# Cadence

## Private Credit Yearbook

2020

CADENCE GROUP, INC. NEW YORK

# Letter from the CEO

**2020 was a foundational year for Cadence. It was the year of perseverance, transformation, and, above all, growth. We truly came into our own in 2020, even amidst a global pandemic and the growing pains a young company like ours faces in its early days.**

We adapted to market conditions and demands, built platforms made to scale, and pursued lofty goals once believed to be too ambitious. Despite the challenges facing any young, growing company, we vastly exceeded benchmarks we didn't expect to hit for some time. We saw exponential year-over-year issuance growth, a record number of new investors, numerous new partnerships with originators, and expansion beyond the retail investing world and into the institutional realm.

2020 was the year we validated our hypotheses around the market, where we captured the pulse of what investors wanted, and proved our very need to exist. Private debt is an unstructured free-for-all and with standardization, normalization, and innovation; we believe we can accelerate the growth of this market like never before.

This is never more clear than what we were able to do with Wall Street Funding, one of our first originator partners. Beginning with just a small $1.5M note in July 2019, we managed to steadily grow that to over $16 million on our Retail platform before graduating them out to institutional markets. $16 million became $60 million across two transactions, more than tripling their debt capacity and making them the perfect case study for what we can do to transform originators to be institutionally ready.

We also acted as the sole structuring agent for FAT Brands (NAS: FAT) in a $40 million whole business securitization in March 2020 that the market had never seen before. Though this was conventional in structure as a whole business securitization, the terms and the issuer were anything but. FAT was going to market for the very first time with a non-investment grade rating and a deal size under $100 million. Even still, this deal proved to be so successful that we managed to successfully close on an unrated subordinated tranche in September 2020 for an oversubscribed $40 million that was used to acquire Johnny Rockets, the iconic restaurant franchise.

These transactions were a multitude of industry firsts: the first ever high-yield rated whole business securitization, the first ever note underwritten by a major investment bank, the first follow-on offering to a whole business securitization via an unrated subordinated tranche, and the first whole business securitization raised for acquisition financing.

We are now 28 strong with more industry experience than ever. In 2020, we made several key hires, including Surat Maheshwari, a former Managing Director at Nomura, Oppenheimer, and Citi, and Rohit Bharill, the former Head of ABS and CLOs at Morningstar. 2020 concluded with $308 million in transactions across 16 originators, and 2021 is shaping up to be even bigger.

2020 was the year where we proved we are well on our way to achieving our vision of becoming not just a leading name in the alternative investment world, but the definitive platform for private debt. It was a foundational year that defined us, and now we simply can't wait for what 2021 will bring.

NELSON CHU

# Year in Review

# Highlights from 2020

With Wall Street Funding, Cadence has successfully scaled its first originator from the Retail platform and into institutional markets as a first-time issuer.

Together, an institutional and CadencePrime transaction have tripled Wall Street Funding's origination capacity as the industry recovers from the COVID-19-induced downturn.

In March, Cadence acted as the sole structuring consultant and arranger on a $40M institutional offering for FAT Brands, upsized from the initial target of $30M.

Cadence acted as the sole structuring agent on our second institutional securitization, another $40M offering for a FAT Brands in September

In completing this transaction, we were able to help the company acquire the iconic Johnny Rockets franchise.

COVID-19 increased the importance of timely data in monitoring and surveillance, and so Cadence rolled out Surveillance Reports for each originator partner over the course of 2020.

Surveillance reports provide investors with frequent updates on how underlying loan portfolios are performing, enhancing transparency in otherwise opaque private credit markets.

As market volatility spiked this Spring, Cadence launched a Dutch Auction feature on its Retail platform.

This auction system, a standard in the institutional credit markets, greatly enhanced Cadence's ability to discover market-clearing yields for our offerings.

Dutch auction participation helps investors price offerings, and investor participation in the auctions has risen steadily throughout the year.

