

# VPC Viewpoints

## Risk Management Spotlight

### What role does the risk management team play in decision-making and driving a strong risk culture?

Risk culture starts at the top with VPC's CEO, CIO, and Founder, Richard Levy, Senior Partner & Co-Founder, Brendan Carroll, and Partner & COO, Jeff Schneider. The firm was established just prior to the Global Financial Crisis, and from the beginning, Richard, Brendan, and Jeff have deliberately built a firm that is first and foremost focused on capital stewardship and downside protection. "Having an institutional and independent risk management team is one critical part of the broader risk ecosystem that VPC has built," says Joel Hart, VPC Managing Director and Head of Credit Risk. VPC's risk team sits entirely independent from its investment team, with both teams reporting separately to its investment committee. The risk team is entrusted with two main tasks: The first task is reporting the team's independent assessment to the investment committee on all investment decisions, and the second task is to ensure that VPC has the appropriate processes and systems in place to assess, monitor, and respond to risks across the portfolio. "Our processes are designed to ensure that the same level of institutional rigor is applied to every aspect of the investment process, from screening and underwriting to monitoring portfolio companies throughout the life of a transaction. We do everything in our power to protect capital, as reflected in our approximately 30bps net loss rate for the ABOC Strategy since inception."

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**As a credit investor, how does VPC think about active versus passive risk management approaches?**

VPC applies a rigorous, high-touch approach to investment monitoring and believes its active approach is fundamental to the firm's ability to achieve successful investment outcomes. "We make it our business to know everything there is to know about the portfolio companies we work with. We require extremely high levels of transparency from these companies, starting with board-level access and going down to the most granular details of their collateral data. Data is collected and reviewed daily, weekly, or monthly, depending on the investment. We have frequent touchpoints with all of our portfolio companies, and we meet internally each week with the full VPC team to go through every investment in the portfolio. Over the years, we have had several occasions when we have needed to step in and work out of a transaction to protect our investment, and we have generally had very positive outcomes in those situations, which we attribute to our prudent structuring and active risk management," Joel says.



**Joel Hart**

Victory Park Capital

Managing Director and Credit Risk Manager

*(Joined VPC in 2014)*

# VPC Viewpoints

## Risk Management Spotlight Cont.

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“On the front end, we spend tremendous time structuring our deals, including strict covenant packages, robust collateral security, and the ability to readily liquidate assets if needed. Our focus on upfront deal structuring sets the foundation for us to better control the situation if things don’t go as planned.”

### **What role does technology play in managing risk within the VPC portfolio?**

VPC aims to leverage technology, data, and analytics in all aspects of the business, especially risk management. “As a firm, we aim to join the benefits of leveraging modern technology with traditional best practices that have come out of decades of deep credit expertise,” says Joel. VPC believes technology does not replace fundamental risk management but enhances it to drive deeper insights and more operating efficiency. For example, one of the primary tools VPC utilizes for risk management is the VPC Data Analytics and Risk Technology System (“DARTS”), an in-house system that ingests large amounts of data at the investment level and synthesizes it into easily digestible dashboards and interactive visualizations. “We believe that DARTS is a competitive advantage in driving disciplined decision-making, allowing the firm to validate and analyze portfolio company data more efficiently and effectively than peers,” says Mark Smith, Senior Vice President of the risk management team. As the firm continues to scale, technology is critical to ensuring that best practices can be applied consistently across the entire portfolio and throughout the organization.

