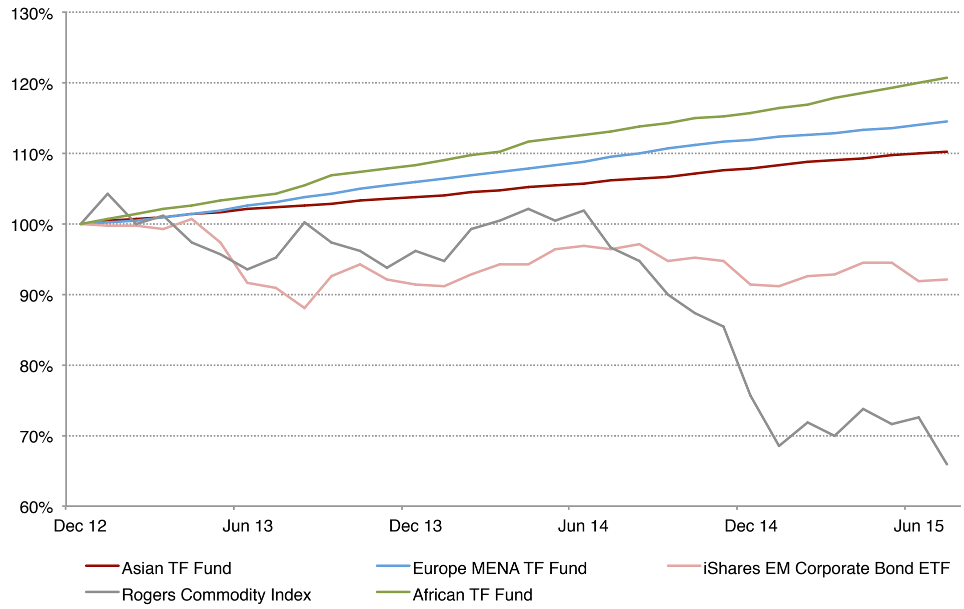
Trade Finance Navigates Adverse Market Conditions – Maintains Positive Monthly Streak

In light of the recent market volatility and unfavourable economic conditions, this is an opportune time to reemphasize the resilience and merits of trade finance as an asset class.

Trade Finance – historically insulated from volatile commodity markets

The nature of the commodities market is cyclical. The current downturn is not surprising, nor will it have unexpected repercussions on our Funds. Commodities prices have been dropping since 2011 – this current slump is not a 1-month occurrence – and since 2011, as they were before, EFA returns have remained stable. We do not foresee a different outcome in light of the current events.

To illustrate the strategy's decorrelation from the wider commodities market, the below graph illustrates the performance of three different trade finance funds against the Rogers Commodity Index from 2012 - 2015.



Resilience Due to Structural Features

EFA's trade finance loans are made to commodity traders and processors buying, transporting and selling raw materials. These loans are transactionally-secured, short-term and self-liquidating.

In practice this means that before entering a transaction, the price of the underlying goods being financed is fixed and the goods are pre-sold to an identified buyer under secured payments terms (e.g. Letter of Credit, bank guarantees, trade credit insurance).

As such, the commodity price volatility does not have a direct impact on the portfolio of transactions. Commodities are merely the underlying assets acting as collateral to the loans.

EuroFin Investments Pte Ltd
(Co Reg No 200510399K) 6 Raffles Quay #11-05, Singapore 048580, T: (65) 6325 0150 F: (65) 6220 4312
www.efa-group.net

Similarly, fluctuations in equity and bond markets do not materially affect trade finance transactions, therefore these fluctuations do not materially affect the yield generated by trade finance as an asset class. Trade finance fund returns benefit from genuine decorrelation.

Indirect Impact of Negative Market Conditions

While EFA's trade finance funds are ring-fenced from external factors, market conditions do indeed have indirect effects on the investment strategy.

For example, a drop in commodity prices induces a **slowdown on utilization** from merchants as less capital is needed to execute the same volume of transactions. Purchasing (and therefore financing) a 5,000mt cargo of sugar requires less capital when the price of a metric ton of sugar has decreased.

While this reduces the amount of trade financing required it does not eliminate the need entirely.

Another effect of dropping commodity prices is a **decrease in transaction volumes**, as buyers of commodities prefer to wait to buy at a cheaper price in the future. Industrial buyers for example will opt to consume their buffer inventory rather than purchasing new materials.

For EFA both of these factors result in less money being deployed, which results in a lower monthly NAV due to the cash drag of unutilized capital.

The Funds' performance is in this way indirectly affected to commodity price drops.

Under the current circumstances we will take a more conservative approach in our portfolio management. We seek to counter declining overall trade volumes by conducting an immediate review of our merchants to top-up the credit lines of our most suitable counterparties and simultaneously dedicate vigorous attention to onboarding new merchants with new business volumes.

An Opportune Time for Trade Finance

Recent global market conditions have induced the need for investors' caution and prudence. While virtually all liquid asset classes have been victim to significant volatility, trade finance returns have once again remained disconnected from wild market swings and continued to generate yield in an environment where there is virtually none.

Going forward the outlook for independent trade finance providers remains positive. We expect banks not to increase their exposure to commodity trade finance in these uncertain times, leaving more space for non-banking financial institutions and alternative financiers like EFA to capture first class business.

Evidence of the above will be reflected in our performance. EFA's trade finance funds continue to generate positive returns at an average of 30 bps in the month of August, despite the current market conditions. The monthly factsheet will be sent to investors by the third week of September.

For further information or enquiries, please contact investor.relations@efa-group.net

EuroFin Investments Pte Ltd
(Co Reg No 200510399K) 6 Raffles Quay #11-05, Singapore 048580, T: (65) 6325 0150 F: (65) 6220 4312
www.efa-group.net