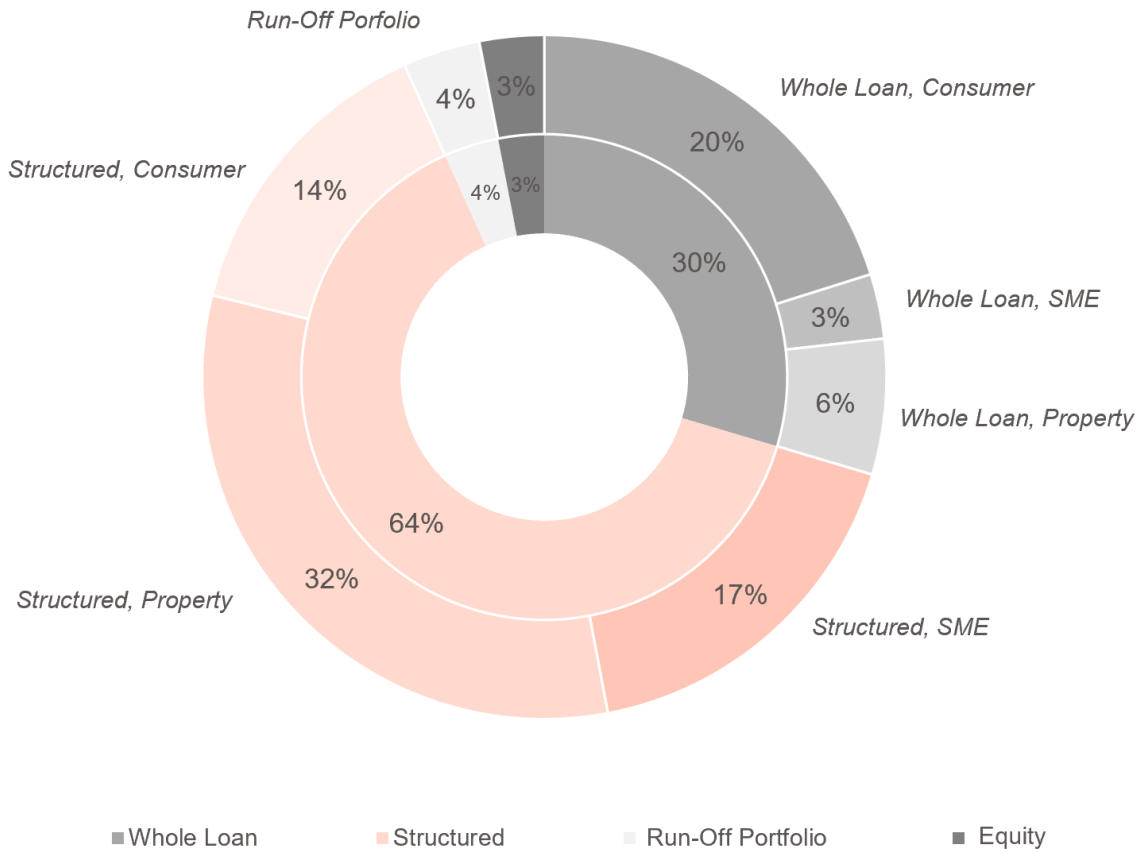
⁽²⁾ ITD: Inception to Date – Excludes Issue Costs

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

⁽⁴⁾ The period is defined to include the four most recent quarterly dividends

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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%	1.31% 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%	27.69%
	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%	0.25%	(0.58%)							0.73%	
Share Price Performance²	2014					7.25%	0.37%	(0.19%)	0.05%	(0.93%)	1.41%	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%)	1.52%	0.70%	(14.66%)	
	2016	(6.85%)	(7.57%)	0.35%	6.03%	(5.69%)	(2.30%)	(2.94%)	1.52%	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%)	1.03%	3.43%	2.00%	(27.00%)
	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%)	13.71%	7.35%							-12.05%	
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	278.20
	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	-	-	-	-	-	-	-	24.00	

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 available cash, 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.

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 without notice and do not constitute investment advice. Whilst PSC Credit Holdings LLP has used all reasonable efforts to ensure the accuracy of the information contained in this newsletter, we cannot guarantee the reliability, completeness or accuracy of the content.

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

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This newsletter includes forward-looking statements. These forward-looking statements include all matters that are not historical facts, statements regarding the Company's and/or the Investment Manager's intentions, beliefs or current expectations concerning, among other things, the Company's results of operations, financial condition, liquidity, prospects, growth, strategies and the sector in which the Company operates. By their nature, forward-looking statements involve risks and uncertainties. You are cautioned that forward-looking statements are not guarantees of future performance and that the Company's actual results of operations, financial condition and the development of the sector in which the Company operates may differ materially from those made in or suggested by the forward-looking statements contained in this newsletter. Each of the Company and the Investment Manager expressly disclaims any obligation to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based unless required to do so by law or any appropriate regulatory authority, including the Financial Services and Markets Act 2000 (as amended), the Prospectus

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