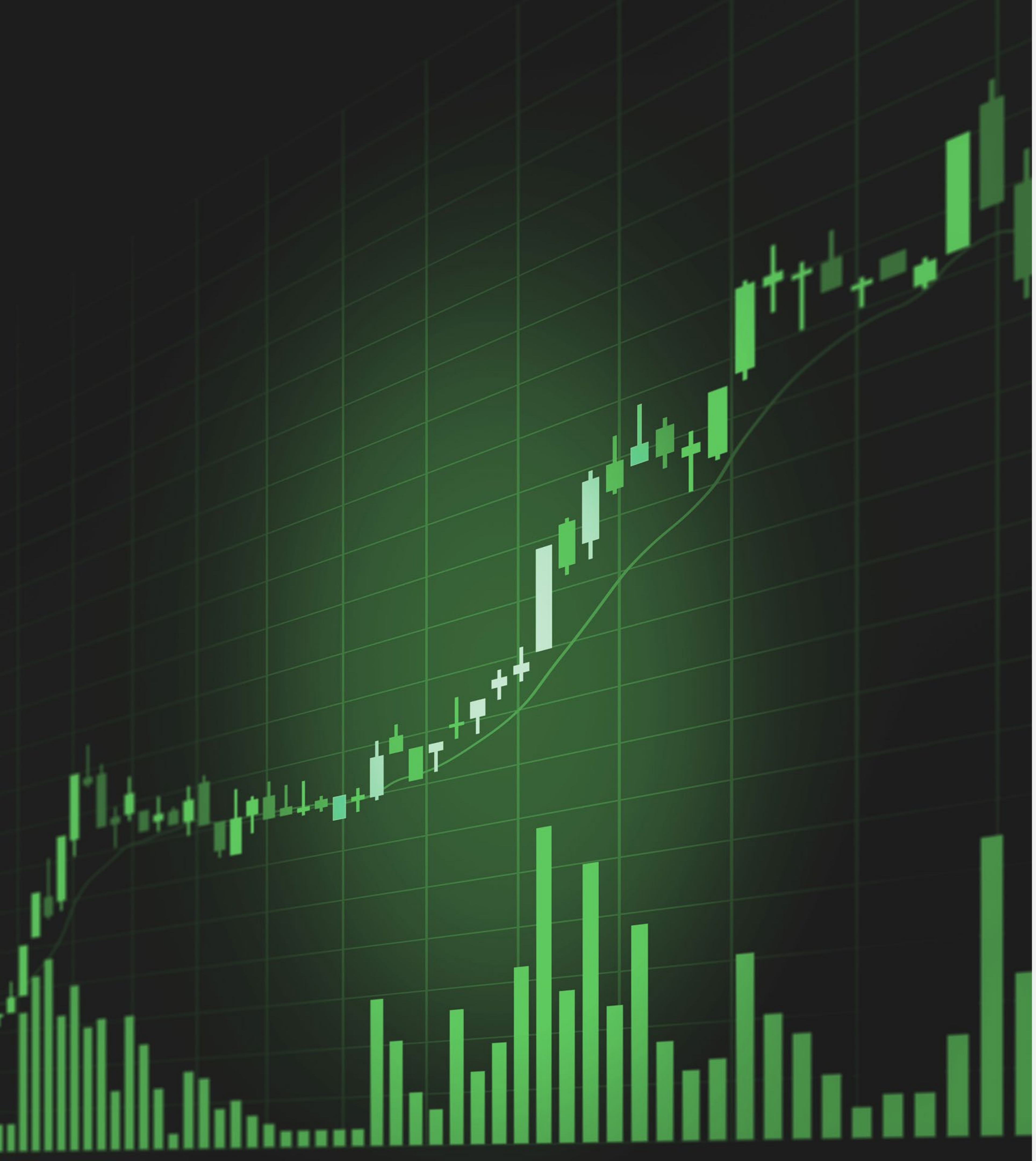
Creating alpha with data-driven investments in private credit