# Cadence Retail and Prime Deal Key Figures

| | 2020 | 2019 |
|---|---|---|
| Originator Count at Year-End | 15 | 9 |
| Deal Count | 123 | 41 |
| Issuance Total | 181,259,683 | 43,555,000 |
| Average Deal Size | 1,473,656 | 1,062,317 |
| Principal Repayments | 166,382,115 | 18,470,000 |
| Interest Payments | 3,628,526 | 576,184 |
| Defaulted Principal | 2,828,568 | 0 |
| Number of Individual Investments | 14,210 | 1,983 |
| Average Investment Size | 12,756 | 21,964 |

# Cadence Institutional Deal Highlights

| | 2020 | 2019 |
|---|---|---|
| Client Count | 2 | 0 |
| Deal Count | 3 | 0 |
| Issuance Total | 120,000,000 | $0 |
| Average Deal Size | 40,000,000 | $0 |

# Recognition

Private Debt Investor

Cadence CEO Nelson Chu Named to Private Debt Investor's "Rising Stars 2020" List

Forbes

Morningstar Rates First Ethereum Security in $40M Fatburger Deal

The Pomp Podcast

Nelson Chu Spoke with Anthony "Pomp" Pompliano on The Pomp Podcast

AlleyWatch

Cadence Raises $4M for its Private Credit Investment Platform

Debtwire

Nelson Chu Featured on Debtwire Podcast

TechCrunch

Securitization platform Cadence surpasses $125M deal volume and raises $4M

# Retail Platform Engagement

# Overview

| | 2020 | 2019 |
|---|---|---|
| Minutes of Video/Webinars | 275 | 0 |
| Minutes of Audio Updates | 198 | 0 |
| Blog Posts | 18 | 14 |
| Surveillance Reports | 1,010 | 0 |

# Retail Content Highlights

## An Investor Update on COVID-19 and Historic Market Volatility

- As markets plummeted in March, we walked through how market disruption, COVID-19, and a recession would impact our monitoring of originators and note programs
- We broke down the potential effects of the situation on our originator partners, their underlying assets, and our note structures
- This blog post included direct comments from the leadership teams of our originators

## Delivering on Transparency with our Latest Surveillance Reports

- To enhance the information available to investors monitoring their portfolios, we launched Surveillance Reports and have quickly rolled these out for all of our originator partners
- Surveillance Reports calculate similar performance and concentration metrics across programs, acting as helpful complements to our deal pages and offering documentation as investors make investment decisions

## Accredited Investing: Now Available to More Investors

- We informed investors of changes in the SEC's definition of an "accredited investor" as soon as the new definition took effect
- The definition of accredited investor was widened to include investors with certain professional certifications, designations, and/or credentials, knowledgeable employees of a private fund, and others

# Retail Platform Content and Research in 2020

# Delivering You Consistency in Risk Management

PUBLISHED: FEBRUARY 3, 2020

**At Cadence, we prioritize managing risk and commit to being transparent about those encountered in private credit investing. On our deal pages and in posts like this one, we continue to be upfront about the risks faced by investors on our platform. We are encouraged when investors consider this information and inquire about how Cadence mitigates these risks. These types of questions have motivated us to write up a detailed outline of our risk mitigation strategy.**

## Components of Risk

We believe that risk must be understood on a holistic basis, taking into account all factors affecting investment performance across an entire portfolio. However, for the purpose of explaining our risk mitigation procedures, it's easier to group risks for the sake of illustration.

As we have outlined in a previous post, we usually divide risk into two categories, asset performance risk and counterparty risk. The former relates to when the underlying assets contributing to the repayment of an obligation do not perform as expected. The latter deals with the risk that the performance of a note becomes de-linked from the underlying assets due to the actions (or inactions) of a transaction party. Whichever category of risk we are referring to, and though the details may change deal-by-deal, the approach to risk management usually changes little.

## Asset Performance Risk

For most investors, asset performance risk is the easier category to grasp and measure. When buying a piece of real estate, for example, most people intuitively understand that their return depends on the ability of that property to generate cash flows, generally from rent or sale proceeds. Similarly, an asset-backed bond depends on its collateral pool to generate returns.

The notes offered on Cadence's platform are collateralized by portfolios of private credit assets. These could include loans, leases, cash advances, receivables, royalties, and more. These assets generate cash flows that can be predicted with some level of accuracy but not with certainty.

