January 2025

Receivable Finance

Stable | Diversified Returns

Executive Summary

The strategy seeks to achieve capital preservation with low volatility and superior returns by investing in a diversified portfolio of short-term, trade finance assets namely buyer-approved accounts receivable. The origination centers around non-commodity industries such as textile, automotive, electronic, chemical and pharmaceutical. The trade corridor focus is on Asia-to-US and Asia-to-Europe resulting in all debtors being domiciled in the US & EU.

In a context of uncertain inflation and interest rate forecasts, and with traditional correlations between asset classes eroding, Receivable Finance presents an opportunity for institutional investors to diversify their portfolios. Additionally, it serves as a source of self-generated liquidity during market crises.

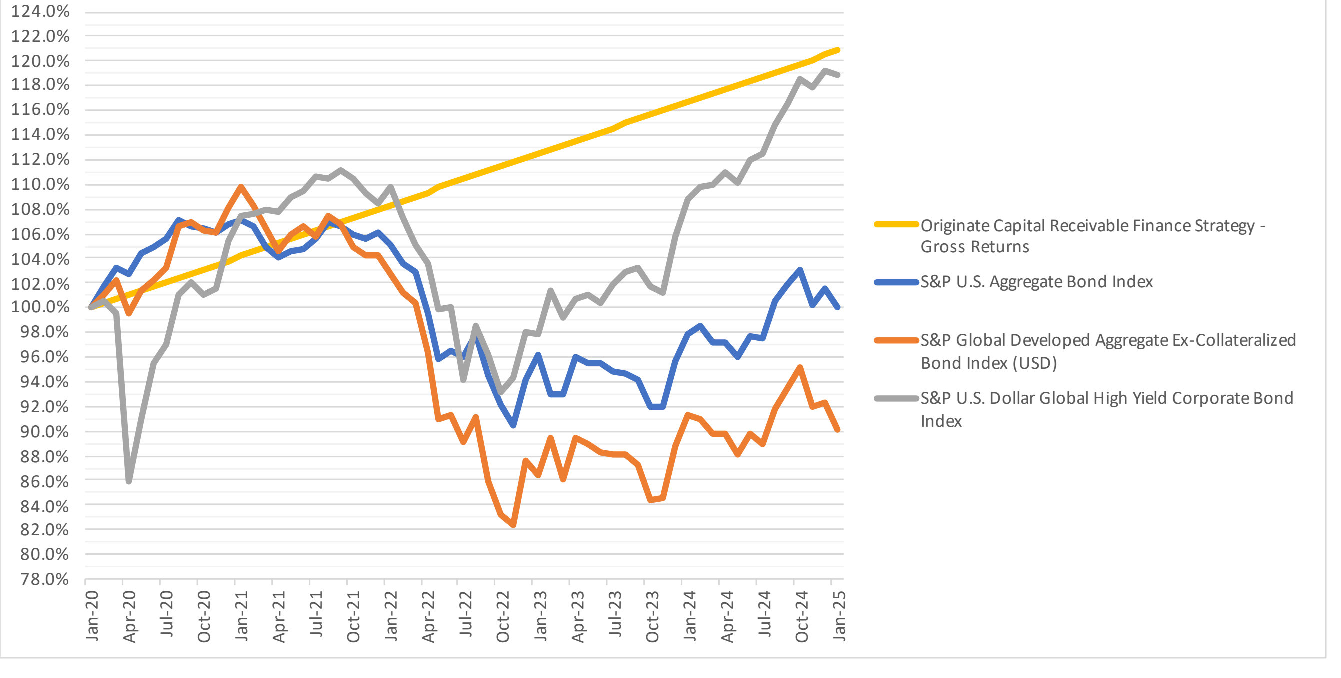
Trade receivable assets represent a type of short-term private credit that offers investors numerous advantages, including zero duration risk, stable returns, exceptionally low default rates, appealing risk-adjusted yields, and minimal volatility.

These assets consistently outperform their senior unsecured position in the capital structure, benefiting from creditors' motivations to sustain businesses as a going concern, even in challenging credit scenarios.

With average tenors falling below 120 days, receivable assets inherently possess a level of liquidity. Investors can conveniently access their investments through a monthly dealing open-ended fund. The Originate Capital Receivable Finance strategy facilitates exposure to this rapidly expanding asset class through a well-diversified portfolio, spanning various geographies and industries. The strategy aims to achieve a preferred return of 3M SOFR + 10% pa.

Stable Returns in Volatile Markets

NAV of Originate Capital Receivable Finance strategy vs. comparable credit indices



What opportunity does Receivable Finance present?

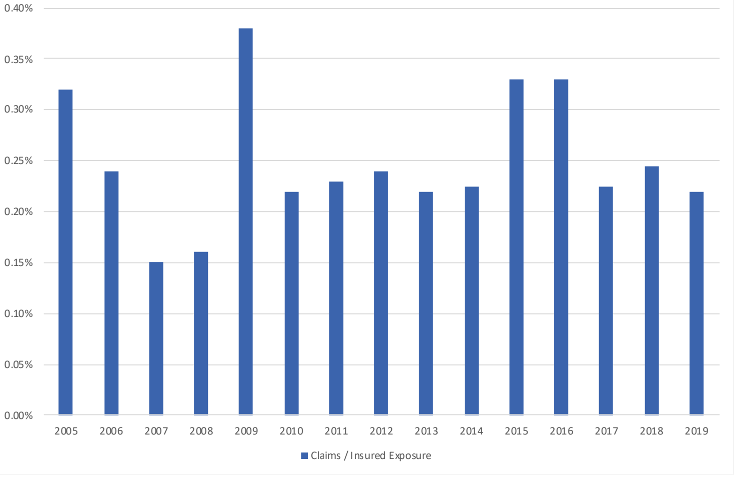
There exists a significant disparity between the demand for and supply of working capital finance. As traditional banks scale back, the demand for this form of financing is experiencing robust growth. Supply chains are strained, and businesses are transitioning from 'just-in-time' to 'just-in-case' inventory strategies.
This shift has given rise to specialized working capital finance providers like Originate Capital. Leveraging advancements in digitalization and the platformization of banking products, these firms offer institutional investors access to a realm that was once exclusive to corporate and commercial banking.
While banks still dominate approximately 90% of the trade finance market, there has been a notable increase in non-bank lenders entering the asset class. This trend provides alternative funding sources, particularly in the sub-investment grade, mid-market corporate sector in Europe and the US — Originate Capital's specific focus area.

