

BAI-Webinar „Understanding various aspects of Trade Finance as an investable Asset Class“

Speakers:

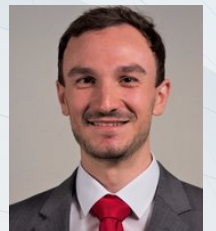
Bertrand de Comminges, Portfolio Manager, Santander Asset Management
Francesco Filia, CEO & Executive Director, Fasanara
Jörg Hörster, Managing Director and CEO, Walbing

June 24, 2021

Philipp Bunnenberg

Consultant
Alternative Markets, BAI e.V.

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Today's Speakers from BAI member companies



Bertrand de Comminges is currently the lead portfolio manager for the global Trade Finance strategy at Santander Asset Management. Before joining Santander Bertrand was for 8 years at HSBC and in his last role he was responsible for the European Business Development activities for Global Trade & Receivables Finance. Previously, with teams located in 5 continents, he was HSBC's Global Product Head of Structured Solutions for the organization and, Global Head of Solutions Structuring. Before HSBC, Bertrand worked at JP Morgan where he launched and led the EMEA Structured Trade Advisory business and, for RBS, where in his last role he was Head of Trade for the EMEA region. Bertrand is a Chartered Actuary, has a full-time MBA from the London Business School and an MSc degree in Economics and Business Sciences from UCM.



Francesco Filia heads all portfolio management and research related activities at Fasanara. Prior to co-founding Fasanara, Francesco was Managing Director and EMEA Head of the MidCaps & Principal Investors group at Bank of America Merrill Lynch, a top producing investment practice comprised of 15 professionals. In his role, Francesco directed Bank of America Merrill Lynch operations across Europe, Middle East and Africa with responsibilities on multi-strategy, multi-assets portfolio solutions. Prior to joining Merrill Lynch in 2000, Francesco was a research analyst at JP Morgan Securities where he published several research white papers covering areas such as derivatives modelling and fixed income / volatility strategies. Francesco is a graduate of Bocconi University in Milan and a scholar of Erasmus Universiteit Rotterdam.



Jörg Hörster is CEO of Walbing and founder of the Walbing Receivables Exchange platform, which allows investors to invest directly in domestic and international trade receivables and cover them via digital syndicated trade credit insurance.

In parallel to his work at Walbing, Hörster is the owner of FinTech Studio, a venture incubator for FinTechs. As former Head of Risk Management Services Europe at Deutsche Bank, Hörster has extensive expertise in investment and risk management and was instrumental in the development of leading fixed income indices. In 2008 and 2009, Hörster was also a lecturer in financial mathematics at the Institute for Mathematical Stochastics at the Technical University of Dresden.

Managing values of trade receivables on a Receivables Exchange using AI and IoT

BAI Webinar

June, 2021

Jörg Hörster, CEO, Walbing



Pauline



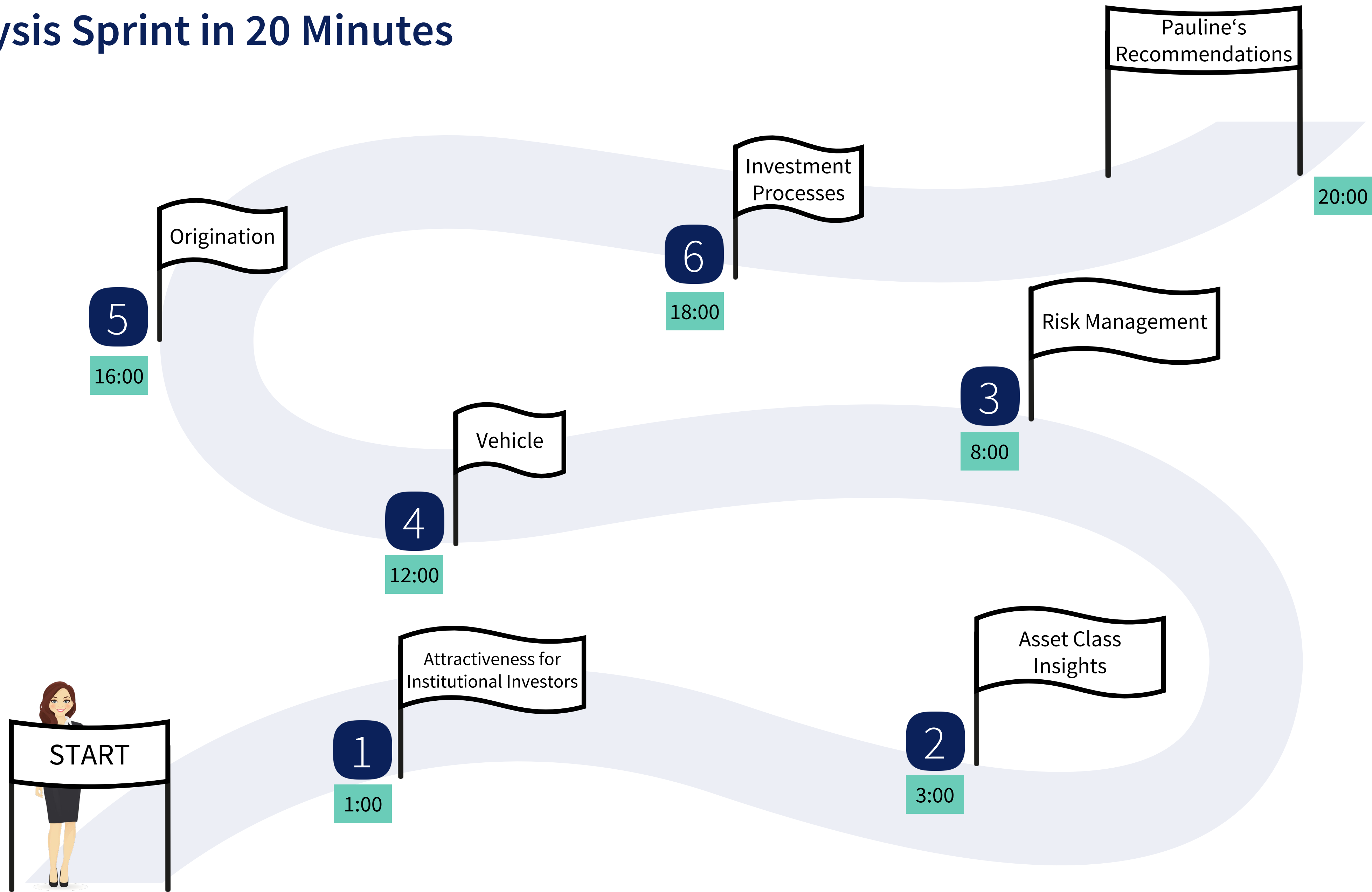
1

Please find out if we also should start a Trade Receivables Fund.

2

And if so, how should we do that?