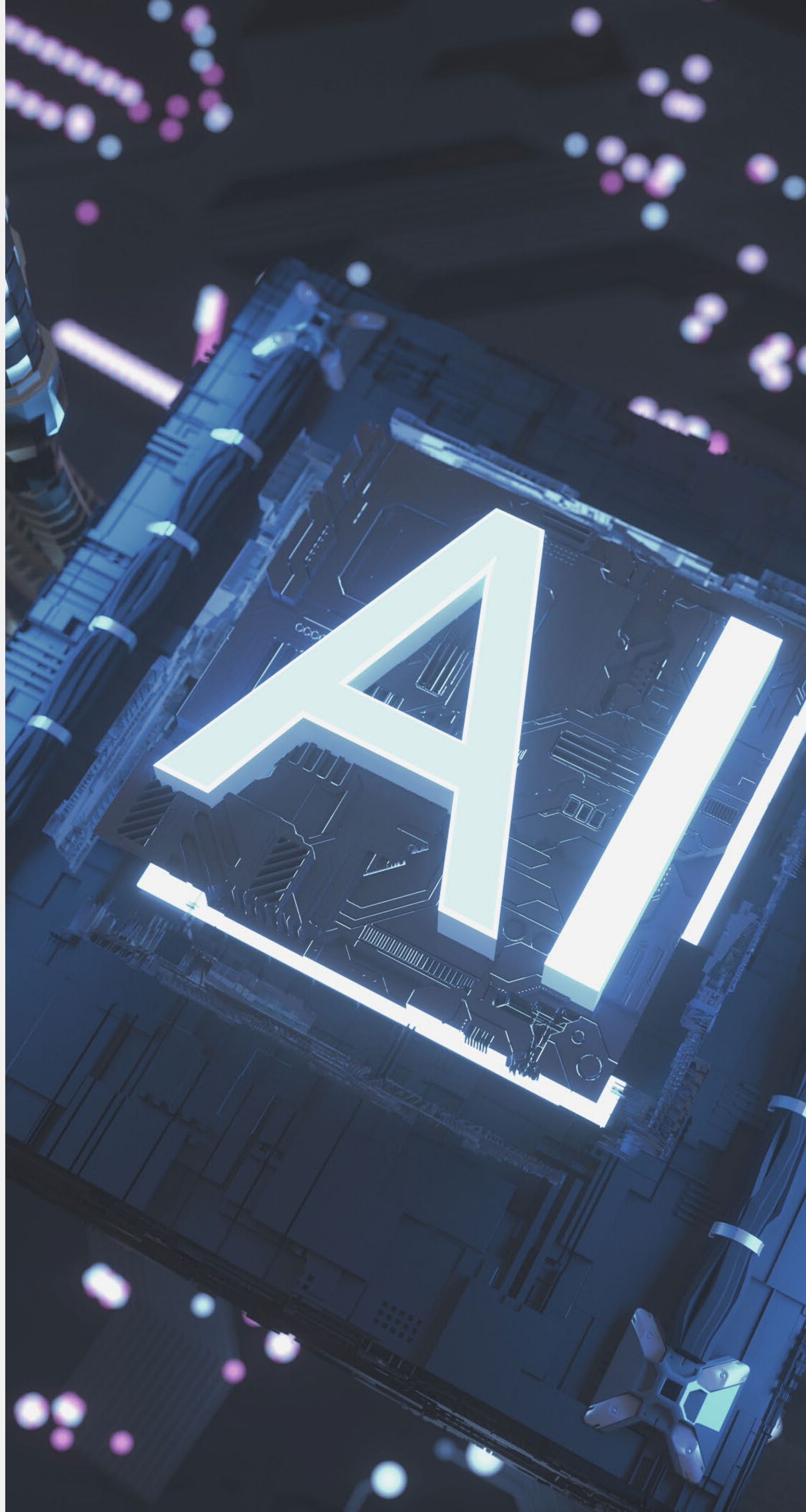
Independent Wealth Management Forum



Data-driven investing is no longer exclusive to public markets.

Solution

By leveraging artificial intelligence, it is possible to establish a reliable cash flow baseline, creating lucrative fixed-income opportunities.



• Trade finance receivables	8-18%
• Settlement finance	6-8%
• Consumer and MSME loans	12-15%
• Non-performing loans	15-20%

Availability, errors, format

Non-relational data

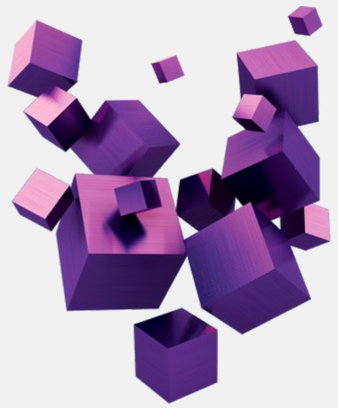
Computer processing

Personal data protection

Our products offer safe and controlled exposure to consumer and small business loans, giving investors a diversified portfolio with smart risk management.