Investment highlights

- **Attractive Yields:** The asset class provides enticing return premia in relation to its risk level.
- **Zero Duration Risk:** There is no exposure to price fluctuations due to changes in market interest rates and credit spreads.
- **Low Volatility:** The combination of limited market exposure, zero duration risk, and low default rates results in a return stream with minimal volatility.
- **Low Default Risk:** The short tenor of the assets, uncommitted facilities, and structural "super senior" performance in a default contribute to exceptionally low historical default data.
- **Floating-Rate Returns:** Receivable Finance offers investors positive exposure to increasing short-term rates.
- **Self-Liquidating:** Receivable Finance facilities are repaid as an integral part of a borrower's trading operations.
- **Diversification:** The asset class provides a distinct short-term corporate credit exposure, differentiating it from other available credit risks for investors.

Berne Union Annual Short Term Credit Insurance and Recoveries 2005–19

Credit Risk – Loss rates for Receivable Finance have historically been low



ORIGINATE capital

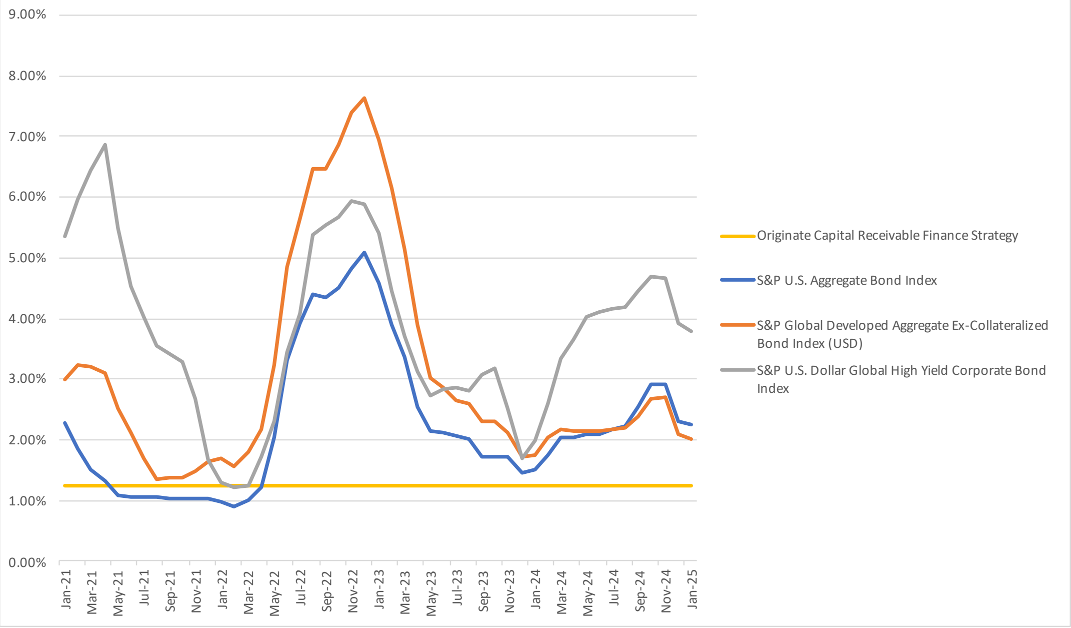
Which investors find Receivable Finance appealing?

Trade receivables present a multitude of enticing opportunities for a diverse global investor base, including corporations, insurers, pension schemes, and various institutional and wealth managers.

The appeal to different investor types lies in the following factors:

1. An appealing substitute for fixed-income investments, such as government and corporate bonds.
2. A liquid cash alternative compared to money market funds, bank deposits, commercial paper, and other conventional cash products.
3. An effective cashflow management tool for handling investors' illiquid commitments.
4. A potentially attractive Tier 2 liquidity asset.

Volatility of returns*: Receivable Finance strategy vs comparable credit indices



What defines the Receivable Finance strategy of Originate Capital?

Originate Capital's Receivable Finance strategy aims to achieve a preferred return of the 3-month CME term rate + 10% pa net of fees.

Currently accessing multiple banks with revolving credit lines ranging from US$5 - US$25 million, the strategy has a medium-term target of US$100 million.

Originate Capital follows a bottom-up fundamental credit analysis approach in its investment philosophy. The Receivable Finance strategy is focused on providing funding to small-sized and medium companies globally, focusing on securing high-quality short-term lending opportunities supported by receivables.

The origination team for Originate Capital's Receivable strategy, situated in Europe and the US, directly sources assets from corporates.

This is facilitated through dedicated Receivable servicing and technology platforms, as well as strategic partnerships with leading trade finance vendors.

The Receivable Finance portfolio by Originate Capital is well-diversified across the US, spanning a broad range of industries. With an average tenor of less than 120 days, the portfolio has maintained a strong track record since its inception in 2020. The strategy has experienced no defaults.

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