An Analysis Sprint in 20 Minutes



Trade Receivables Funds are becoming increasingly relevant

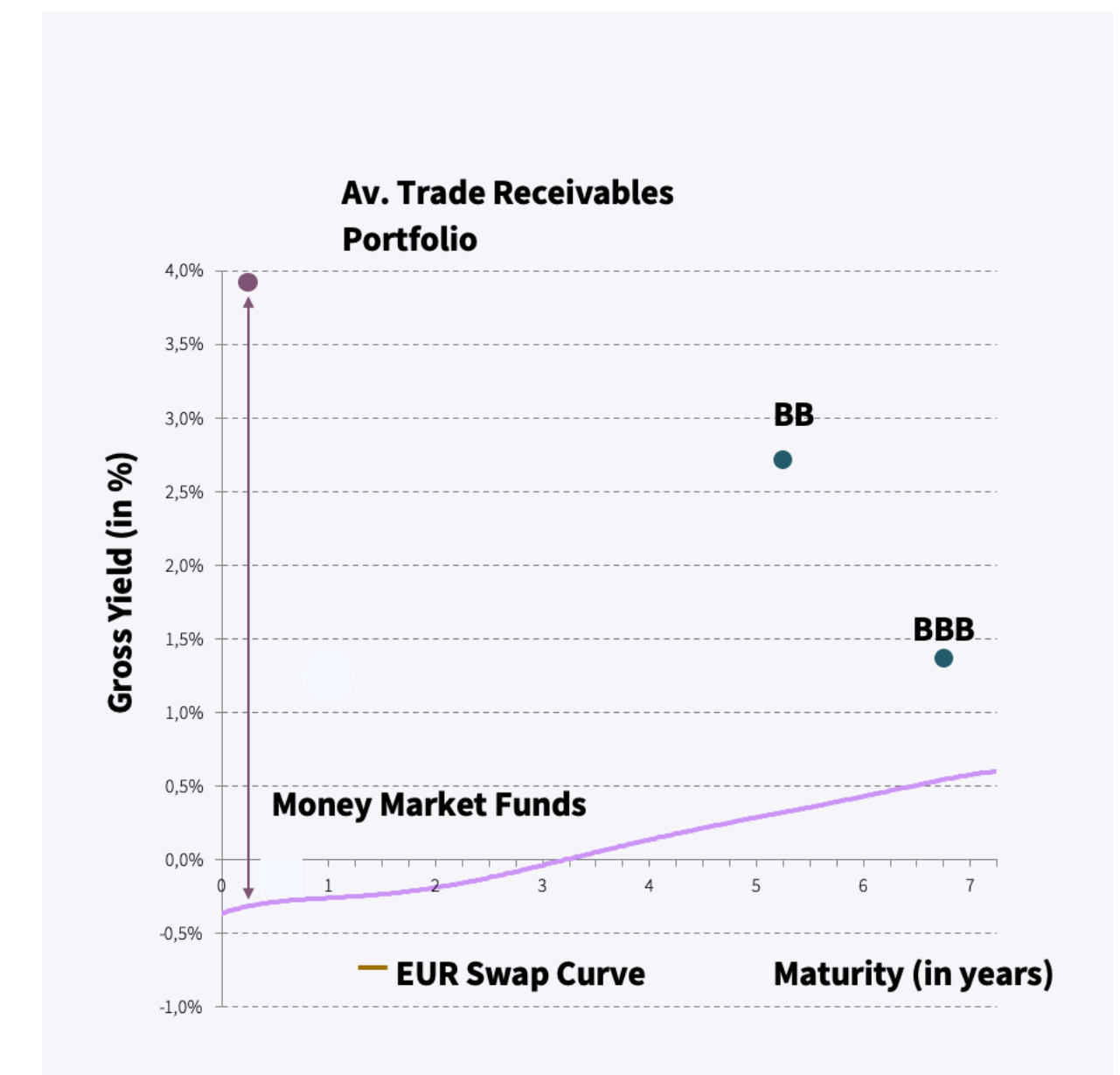


The Opportunity:

- Banks do not have the capacity to absorb the growing trade finance demand
- FinTech and Embedded Finance open up new investment opportunities

Trade receivables investments offer:

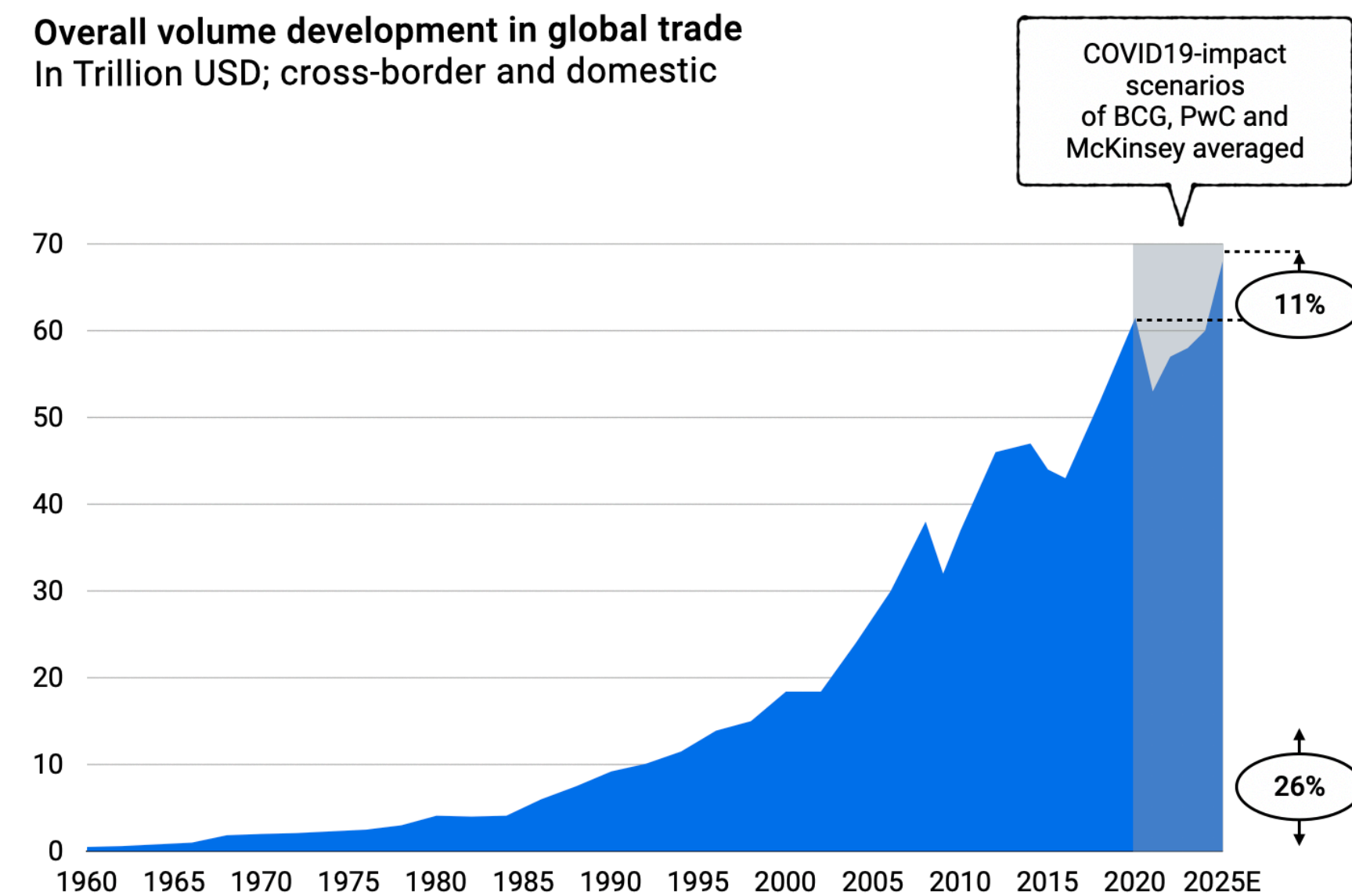
- Return comparable to High Yield bonds with a much lower duration (on av. 60-180 days)
- Low volatility
- Low correlation
- Low default risk
- Low reliance on capital markets due to 'self-liquidating' invoices
- Portfolio diversification with high Sharpe Ratio
- Real asset / real economy investments
- ESG compliance-able
- Regulatorily treated like government bonds if credit insured



Trade Finance is a rapidly evolving opportunity for institutional investors



Overall volume development in global trade
In Trillion USD; cross-border and domestic



Sources: The World Bank, World Development Indicators, BCG, McKinsey & Company, PwC

Global Trade:

Historical growth over last 60 years to USD 60 trillion today

Trade Finance Gap:

Asian Development Bank estimates global demand for Trade Finance exceeds supply by trillions USD