### **How does the macroeconomic environment impact your approach to risk management?**

“As noted above, prudently structuring our investments is vital to mitigating investment risk. We structure investments to be resilient to significant amounts of macroeconomic stress, so in that sense, we are not making investment decisions based on directional macroeconomic predictions. That being said, we pay close attention to macroeconomic data to identify potential leading indicators of concern and to inform our view of where risk-adjusted returns are most attractive at any point in time,” Joel says. In this current

macroeconomic environment, there continues to be significant uncertainty surrounding the next 12-24 months, creating both risk and opportunity. “We believe the investments that we’ve made in our risk management infrastructure will allow us to capitalize on the huge opportunity set in front of us while being confident that we can properly underwrite, price, monitor, and manage risk across the portfolio,” says Joel. “VPC has a proven track record of navigating volatile market environments, and while the tools and technology have come a long way over that time, the unwavering focus on risk management has remained constant.” ■

# Portfolio Company Spotlight: *Leonid Capital Partners*



**Leonid Capital Partners** (“Leonid” or “LCP”) is a Huntington Beach-based specialty credit fund that was founded in 2019. LCP is one of the only credit providers for small- and medium-sized businesses (“SMBs”) that contract with the U.S. Department of Defense (“DoD”) for highly technical engagements in fields such as software, biotech, and engineering. The majority of LCP’s loans support the Small Business Innovation Research and Small Business Technology Transfer programs, designed by the U.S. Federal Government to encourage early-stage SMBs to research solutions for critical areas of need.

**Sourcing Advantage:** Proprietary

**Investment:** VPC committed a \$200 million credit facility with Leonid in September 2023. The credit facility will be used to leverage LCP’s first institutional fund and finance a portfolio of loans to contractors serving the DoD.

*Link to the full press release can be found [here](#).*



*“With experience in government contract procurement and execution, the financial services sector, and government-funded research, the LCP team is uniquely suited as a capital partner to government contractors pursuing innovative projects. We believe strongly in LCP’s mission and are pleased to be partnering with them.”*

– **Gordon Watson**, Partner, Victory Park Capital

# VPC in the News

Learn more about VPC's recent announcements and press releases [here](#).

- [Crain's Chicago Business Names Victory Park Capital to 2023 Best Places to Work in Chicago List](#)
- [Victory Park Capital Executives Recognized as Notable Leaders in Finance by Crain's Chicago Business](#)
- [Victory Park Capital's Olibia Stamatoglou Recognized as Notable Leader in DEI by Crain's Chicago Business](#)
- [Victory Park Capital Announces Launch of Triumph Capital Markets](#)
- [Tradable Partners with Victory Park Capital and Spring Labs to Revolutionize Access to Private Credit](#)
- [Leonid Capital Partners Secures \\$200 Million Credit Facility from Victory Park Capital to Support Government Contractors](#)

VPC is proud to be recent recipients of the below awards.



# Upcoming Conferences

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VPC will be speaking / attending the following upcoming conferences.

## Private Credit & Asset Backed Lending

### PDI Munich

- **VPC Attendee:** Jason Brown
- **Date:** October 17, 2023 – October 18, 2023
- **Location:** Munich City, Munich

### Money 20/20 USA

- **VPC Attendee:** Jason Brown
- **Date:** October 22, 2023 – October 25, 2023
- **Location:** Las Vegas, Nevada

### ABS East

- **VPC Attendee:** Connell Hasten
- **Date:** October 23, 2023 – October 25, 2023
- **Location:** Miami, Florida

### AUM Summit

- **VPC Attendee:** Brendan Carroll (Panel Speaker)
- **Date:** October 30, 2023 – October 31, 2023
- **Location:** Dubai, UAE

### SuperReturn Private Credit US

- **VPC Attendee(s):** Richard Levy & Brendan Carroll (Panel Speakers) – Senator Lieberman (VPC Chairman – moderator)
- **Date:** November 6, 2023 – November 7, 2023
- **Location:** New York, New York

### Opal's 2023 Innovations in Lending, Alternative Financing, Fintech & Private Credit Summit

- **VPC Attendee:** Brendan Carroll (Panel Speaker)
- **Date:** December 5, 2023 – December 7, 2023
- **Location:** Dana Point, California

## Legal Finance

### IMN International Litigation Finance Forum

- **VPC Attendee:** Chad Clamage (Panel Speaker)
- **Date:** October 19, 2023
- **Location:** London