Our investors become bondholders receiving fixed returns from large profitable companies secured by cash generating collateral (instalment loans).

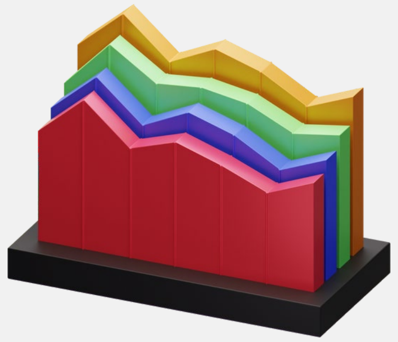
We have 50,000+ individual loans as collateral with 160%+ cash coverage of the investment



20M+ data points on loans and repayments

Data transformation & standardisation

Collateral aging breakdown



Cohorts performance

Collateral cash flow rolling forecast (95% accuracy, 6 months ahead)

Highly diversified asset pool

Short tenure

Monthly returns

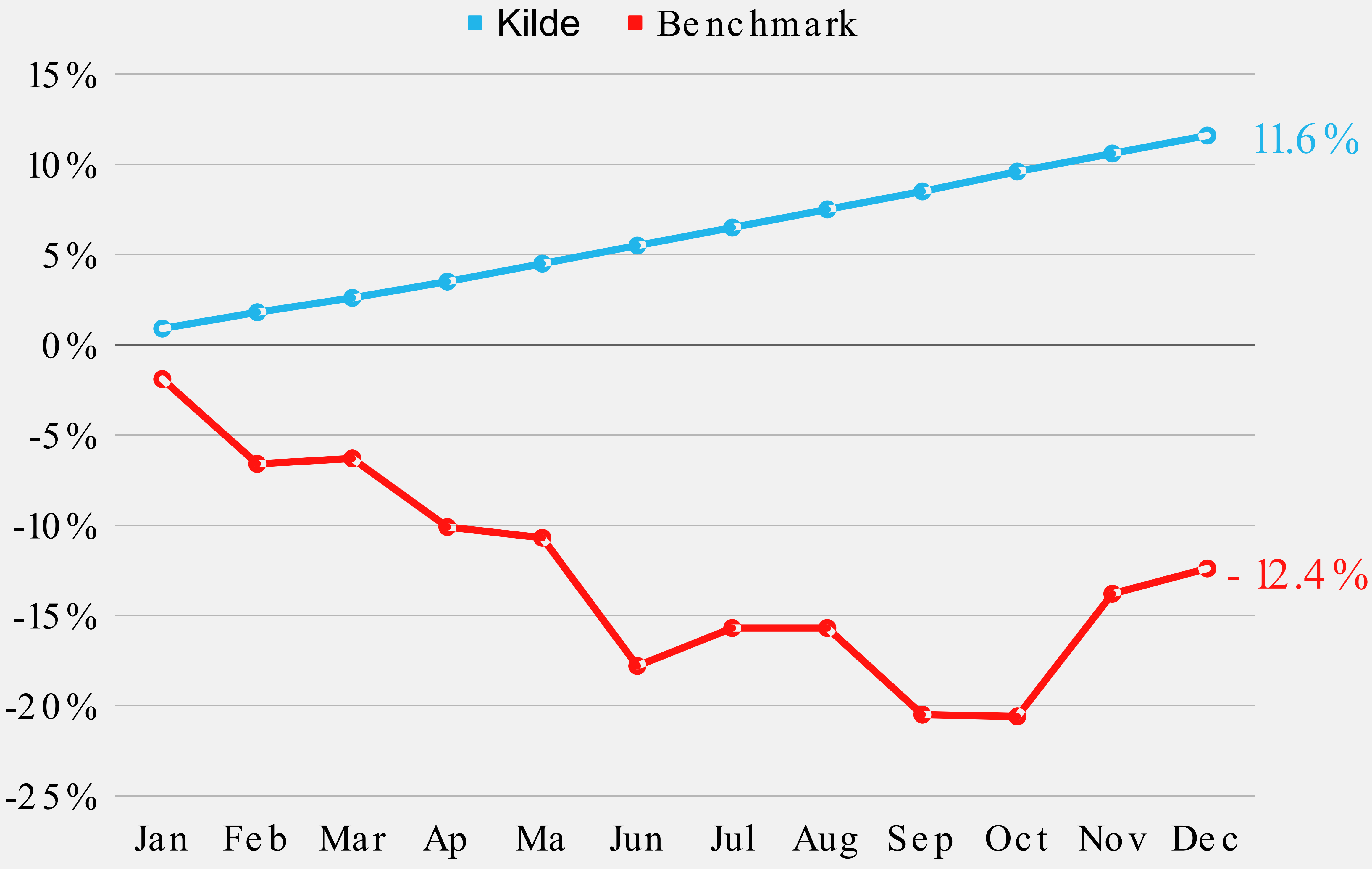
Returns 10-13% per year

Monthly coupons

3-36 months lock-in

First investment from $25,000

Investment performance 2022, %