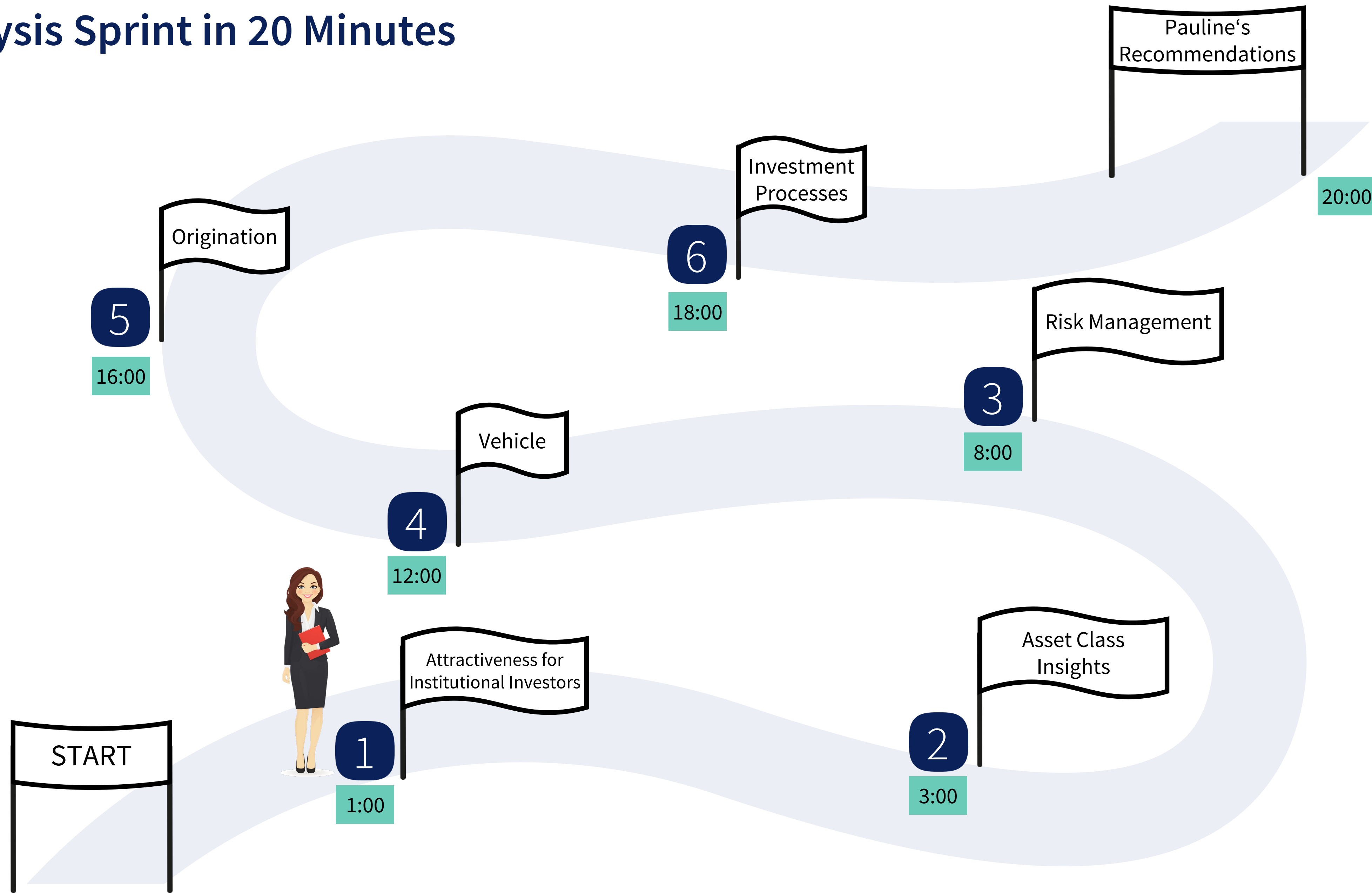
Banks are unable to support the growth in non-investment grade business

- Counterparty, sector and country risk limits
- Return on regulatory capital

FinTechs decrease operating costs for new/smaller financing facilities

- Automation of customer on-boarding
- real-time credit risk management
- cash payments
- payment reminders
- ERP synchronisation

An Analysis Sprint in 20 Minutes



Actually, what is a trade receivable?



OT

Oystertainment KG
Abtstraße 791
19288 Lüblow
Deutschland

Oystertainment KG | Abtstraße 791 | 19288 Lüblow

Windy Willows Pastures Inc.
Lärchenweg 56
22609 Hamburg

Rechnung

Kundennummer: 4012
Rechnungsnummer: 202037259
Rechnungsdatum: 22.07.2020
Lieferdatum: 22.07.2020
Fälligkeitsdatum: 22.09.2020
Ihre Ust-IdNr: DE133243188

Pos	Anzahl	Preis	Beschreibung	Netto
1	3	15040.00 €	Tische	45120.00 €
2	2	10000.00 €	Regale	20000.00 €
3	2	20000.00 €	Luxus Bett	40000.00 €

Gesamt (netto):	105120.00 €
19 % Umsatzsteuer	19972.80 €
Gesamt (brutto):	125092.80 €

Vielen Dank für Ihre Auftrag!

Zahlung:
Bei Erhalt dieser Rechnung binnen 7 Tagen mit 2% Skonto.

Steuernummer: DE109085102
Ust-IdNr: DE123244939
Handelsregisternummer: HRB0000021
Amtsgericht: St. Wendel (st Wedel)

Bankverbindungen:
IBAN: DE33 9824 6983 5158 4016 36
BIC: ZMNLDE330303
IBAN: DE15 4038 2160 7381 2257 12
BIC: ZDSEDE330303

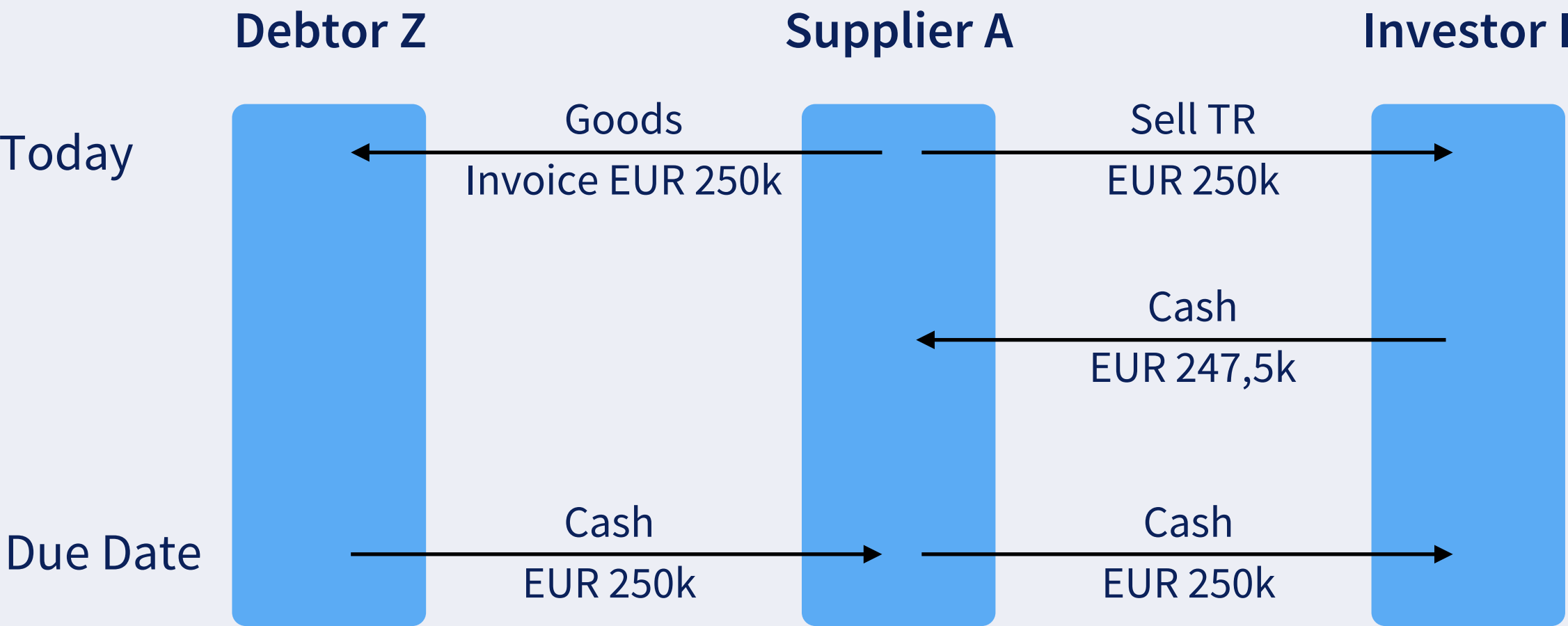
Claim arising
from a B2B Invoice

Running some numbers



Example:

Company A sells trade receivables against company B in the amount of EUR 250.000, payable 30 days, to Investor I for 1% discount every month.



Investment Math:

Annually:

Invested Capital: EUR 247.500
Yield p.a.: 12%

Why is this also an advantage for supplier A?

Capital costs p.a. of a cash discount of 2% per invoice



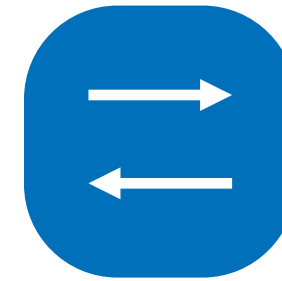
36.5% vs. **12%**

Why do corporates sell trade receivables?