Nonetheless, the first step to mitigating asset performance risk is examining the payoff characteristics of the underlying assets. Relevant questions include:

- How frequently the underlying assets pay?
- Whether the assets amortize or do they generate cash flows only at maturity?
- How long are repayment periods?
- What proportion of the assets will likely experience collection issues?
- What measures can an originator or servicer take to mitigate losses on a defaulted asset?

Cadence reviews prospective originator partners' loan books to answer those questions. Should we proceed, Cadence also strives to make that information available to investors. For some originators, Cadence receives and posts real-time asset performance data, a feature we expect to roll out to more notes in time.

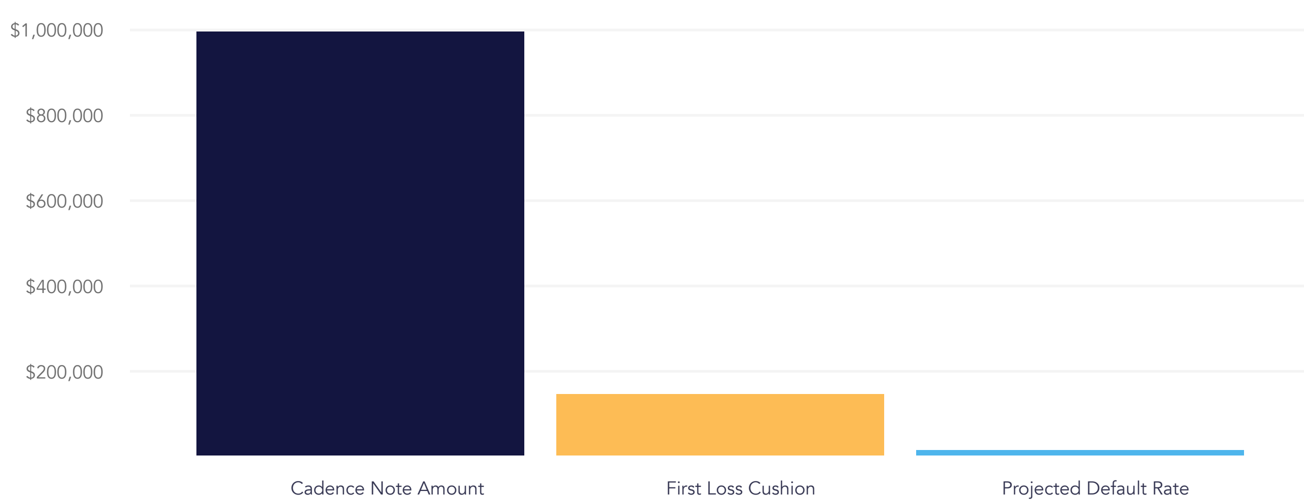
Despite best efforts to project asset performance, there will inevitably be some variability. Because investors in Cadence notes only have recourse to the underlying assets, should cash flows from those assets come in lighter than expected, interest and principal repayment to investors could be impaired.

To mitigate this risk, Cadence usually requires that originators absorb losses on the collateral up to a predetermined point. This provides a cushion called a "first loss cushion" or "first loss provision." Historically, this first loss cushion has varied between 5% and 25% of notes' principal and interest amount.

Cadence arrives at an appropriate first loss cushion based on the term of the note and the projected default rate of the underlying assets. Other factors, including delinquency rates and recovery rates on defaulted assets, are also considered. We aim to have a first loss cushion that is some multiple of the projected default rate over the term of the note.

To illustrate the protection provided by this cushion, suppose a 3-month note is collateralized by assets with an 8% historical annual default rate. If future defaults are expected to match the rate of historical losses, then the projected 3-month default rate would be 2%. If that note has a 15% first loss cushion, the protection would amount to 7.5 times the projected default rate. In this example, even if defaults were to come in at twice their historical level, there would still be ample cushion.