Benchmark: iShares J.P. Morgan EM High Yield Bond ETF

11.6%

Annual return

160%

Collateral cash coverage

0%

Delinquency

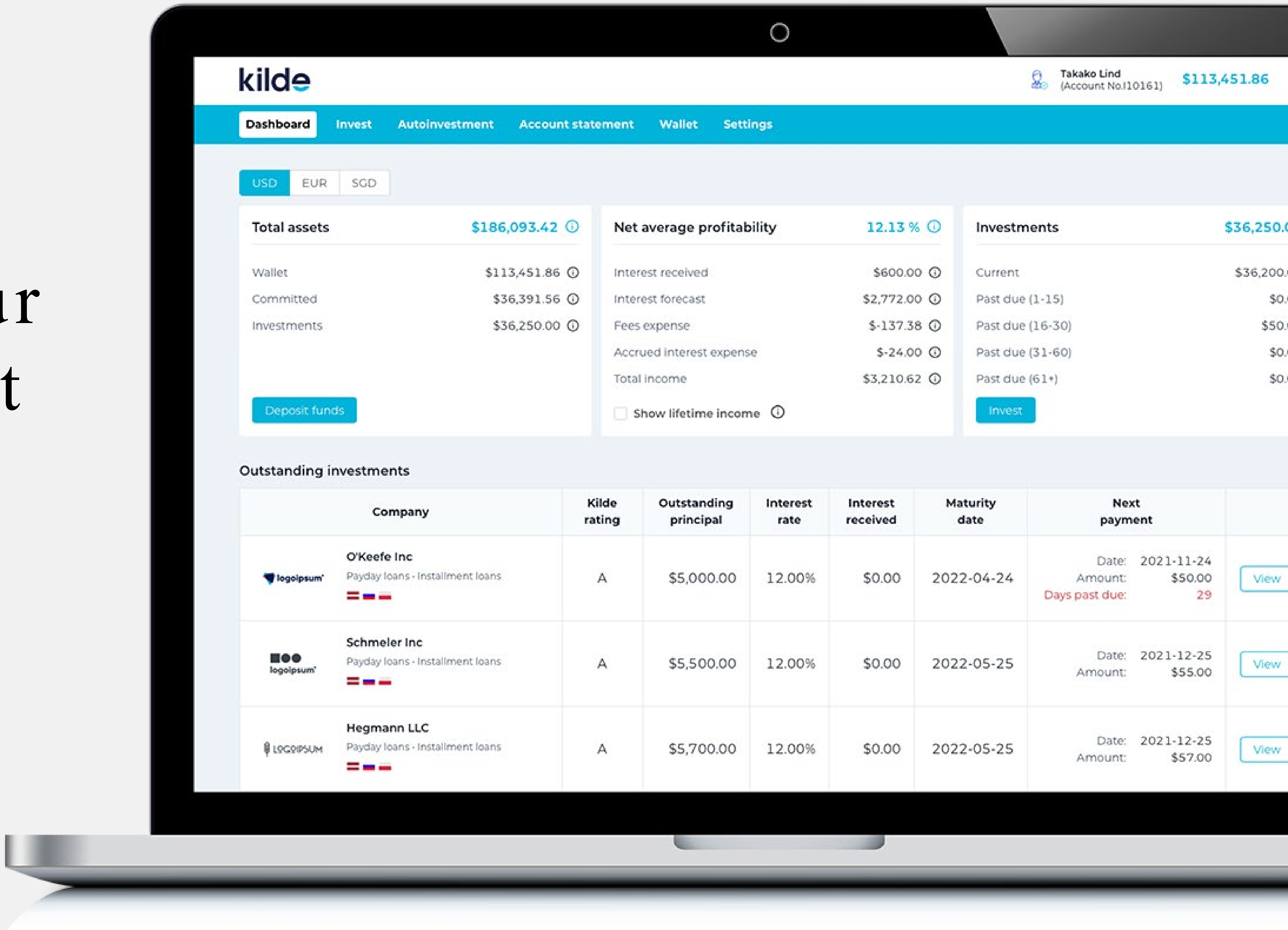
Problem

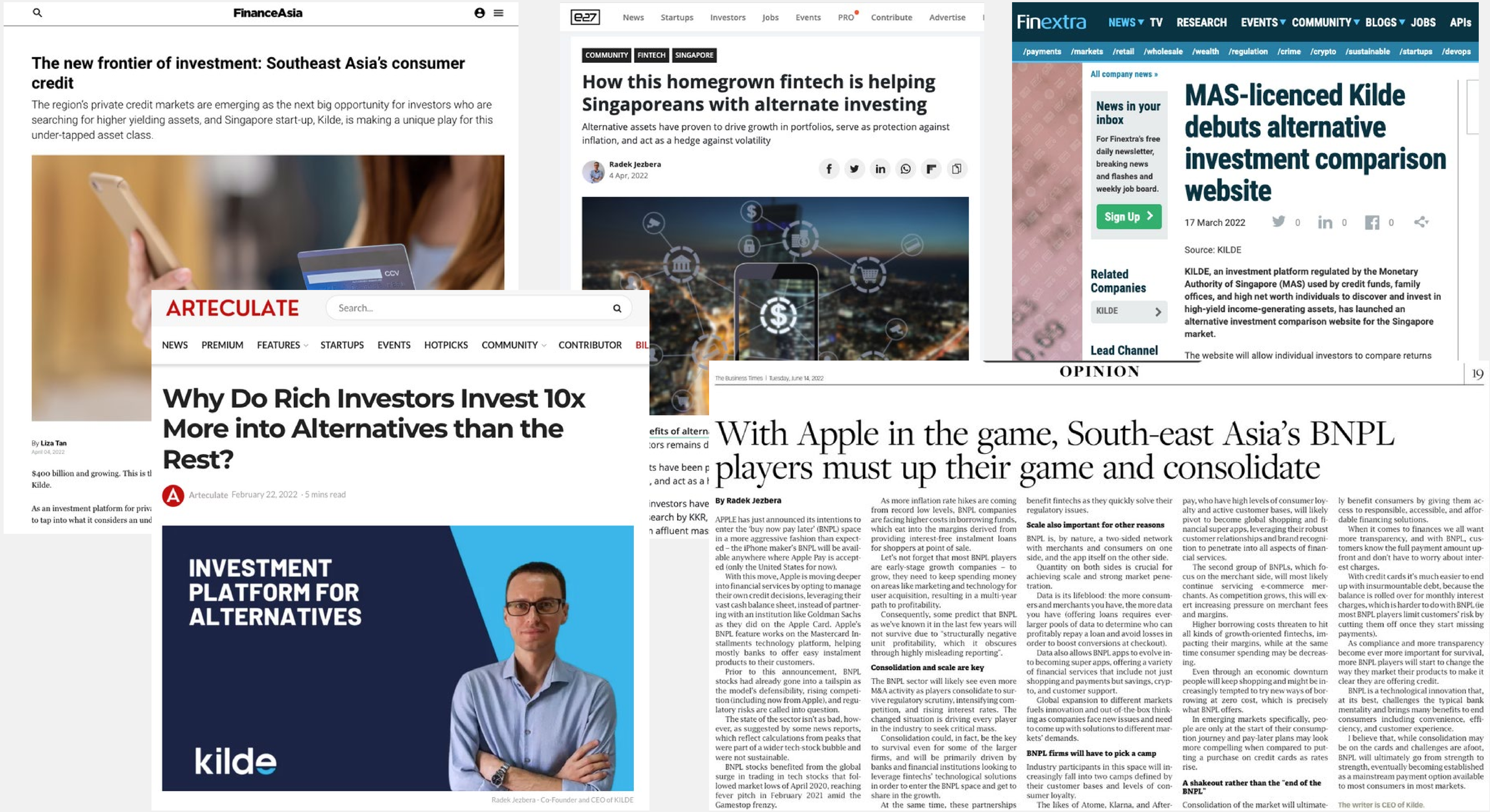
Mass affluent investors could not find income investments that provide both safety and generous yields - until now.