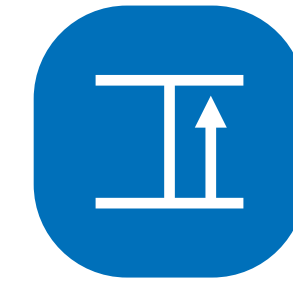
Liquidity

**Unlock capital
you already have**



Risk transfer

**Eliminate
del credere risk**



**B/S Contraction /
Equity Ratio Increase**

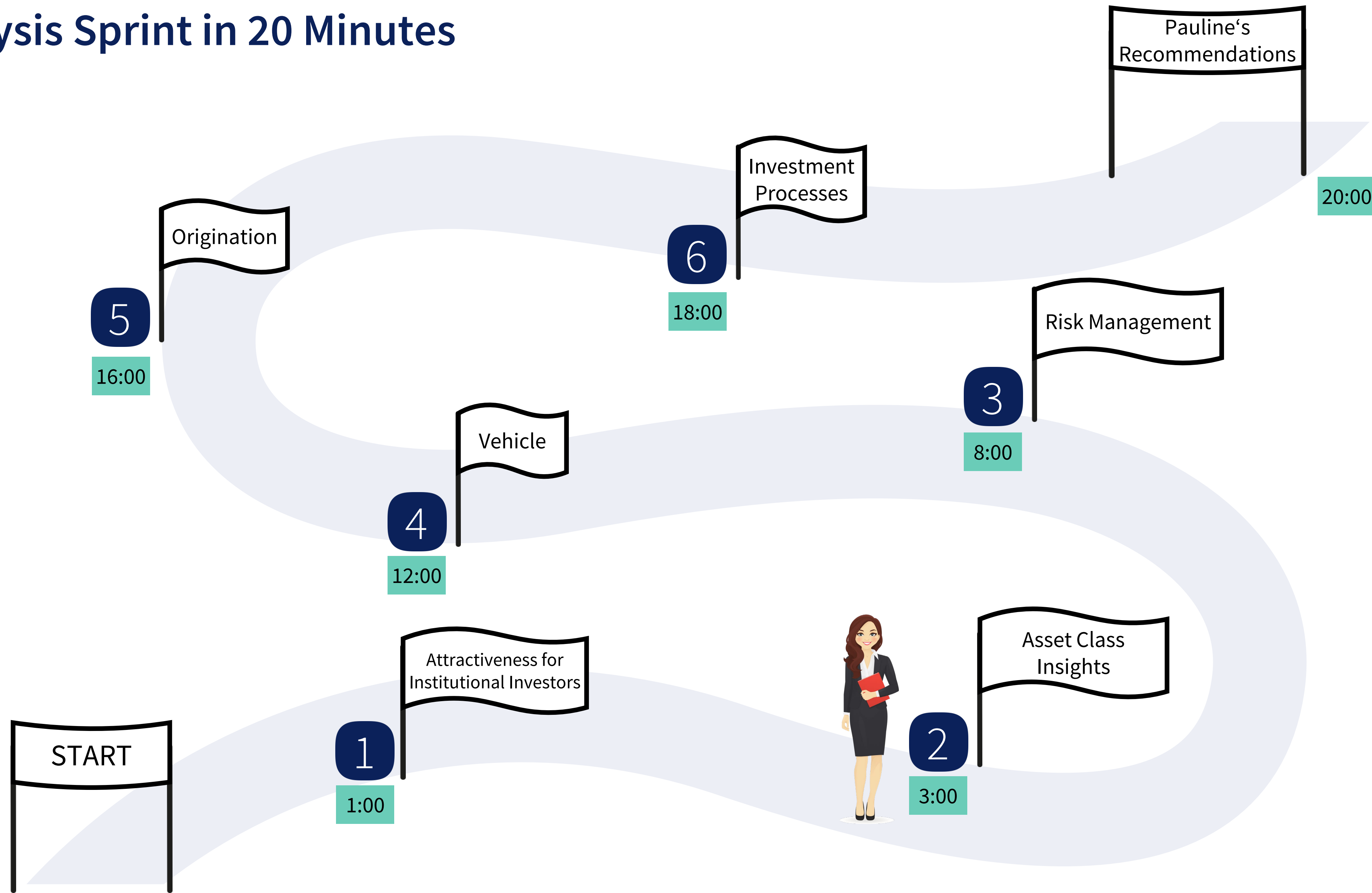
**Use liquidity to
pay own liabilities**

What happens when I buy a trade receivable?



Assignment Type	Meaning	Verity risk
Undisclosed	Debtor will not be informed	
Disclosed	Debtor will be informed	
Disclosed and confirmed	Debtor confirmed invoice by means of Irrevocable Payment Undertaking (IPU)	

An Analysis Sprint in 20 Minutes



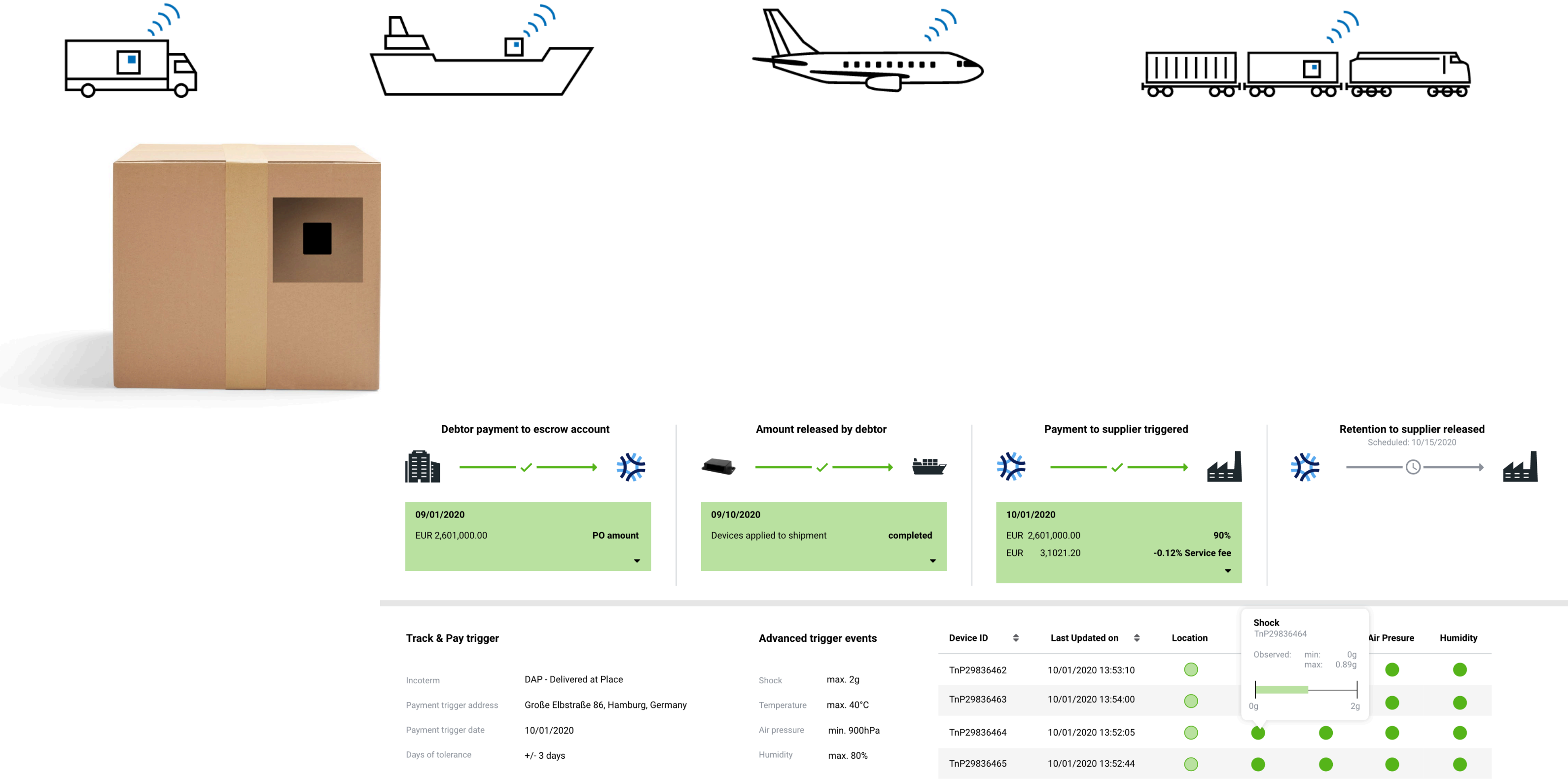
What risk premiums affect prices



Verity risk

- IPU
- AI-Fraud Prevention
- IoT-Tracking

Make use of technology



What risk premiums affect prices



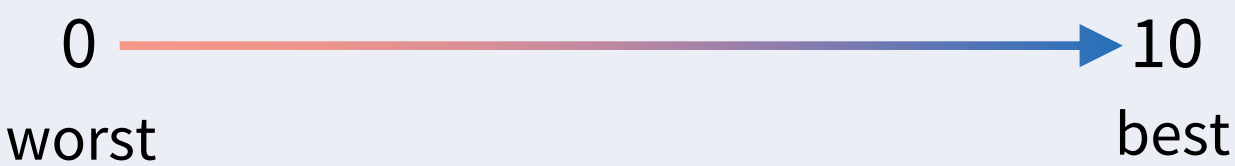
Verity risk

- IPU
- AI-Fraud Prevention
- IoT-Tracking

Make use of
technology

Default payment risk

External risk scores, e.g. Coface DRA



Debtor >		
Name	CCY	DRA
CP Lion GmbH	EUR	9
Tobis Consulting GmbH	EUR	7
Forest Foods AG	EUR	8
Geometry Merge GmbH	EUR	9

