

# 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)	6.08%
Monthly NAV Return	0.51%
YTD <sup>(1)</sup> NAV Return	4.24%
ITD <sup>(2)</sup> NAV Return	25.55%
NAV Cum. Income	£722.4m
NAV Ex. Income	£709.5m
Market Capitalisation	£604.4m
Investment Assets	£911.3m
Maximum Allowable Leverage <sup>(3)</sup>	150%
Total Net Debt to Equity Ratio	0.35x
12m Trailing Div.	48p
12m Trailing Div. Yield on Share Price	5.93%
Shares in Issue	74,616,190
Share Price	810p
NAV Cum. Income per Share	968.09p
NAV Ex. Income per Share	950.89p
Discount to NAV Cum. Income	(16.33%)

### 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

<sup>(1)</sup> YTD: Year to Date

<sup>(2)</sup> ITD: Inception to Date – Excludes Issue Costs

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

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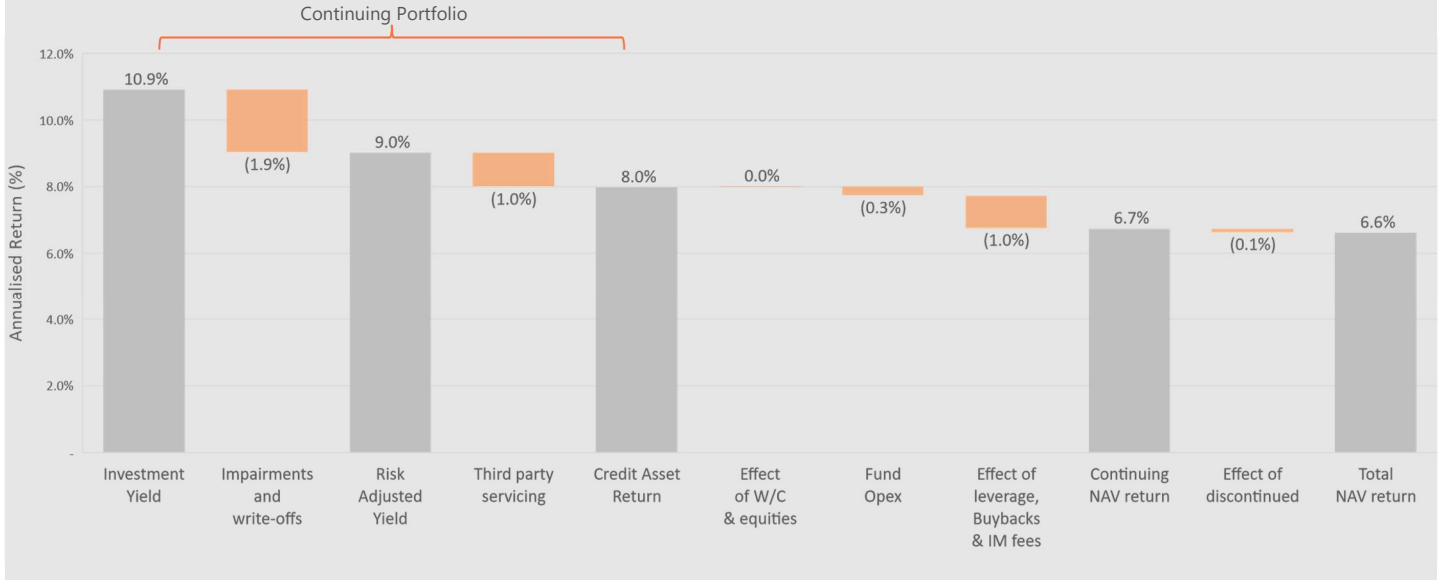
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## Investment Returns

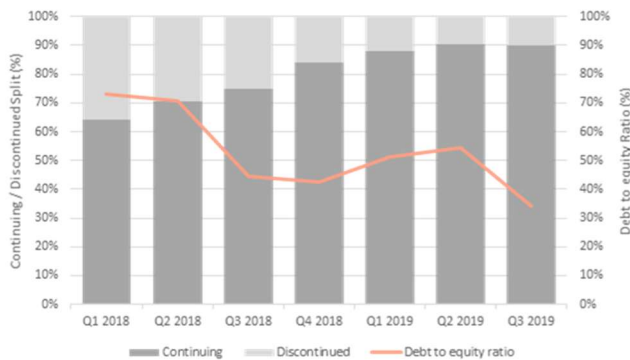
The Company delivered a strong Q3 2019 result generating 6.6% NAV return per share on an annualised basis, which is 1.65% for the quarter. This brings the year to date return to 4.24% and 25.55% since inception.

The underlying portfolio performance remained stable in Q3 with investment yield on the continuing portfolio of 10.9%, impairment and write offs of 1.9% and a risk adjusted yield of 9.0%. The effect of fund expenses & leverage were stable.

Returns Bridge – Q3 2019



## Investment Asset Growth & Leverage



The main activity over the quarter was selling the Castlehaven position in its entirety at a premium to the holding value. Subsequently, activity has focused on four deals to deploy the proceeds of the sale. These were closed in October.

The run-off portfolio is 10%<sup>(1)</sup> of the total investment assets and is amortising on a monthly basis.