3-minute onboarding with singpass

24/7 access to your investment account

Market beating returns





FinanceAsia

The new frontier of investment: Southeast Asia's consumer credit

The region's private credit markets are emerging as the next big opportunity for investors who are searching for higher yielding assets, and Singapore start-up, Kilde, is making a unique play for this under-tapped asset class.

By Liza Tan
April 04, 2022

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Radek Jezbera
4 Apr, 2022

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Lead Channel

MAS-licenced Kilde debuts alternative investment comparison website

17 March 2022

Source: KILDE

KILDE, an investment platform regulated by the Monetary Authority of Singapore (MAS) used by credit funds, family offices, and high net worth individuals to discover and invest in high-yield income-generating assets, has launched an alternative investment comparison website for the Singapore market.

The website will allow individual investors to compare returns

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The Business Times | Tuesday, June 14, 2022 OPINION 19

With Apple in the game, South-east Asia's BNPL players must up their game and consolidate

By Radek Jezbera

APPLE has just announced its intentions to enter the 'buy now pay later' (BNPL) space in a more aggressive fashion than expected – the iPhone maker's BNPL will be available anywhere where Apple Pay is accepted (only the United States for now).

With this move, Apple is moving deeper into financial services by opting to manage their own credit decisions, leveraging their vast cash balance sheet, instead of partnering with an institution like Goldman Sachs as they did on the Apple Card. Apple's BNPL feature works on the Mastercard Installments technology platform, helping mostly banks to offer easy instalment products to their customers.

Prior to this announcement, BNPL stocks had already gone into a tailspin as the model's defensibility, rising competition (including now from Apple), and regulatory risks are called into question.

The state of the sector isn't as bad, however, as suggested by some news reports, which reflect calculations from peaks that were part of a wider tech-stock bubble and were not sustainable.

BNPL stocks benefited from the global surge in trading in tech stocks that followed market lows of April 2020, reaching fever pitch in February 2021 amid the Gamestop frenzy.

As more inflation rate hikes are coming from record low levels, BNPL companies are facing higher costs in borrowing funds, which eat into the margins derived from providing interest-free instalment loans for shoppers at point of sale.

Let's not forget that most BNPL players are early-stage growth companies – to grow, they need to keep spending money on areas like marketing and technology for user acquisition, resulting in a multi-year path to profitability.

Consequently, some predict that BNPL as we've known it in the last few years will not survive due to "structurally negative unit profitability, which it obscures through highly misleading reporting".

Consolidation and scale are key

The BNPL sector will likely see even more M&A activity as players consolidate to survive regulatory scrutiny, intensifying competition, and rising interest rates. The changed situation is driving every player in the industry to seek critical mass.

Consolidation could, in fact, be the key to survival even for some of the larger firms, and will be primarily driven by banks and financial institutions looking to leverage fintechs' technological solutions in order to enter the BNPL space and get to share in the growth.

At the same time, these partnerships benefit fintechs as they quickly solve their regulatory issues.

Scale also important for other reasons

BNPL is, by nature, a two-sided network with merchants and consumers on one side, and the app itself on the other side.

Quantity on both sides is crucial for achieving scale and strong market penetration.

Data is its lifeblood: the more consumers and merchants you have, the more data you have (offering loans requires ever-larger pools of data to determine who can profitably repay a loan and avoid losses in order to boost conversions at checkout).

Data also allows BNPL apps to evolve into becoming super apps, offering a variety of financial services that include not just shopping and payments but savings, crypto, and customer support.

Global expansion to different markets fuels innovation and out-of-the-box thinking as companies face new issues and need to come up with solutions to different markets' demands.