Payment behaviour in a supplier-debtor relationship

Late payments statistics
(provided by platforms with bank account access)

> Auction			
Ø LPD	Maximum bid	Time left	
3.4	Maximum bid	5d:19h	
8.2	Maximum bid	3d:04h	
2.2	Maximum bid	4h:45m	
1.0	Maximum bid	1d:02h	

The new era of trade credit insurance



Formerly Pre-Requisites Trade Credit Insurance



Framework contract with
each credit insurer



Takes a lot of paperwork
and time



Supplier must fulfill
catalogue of obligations



Limited credit risk lines

Now world-wide only with Walbing



Syndicated Credit Insurance:
NO LIMITS



One Single Policy



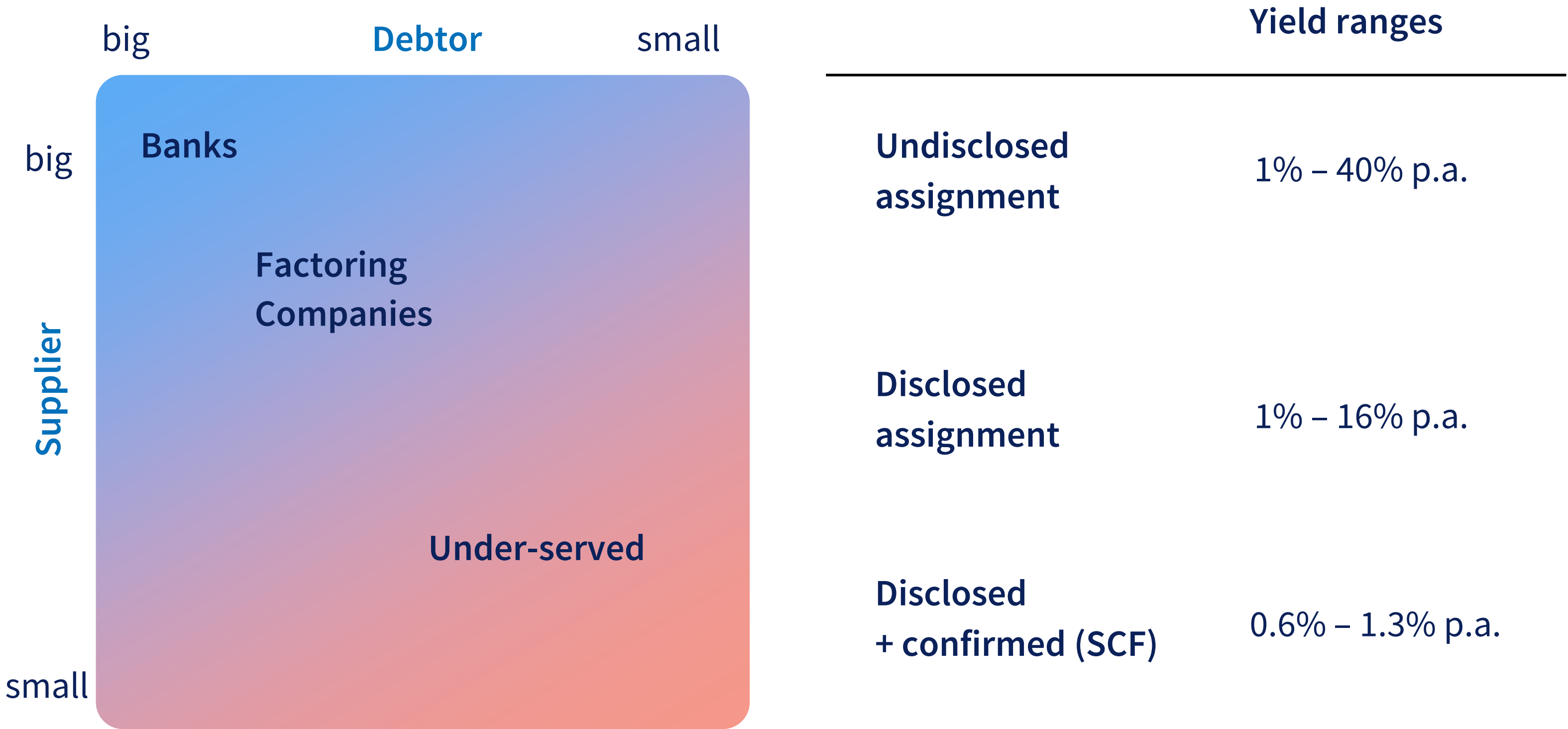
Walbing fulfills catalogue of
obligations on behalf of suppliers



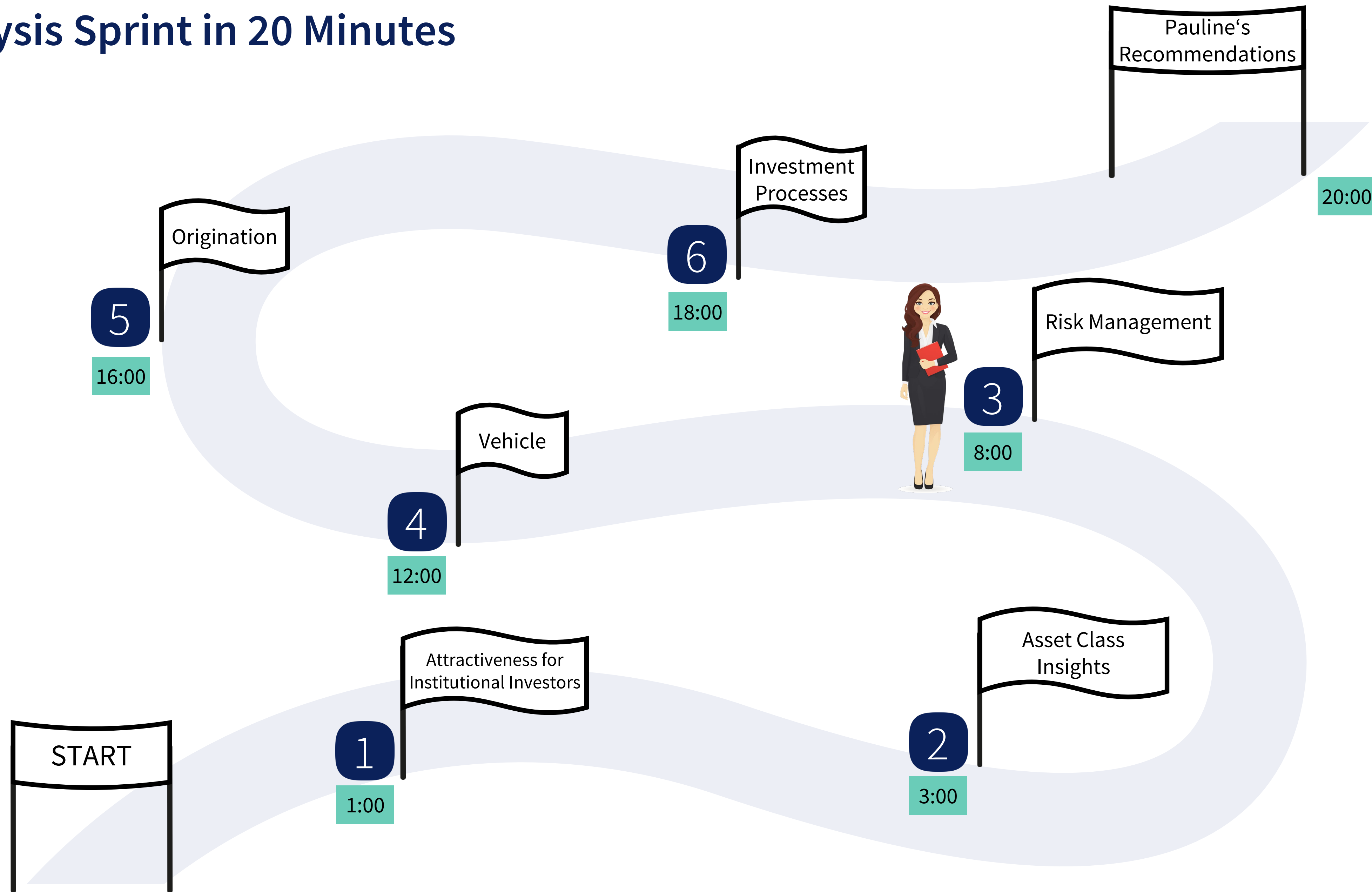
Real-time pricing and
one-click insurance

Where are the opportunities?