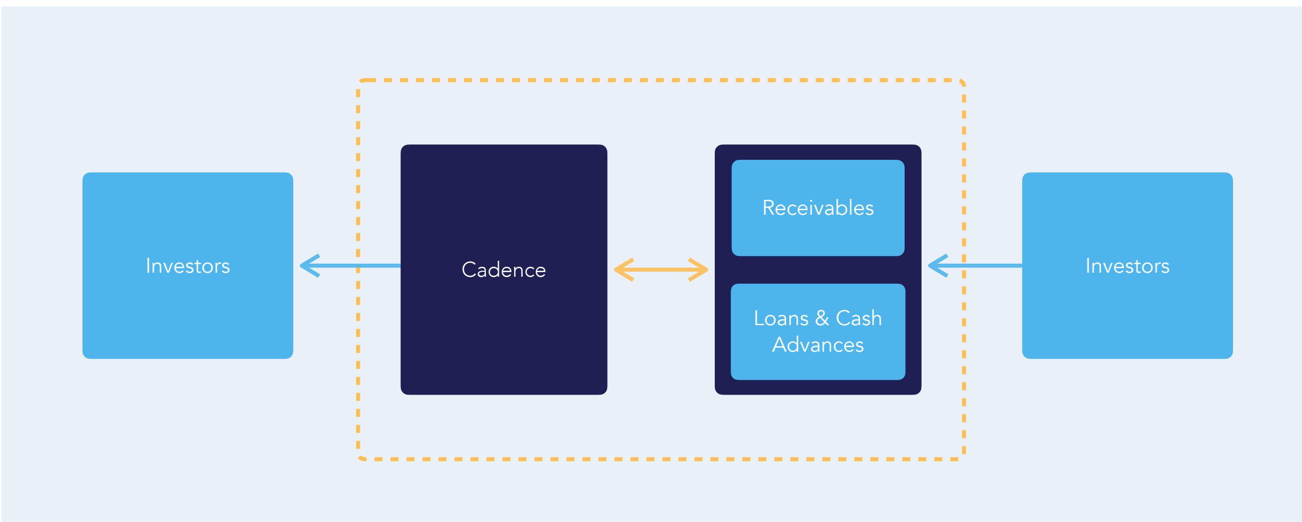
HYPOTHETICAL CADENCE NOTE



## Counterparty Risk

While asset performance risk is the more obvious of the two groups of risks we outlined earlier, counterparty risk shouldn't be ignored. Counterparty risk refers to the risk of an entity involved in a financial contract not honoring its obligations. This could be due to the bankruptcy of that entity, but counterparty risk could also arise from operational failures.

Counterparty risk is especially relevant in private credit because the sector is more opaque. Whereas most public market transactions are executed through well-known, highly-regulated exchanges and clearinghouses, this is not so in private credit. In private markets, transactions are executed directly between two or more parties. This means the financial health and operational strength of counterparties matters a great deal more than in public market transactions.




The two most important counterparties involved in the notes offered on the Cadence platform are our originator partners and Cadence itself.

## Originator Counterparty Risk

The first step to mitigating counterparty risk is understanding the role of the counterparty and assessing the potential for their financial and operational failure. Our prospective originator partners go through an extensive due diligence process that assesses these risks.

Our due diligence process reviews prospective originators' operational and financial health along with various external risks to their businesses. Our counterparty risk mitigation process also includes an on-site review of the originator. Once again, these initial steps are merely meant to understand the risk of working with a particular party.

In addition to our due diligence process, we put every originator partnership through an internal committee process where several experts in operations, finance, and business management share their thoughts on potential partnerships. We also leverage outside advisors to provide further perspectives on a particular counterparty. Whereas many credit committees focus overwhelmingly on financial health, we believe a broader scrutiny is particularly important in private credit.

Finally, our agreements with originators also provide various legal protections to investors. As an example, originators represent that they are in good legal standing and that our agreements with them are not in violation of other contracts or regulations that might encumber them. They also represent that they have proper title to the assets they are selling to collateralize the Cadence notes. Originator partners also attest that no other entities have a claim to such assets, except in the case of subordinated notes where a specific senior claim is identified and disclosed. Breach of these representations allows for the cancellation of a transaction by requiring that the originator repurchase the assets they sold. The proceeds from this repurchase would then be paid to noteholders.