BNPL firms will have to pick a camp

Industry participants in this space will increasingly fall into two camps defined by their customer bases and levels of consumer loyalty.

The likes of Atome, Klarna, and Afterpay, who have high levels of consumer loyalty and active customer bases, will likely pivot to become global shopping and financial super apps, leveraging their robust customer relationships and brand recognition to penetrate into all aspects of financial services.

The second group of BNPLs, which focus on the merchant side, will most likely continue servicing e-commerce merchants. As competition grows, this will exert increasing pressure on merchant fees and margins.

Higher borrowing costs threaten to hit all kinds of growth-oriented fintechs, impacting their margins, while at the same time consumer spending may be decreasing.

Even through an economic downturn people will keep shopping and might be increasingly tempted to try new ways of borrowing at zero cost, which is precisely what BNPL offers.

In emerging markets specifically, people are only at the start of their consumption journey and pay-later plans may look more compelling when compared to putting a purchase on credit cards as rates rise.

A shakeout rather than the "end of the BNPL"

Consolidation of the market will ultimately benefit consumers by giving them access to responsible, accessible, and affordable financing solutions.

When it comes to finances we all want more transparency, and with BNPL, customers know the full payment amount upfront and don't have to worry about interest charges.

With credit cards it's much easier to end up with insurmountable debt, because the balance is rolled over for monthly interest charges, which is harder to do with BNPL (ie most BNPL players limit customers' risk by cutting them off once they start missing payments).

As compliance and more transparency become ever more important for survival, more BNPL players will start to change the way they market their products to make it clear they are offering credit.

BNPL is a technological innovation that, at its best, challenges the typical bank mentality and brings many benefits to end consumers including convenience, efficiency, and customer experience.

I believe that, while consolidation may be on the cards and challenges are afoot, BNPL will ultimately go from strength to strength, eventually becoming established as a mainstream payment option available to most consumers in most markets.

The writer is CEO of Kilde.

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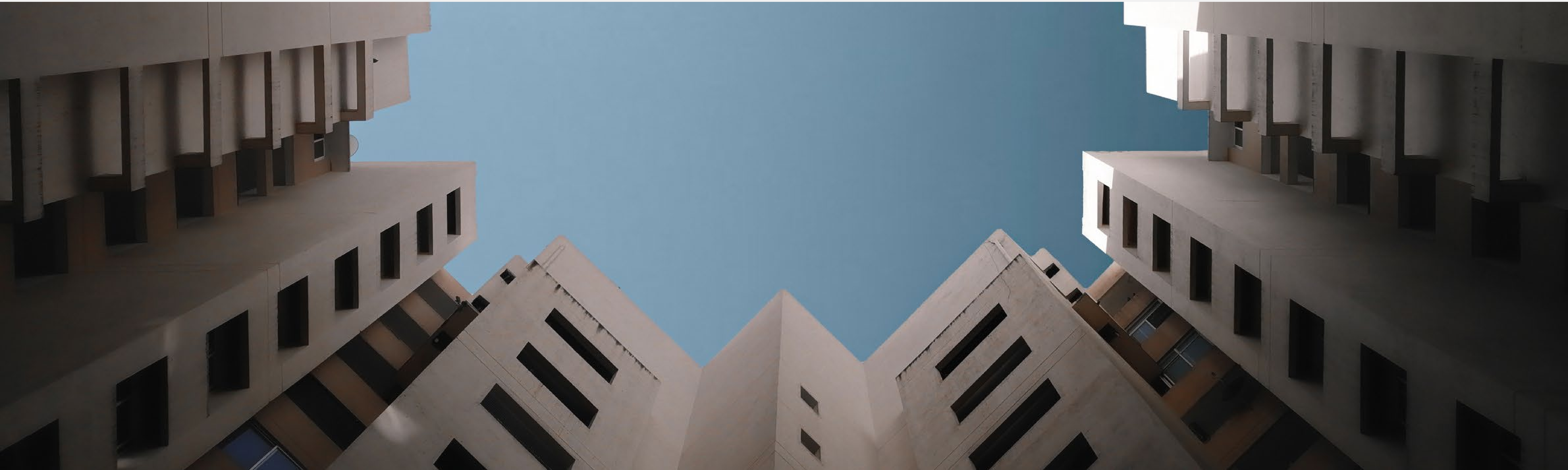

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