As of June 2021



An Analysis Sprint in 20 Minutes



What vehicle is most suitable?



Factoring Company

Revolving Receivables
refinanced by loans



Securitization company

Revolving Receivables
refinanced through Asset-
Backed Commercial Papers
(ABCP)



1
Best performer

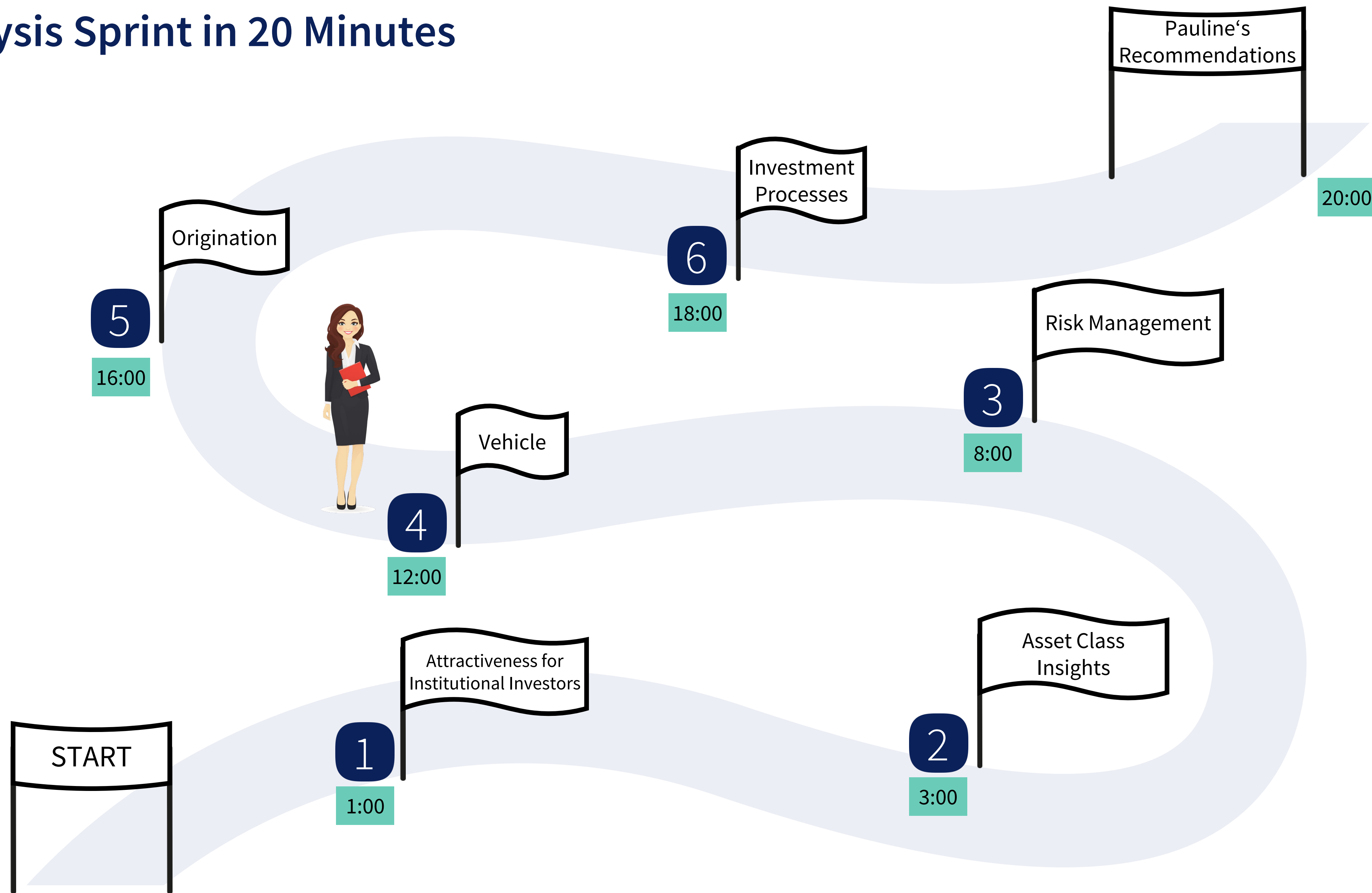
Alternative Investment Fund

Revolving or single invoice
purchases by fund capital

Replenishment risk

Pure performance risk

An Analysis Sprint in 20 Minutes



How can we originate receivables assets?

„Wouldn‘t it be cool, if I could just filter and buy the selection I want?“

Select a filter or name a new one

SaveDelete

Debtor	Seller	Last 12 months	Receivable details	Sales offer
Name	Name	Sum fromto	Type	Minimum bid fromto
DRA fromto 510	DRA fromto 310	LPD fromto 30.00	Amount fromto 10,000.002,000,000.00	IRR p.a. fromto
Industry	Industry	DIL fromto	Due on fromto	Instant buy fromto
Country Germany	Country Belgium, Germany, Luxembourg		Applicable law	IRR p.a. fromto
My Rating fromto	My Rating fromto		Assignment type undisclosed, unconfirmed	End time fromto
				My bid fromto