If a counterparty risk were to materialize, either from an operational oversight or even an originator bankruptcy, it is worth noting that noteholders' investment would still be collateralized by the underlying assets, be they receivables, term loans, cash advances, and so on. Cadence would manage the recovery process on behalf of investors in such an unforeseen scenario.

## Cadence Counterparty Risk

Just as we thoroughly diligence any prospective partners, we perform a similar exercise on ourselves and in the process have developed a robust risk management framework to address potential issues.

As an example, not only do we use our committee process to scrutinize potential originators, we also use them as a forum to discuss potential operational issues that could arise on our end during the life of a transaction. This is especially pertinent to offerings with new deal features, like embedded call options, or transactions that involve a partner domiciled in a foreign country.

In the unforeseen event that Cadence ceases its operations, investors of our platform are protected. Investors' uninvested funds are deposited in an FDIC insured bank account and are not commingled with Cadence's operational bank accounts. The separation of these funds is reviewed by external accountants.

Investors' funds invested in current opportunities, yet to mature at the time of a hypothetical insolvency, would also be protected. This is done through our use of industry standard special purposes vehicles (SPVs) that segregate the assets of the note issuer (the SPV) from any of Cadence's assets and liabilities. Cadence also employs an independent director and backup manager for its SPVs, the latter of which commits to intervene in the unfortunate event Cadence were to cease operations. This backup manager would wind down the note programs then outstanding by remitting funds collected from the collateral to investors.

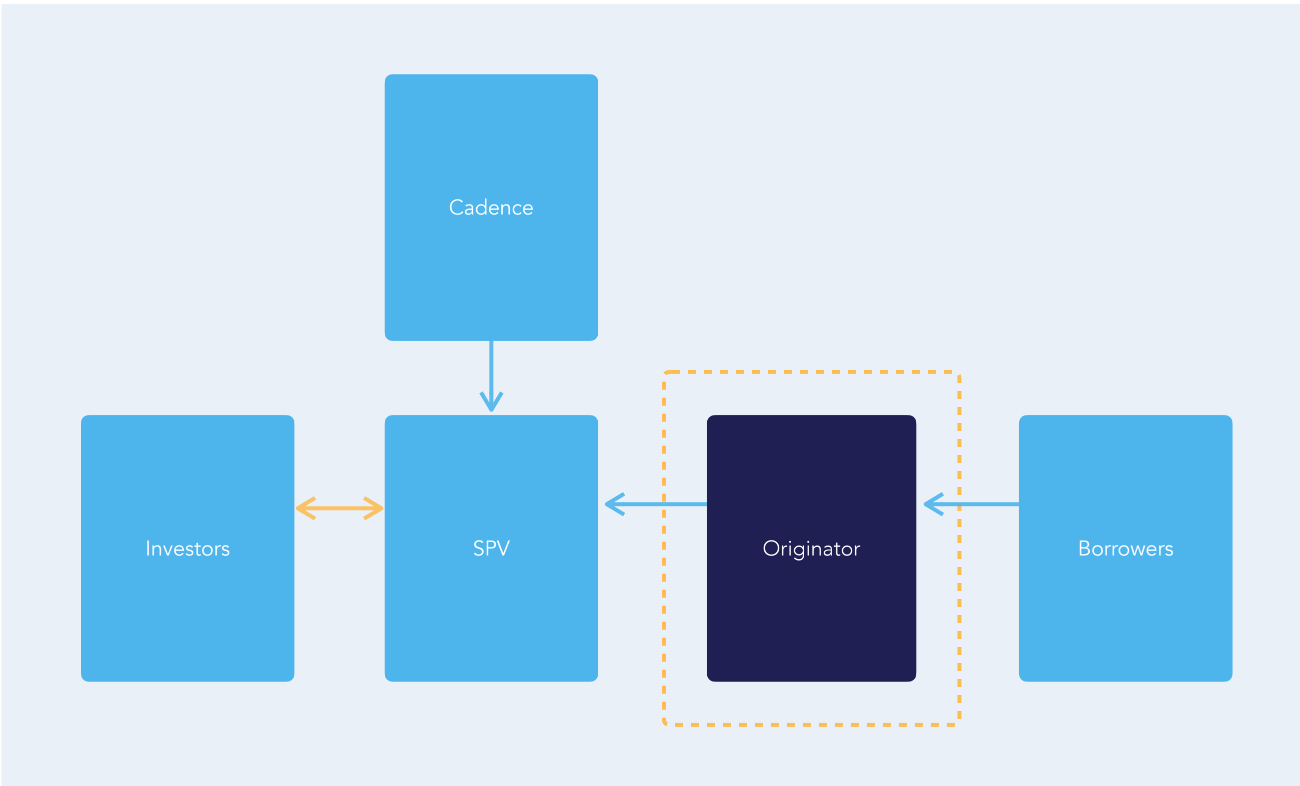
To be clear, when you purchase a note on the Cadence platform, you are not lending to Cadence, so we strive to make sure your investment is insulated from any counterparty risks arising from Cadence itself.