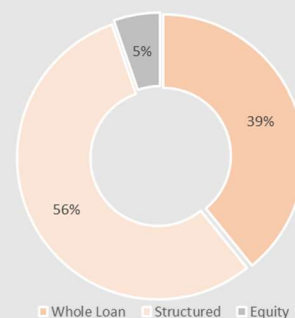
<sup>(1)</sup> Run-off investment credit assets less debt but before the PSSL topco facility and deferred Castlehaven cash, as a percentage of total investment assets

## Asset Diversification

39% of the continuing portfolio is composed of whole loans. These are pools of loans acquired from the loan originator by the Company. 51% of these loans are secured, typically on property assets.

56% of the continuing portfolio is composed of structured loans. These are facilities provided to lenders where the lender retains the first loss. Each facility has been designed to deliver stable returns with downside mitigation and typically has 10 bespoke covenants per deal.

NAV Stratification by Investment Structure<sup>(1)</sup>

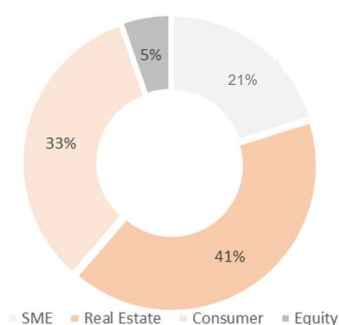
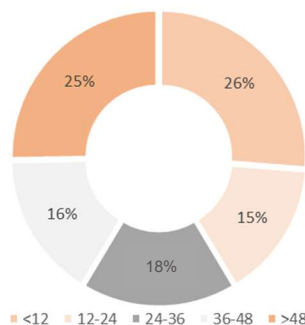
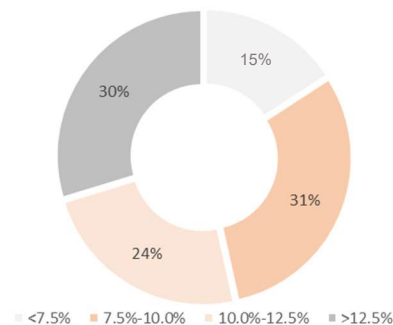


<sup>(1)</sup> Continuing NAV excluding working capital and debt, stratified by structure

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### Continuing Portfolio

NAV Stratification by Sector<sup>(1)</sup>Loan Book Stratification by Remaining Term<sup>(2)</sup>Loan Book Stratification by Yield<sup>(3)</sup>

<sup>(1)</sup> Continuing NAV excluding working capital and debt, stratified by sector

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

<sup>(3)</sup> 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 <sup>1</sup>	
<b>Total NAV Return</b>	2014					0.16%	0.17%	0.22%	0.23%	0.48%	0.54%	0.50%	<b>2.32%</b>	<b>25.55%</b>	
	2015	0.54%	0.59%	0.65%	0.41%	0.71%	131% <sup>1</sup>	0.50%	0.49%	0.43%	0.56%	0.52%	0.20%		<b>7.14%</b>
	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%		<b>4.10%</b>
	2017	0.24%	0.38%	0.55%	0.45%	0.41%	0.29%	0.44%	0.14%	0.19%	(103%)	0.40%	0.55%		<b>3.03%</b>
	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%		<b>5.21%</b>
	2019	0.45%	0.31%	0.56%	0.44%	0.28%	0.48%	0.33%	0.82%	0.51%					<b>4.24%</b>
<b>Share Price Performance<sup>2</sup></b>	2014					7.25%	0.37%	(0.19%)	0.05%	(0.93%)	141%	9.26%	<b>18.00%</b>	<b>(19.00%)</b>	
	2015	(0.93%)	0.09%	(179%)	(0.17%)	(5.41%)	(2.03%)	2.07%	(5.99%)	3.24%	(6.46%)	152%	0.70%		<b>(14.66%)</b>
	2016	(6.85%)	(7.57%)	0.35%	6.03%	(5.69%)	(2.30%)	(2.94%)	152%	0.30%	(3.21%)	(8.79%)	7.75%		<b>(20.66%)</b>
	2017	(2.13%)	166%	(3.14%)	1136%	2.74%	0.74%	(0.34%)	(4.47%)	(4.73%)	(3.11%)	103%	3.43%		<b>2.00%</b>
	2018	1.23%	(3.88%)	(3.78%)	4.59%	0.13%	0.75%	-	(3.73%)	0.65%	(0.38%)	3.60%	(0.37%)		<b>(1.60%)</b>
	2019	3.12%	(157%)	(0.37%)	4.07%	142%	(140%)	0.47%	(118%)	(3.34%)					<b>1.00%</b>
<b>Dividend Per Share (Pence)</b>	2014					-	-	-	-	-	6.00	-	<b>6.00</b>	<b>242.20</b>	
	2015	-	12.50	-	-	16.50	10.5 <sup>3</sup>	-	-	-	18.50	-	<b>58.00</b>		
	2016	13.7 <sup>4</sup>	-	-	11.50	-	-	11.00	-	-	11.00	-	-		<b>47.20</b>
	2017	11.00	-	-	12.00	-	-	12.00	-	-	12.00	-	-		<b>47.00</b>
	2018	12.00	-	-	12.00	-	-	-	12.00	-	-	12.00	-		<b>48.00</b>
	2019	-	12.00	-	-	12.00	-	-	12.00	-	-	-	-		<b>36.00</b>

<sup>1</sup> 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

<sup>2</sup> Based on issue price of 1000p

<sup>3</sup> The July 2015 C Share was 9.5p

<sup>4</sup> 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.

**Maximum Allowable Leverage** - The aggregate leverage 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 shall not exceed 1.5 times NAV Cum. Income.

**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 NAV Cum. Income

**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 Q3 2019, annualised and for the continuing assets only. Previously this has been presented gross of acquisition costs and FX swap costs.

### 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.

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