ClearApply

Alle Spalten anzeigen

Preisrechner

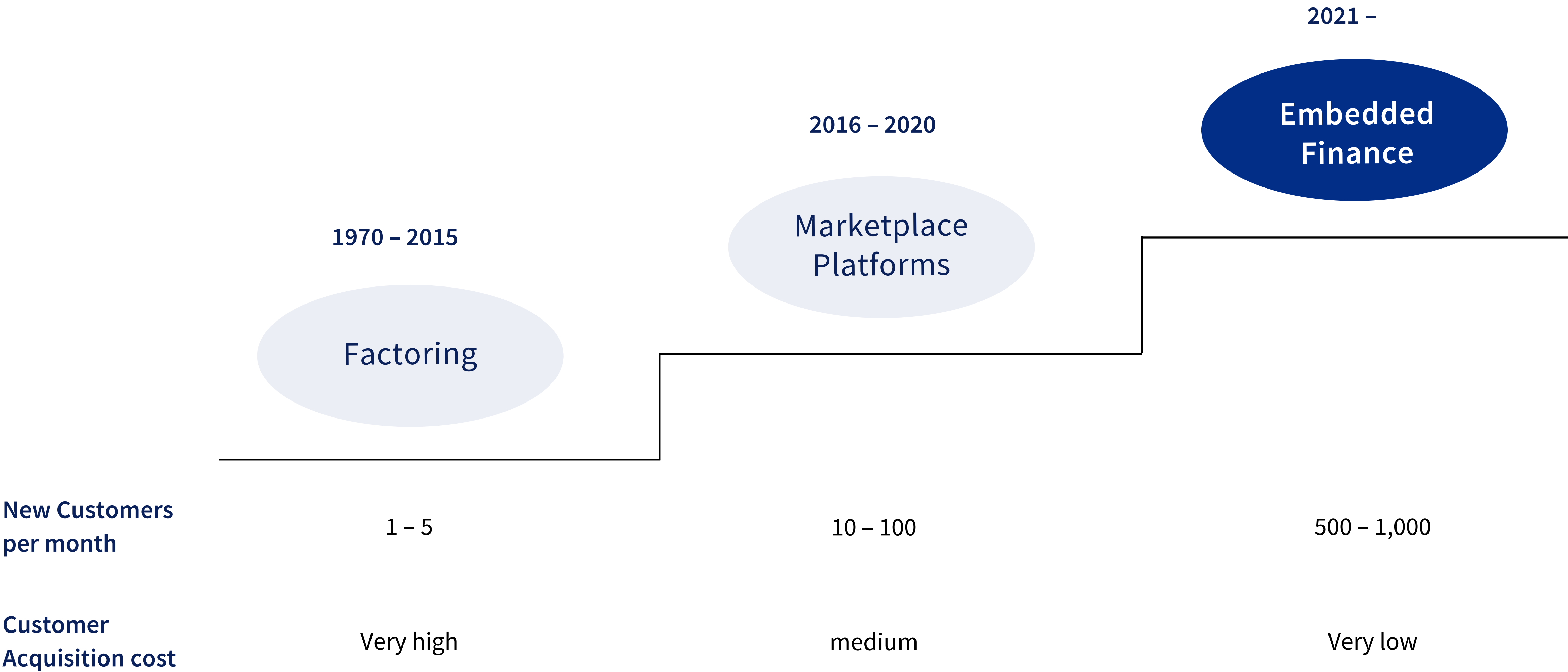
Ausgewählte Gebote:
0,00 EUR

Debitor >		Verkäufer >		Letzte 12 Mon. >		Forderungsdetails >			Verkaufsangebot >				Auktion			
Name ↕	DRA ↕	Name ↕	DRA ↕	Anzahl ↕	Ø LPD ↕	Typ ↕	Betrag ↕	Fälligkeitsdatum ↕	Mindestgebot ↕	IRR p.a. ↕	Sofortkauf ↕	IRR p.a. ↕	<input checked="" type="checkbox"/> Maximalgebot	<input checked="" type="checkbox"/> Restzeit ↕	<input type="checkbox"/>	
Global Tradefund GmbH	6	Liquidity Consulting GmbH & Co. KG	8	0	0		351.864,00	24.12.2021 (184 Tage)	338.403,08	8,00%	341.670,82	5,84%	<input checked="" type="checkbox"/> Maximalgebot		4T:23S <input type="checkbox"/>	
Wonder Pets AG	7	Liquidity Consulting GmbH & Co. KG	8	0	0		98.431,00	24.12.2021 (184 Tage)	94.665,42	8,00%	95.579,54	5,84%	<input checked="" type="checkbox"/> Maximalgebot		4T:23S <input type="checkbox"/>	
Watermelon AG	9	Liquidity Consulting GmbH & Co. KG	8	0	0		312.534,00	24.12.2021 (184 Tage)	300.577,69	8,00%	303.480,17	5,84%	<input checked="" type="checkbox"/> Maximalgebot		4T:23S <input type="checkbox"/>	
Cornerstone Pre-School GmbH	7	Liquidity Consulting GmbH & Co. KG	8	0	0		35.123,00	24.12.2021 (184 Tage)	33.779,33	8,00%	34.105,52	5,84%	<input checked="" type="checkbox"/> Maximalgebot		4T:23S <input type="checkbox"/>	
Capitol Morning GmbH	8	Liquidity Consulting GmbH & Co. KG	8	0	0		146.258,00	24.12.2021 (184 Tage)	140.662,75	8,00%	142.021,04	5,84%	<input checked="" type="checkbox"/> Maximalgebot		4T:23S <input type="checkbox"/>	
Industrial Services AG	8	Liquidity Consulting GmbH & Co. KG	8	0	0		76.515,00	24.12.2021 (184 Tage)	73.587,84	8,00%	74.298,43	5,84%	<input checked="" type="checkbox"/> Maximalgebot		4T:23S <input type="checkbox"/>	
The Big Rooftop Inc	6	Liquidity Consulting GmbH & Co. KG	8	0	0		14.563,00	24.12.2021 (184 Tage)	14.005,88	8,00%	14.141,12	5,84%	<input checked="" type="checkbox"/> Maximalgebot		4T:23S <input type="checkbox"/>	
Gartenbau Rose GmbH	9	Liquidity Consulting GmbH & Co. KG	8	0	0		58.456,00	24.12.2021 (184 Tage)	56.219,71	8,00%	56.762,58	5,84%	<input checked="" type="checkbox"/> Maximalgebot		4T:23S <input type="checkbox"/>	
Angel Academy Childcare Center GmbH	8	Liquidity Consulting GmbH & Co. KG	8	0	0		68.431,00	24.12.2021 (184 Tage)	65.813,10	8,00%	66.448,62	5,84%	<input checked="" type="checkbox"/> Maximalgebot		4T:23S <input type="checkbox"/>	
U.S. Robotics and Mechanical Men Inc.	8	Liquidity Consulting GmbH & Co. KG	8	0	0		135.488,00	24.12.2021 (184 Tage)	130.304,77	8,00%	131.563,04	5,84%	<input checked="" type="checkbox"/> Maximalgebot		4T:23S <input type="checkbox"/>	
Global Tradefund GmbH	6	Liquidity Consulting GmbH & Co. KG	8	0	0		46.235,00	24.12.2021 (184 Tage)	44.466,23	8,00%	44.895,61	5,84%	<input checked="" type="checkbox"/> Maximalgebot		4T:23S <input type="checkbox"/>	
Watermelon AG	9	Liquidity Consulting GmbH & Co. KG	8	0	0		215.643,97	24.12.2021 (184 Tage)	207.394,29	8,00%	209.396,96	5,84%	<input checked="" type="checkbox"/> Maximalgebot		4T:23S <input type="checkbox"/>	
Cornerstone Pre-School GmbH	7	Liquidity Consulting GmbH & Co. KG	8	0	0		68.431,00	24.12.2021 (184 Tage)	65.813,10	8,00%	66.448,62	5,84%	<input checked="" type="checkbox"/> Maximalgebot		4T:23S <input type="checkbox"/>	
Capitol Morning GmbH	8	Liquidity Consulting GmbH & Co. KG	8	0	0		95.135,12	24.12.2021 (184 Tage)	91.495,63	8,00%	92.379,14	5,84%	<input checked="" type="checkbox"/> Maximalgebot		4T:23S <input type="checkbox"/>	
Industrial Services AG	8	Liquidity Consulting GmbH & Co. KG	8	0	0		64.135,25	24.12.2021 (184 Tage)	61.681,69	8,00%	62.277,31	5,84%	<input checked="" type="checkbox"/> Maximalgebot		4T:23S <input type="checkbox"/>	
The Big Rooftop Inc	6	Liquidity Consulting GmbH & Co. KG	8	0	0		132.168,00	24.12.2021 (184 Tage)	127.111,78	8,00%	128.339,21	5,84%	<input checked="" type="checkbox"/> Maximalgebot		4T:23S <input type="checkbox"/>	
Gartenbau Rose GmbH	9	Liquidity Consulting GmbH & Co. KG	8	0	0		68.413,13	24.12.2021 (184 Tage)	65.795,91	8,00%	66.431,26	5,84%	<input checked="" type="checkbox"/> Maximalgebot		4T:23S <input type="checkbox"/>	

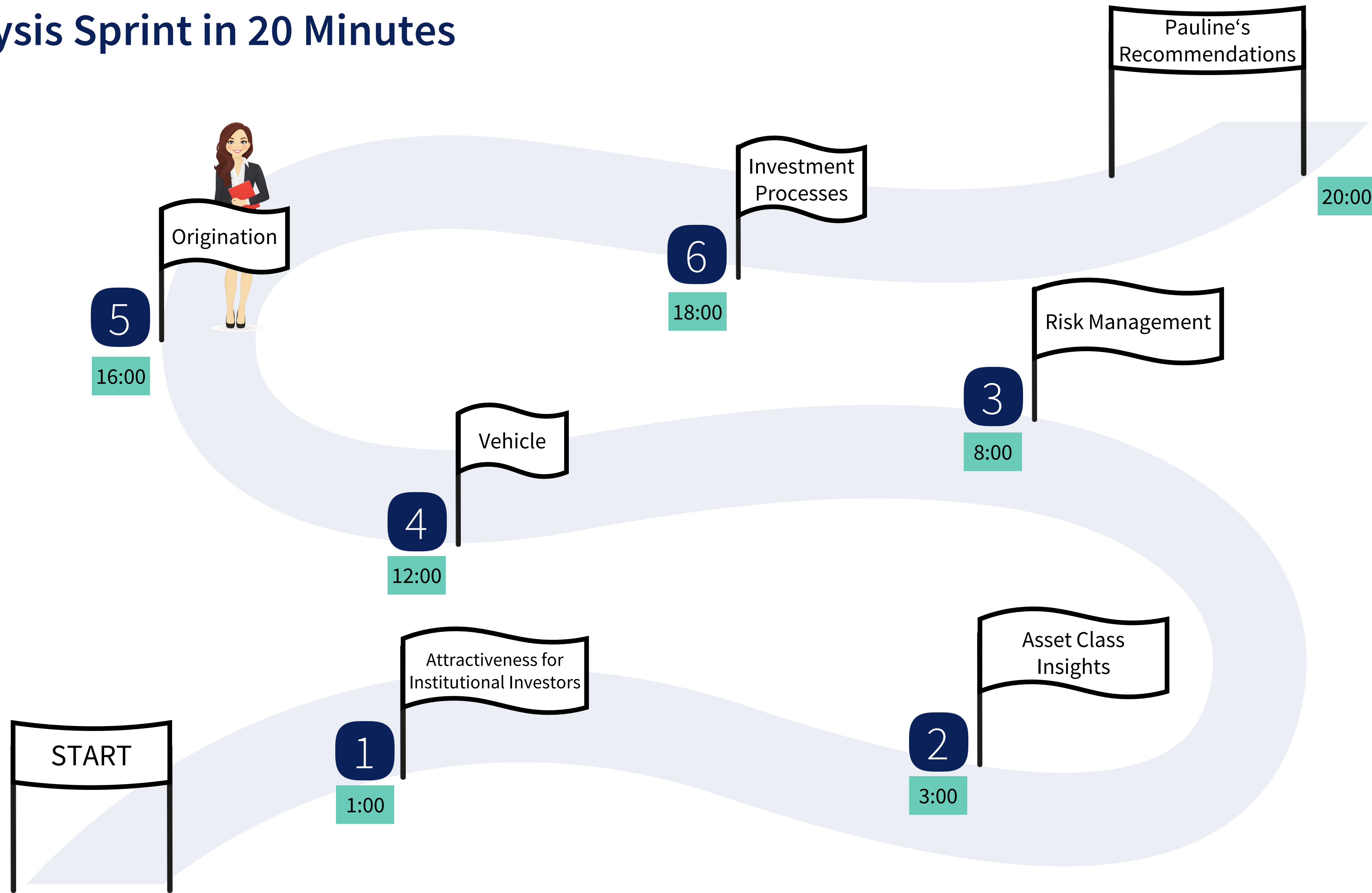
FinTechs are able to make origination as effective and efficient as possible