## What are SPVs and How Do They Protect You?

In the previous section, we introduced SPVs. The role of SPVs in Cadence's investment offerings are important enough to warrant some elaboration.

SPVs are separate legal entities, typically formed through limited partnerships (LPs) or limited liability corporations (LLCs), that are used to separate an entity's assets and liabilities from those of other entities that might otherwise be related.

SPVs create a 'bankruptcy-remote' entity whose creditors and other interested parties are substantially less exposed to the financial, operational and legal health of any other entity. For example, even if a parent company goes bankrupt, an SPV it owns equity in can continue to pay its creditors, provided proper precautions were taken to make it truly bankruptcy-remote. The use of SPVs in structured finance and other financial market applications has been around for decades. This is because investors value the protection that they offer in preventing hidden risks from materializing because, for example, a creditor somewhere else in an organization was able to lay claim to collateral they thought was meant to secure their claim specifically




Every investment offering Cadence makes available to investors on its platform is structured around a bankruptcy-remote SPV. These SPVs typically only have a single set of asset and liabilities. The assets are the invoices, royalty agreements, loans, and other financial assets that collateralize the notes. The liabilities are the Cadence notes issued to investors. We believe this structure is more investor-friendly than lending to the originator partners directly because it reduces dependence on the originator and the likelihood of the health of the entity deteriorating for some unforeseeable reason. We also believe that with scale, setting up SPVs can be done in a very cost-efficient manner, reducing costs that would otherwise be borne by the investor, originator, or Cadence.

Recall that we explained that counterparty risk could cause the performance of a note to become de-linked from the underlying assets due a transaction party not honoring a commitment, either out of intentional breach of contract or operational shortfall. We hope it is clear now why using an SPV helps reduce counterparty risk. This applies to the counterparty risk introduced by Cadence or our originator partners.