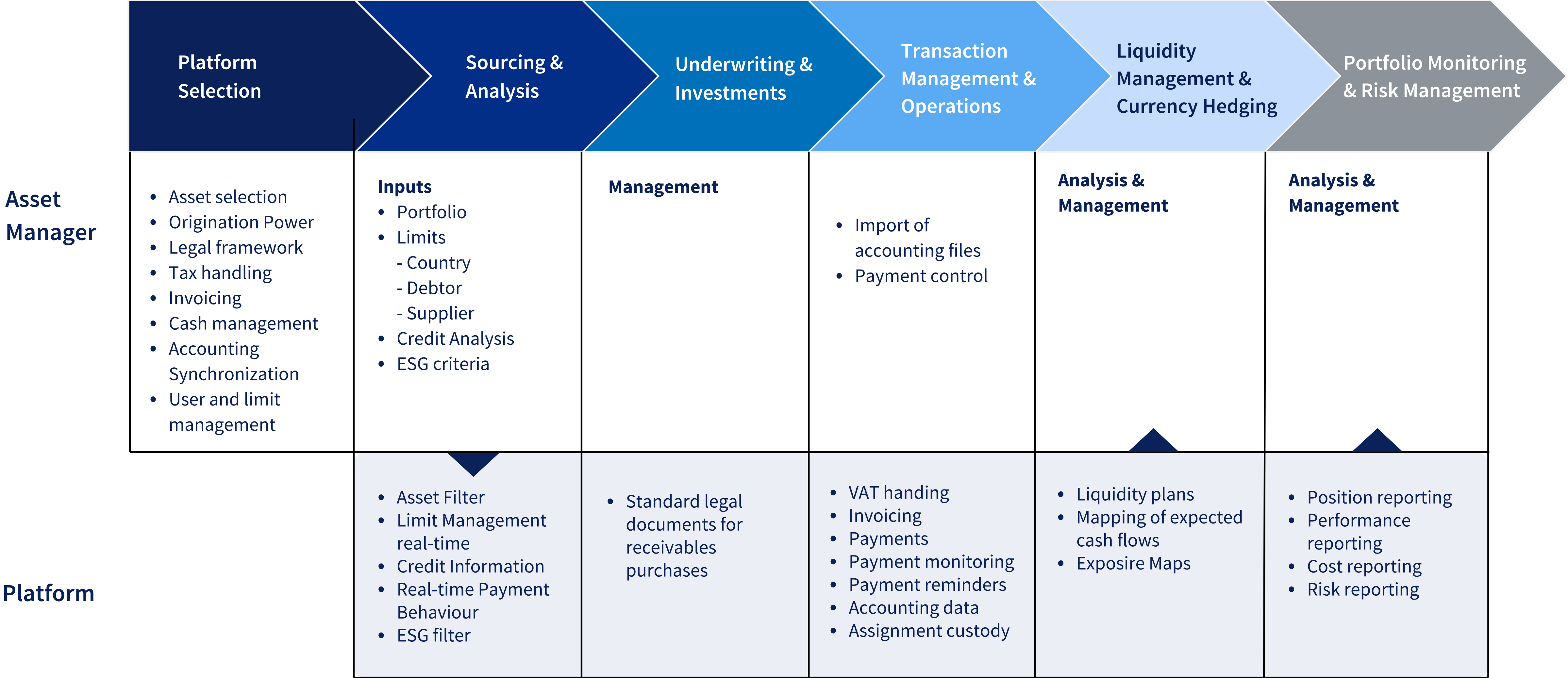
New intermediaries between corporates and capital providers



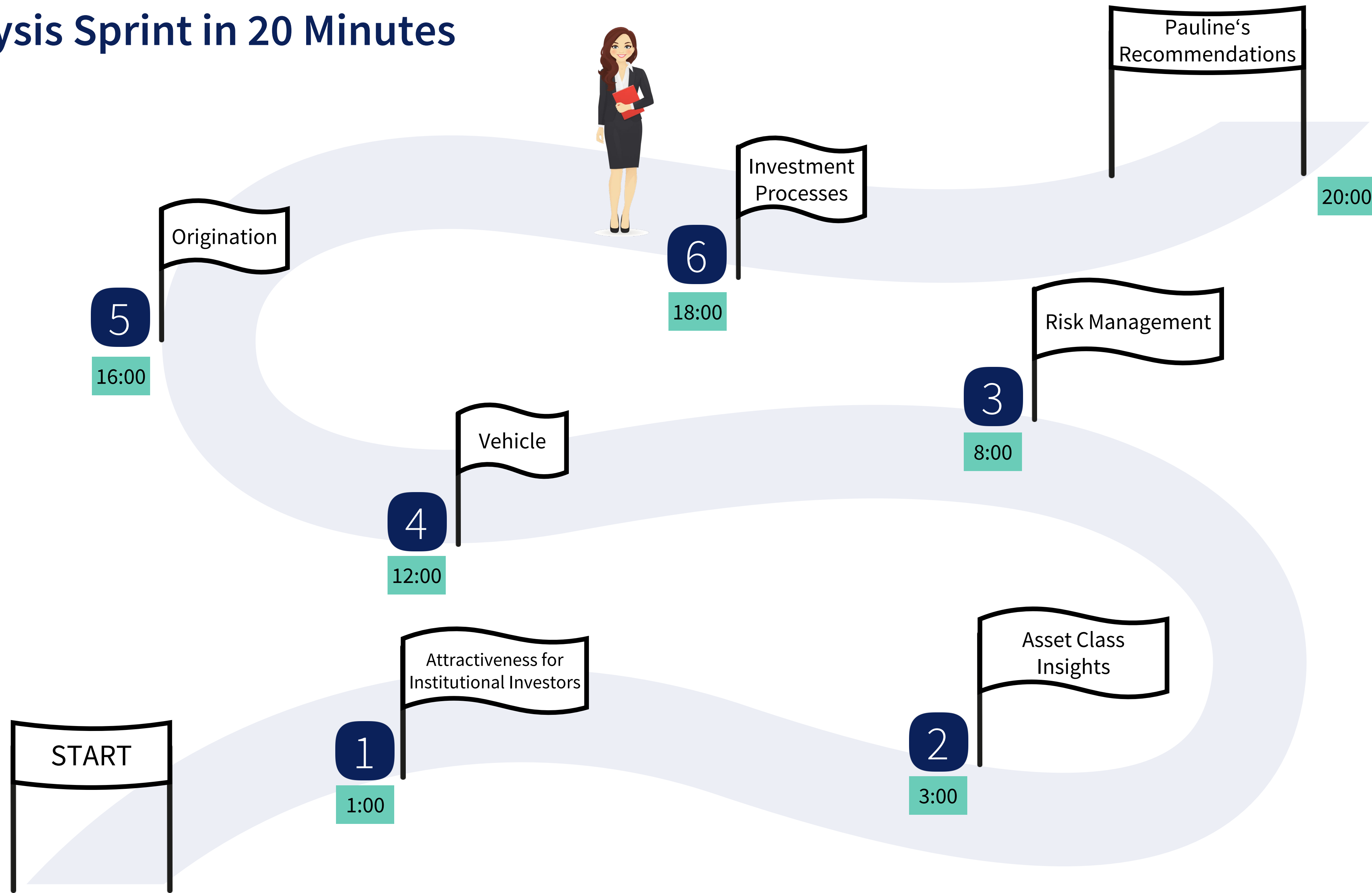
An Analysis Sprint in 20 Minutes



The Investment process can be a fixed income process adapted to trade receivables



An Analysis Sprint in 20 Minutes



Pauline's Recommendations



1

Establish RAIF-SICAV in Luxembourg

2

Raise money for Trade Receivables Fund

3

Choose „best“ embedded finance platform 😊

4

Build Asset Management-processes around this platform