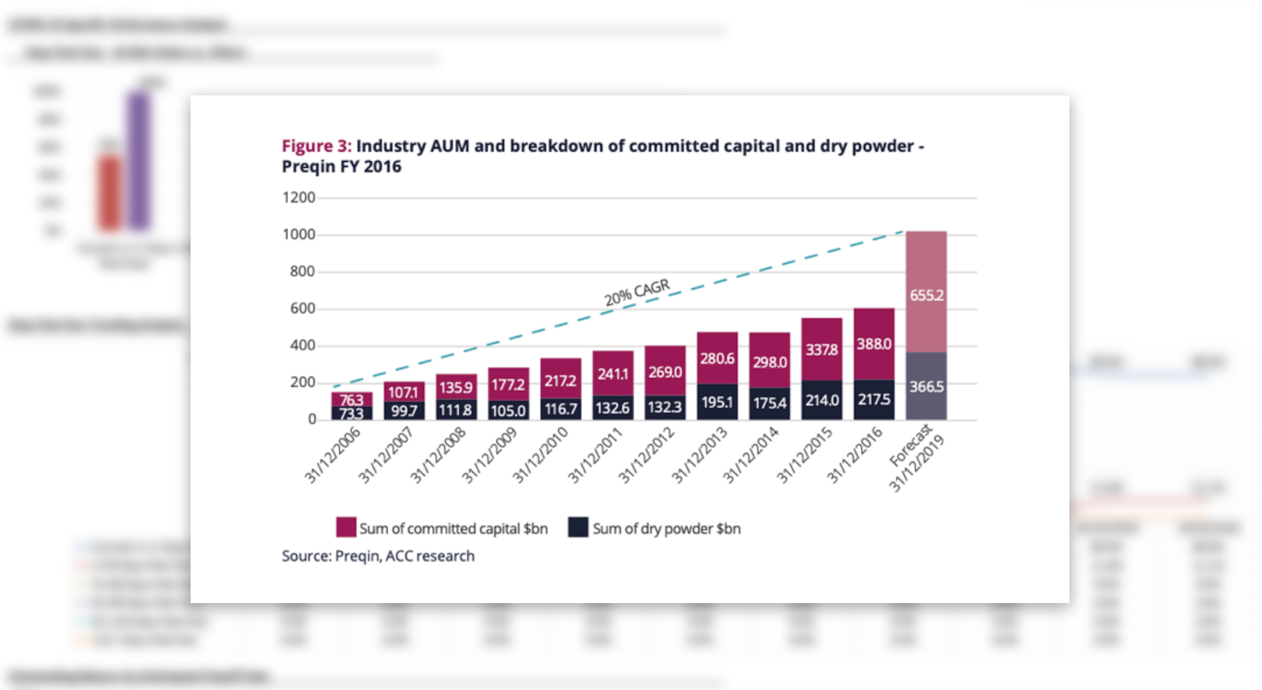
We hope this post laid out some of the risks involved in private credit investing as well as how Cadence mitigates those risks. Cadence believes that making private credit less opaque opens up the asset class to investors who would otherwise be unfamiliar or uncomfortable exploring this alternative asset class.

# An Investor Update on COVID-19 and Historic Market Volatility

PUBLISHED: MARCH 13, 2020

**Given the unprecedented events of the past week, we have been witnessing the adverse effects of volatility in our own public market portfolios, and we assume you have as well. It is in times like these that we have greater conviction than ever that private credit remains an uncorrelated asset class that can continue to consistently deliver attractive risk-adjusted returns for investors, especially in low rate environments.**

Private debt has experienced steady growth through several downturns, including the most recent financial crisis in 2008/2009, and has managed to increase in market size almost every year since 2006.




Investors have often cited 2008 and 2009 as their best performing vintages, as hundreds of thousands of high quality borrowers and small businesses owners who rely upon their cash flow and credit to pay their children's tuition, put food on the table, and save for retirement, were left stranded by banks who pared back. Their livelihoods are completely intertwined with their businesses and were dependent upon reliable financing to pay their employees on time, purchase inventory and grow. Non-bank lenders stepped in and these high quality borrowers and small businesses performed well, just as expected.

We see a similar situation playing out today – there are still many pockets of high quality borrowers and small businesses that are deserving of capital in these trying times. With disciplined underwriting, quality structuring, and vigilance around performance monitoring, we are confident in our ability to leverage our technology and emerge from this downturn with a portfolio of originators that can deliver on our commitment to creating high quality alternative investment products.

While the nature of our short-term note program is built around robust risk mitigation, we understand these are rare times. As such, we thought it prudent to outline our multi-tiered approach and share information we received from our originators this week in conjunction with our ongoing due diligence and performance monitoring.

## Originator-level

Given the recent market movements, we have been in close contact with our origination partners for updates on their risk management strategies. While this is part of our ongoing due diligence responsibilities, we wanted to provide investors with an added layer of transparency to understand what specifically our originators are doing in response to recent market developments. In general, most originators have reported muted impacts on their respective portfolios. This is largely credited to their strong underwriting practices and ability to leverage technology and data to react seamlessly to changes in marketplace dynamics.

Trevor Smyth, Managing Partner at Arctos, reports that their "*loans are underwritten and structured with an expectation of collateral volatility, and safeguards including margin calls and put options remain in place as usual.*"

Although black swan events are by their nature impossible to predict, it is important to highlight that our originators have still positioned their portfolios for the possibility of such occurrences.

Bharath Krishnamoorthy, CEO of Axle, said they *"don't expect to see many coronavirus-related losses in the near term. We will continue to monitor the situation as it develops, and will make any required changes to our risk mitigation and underwriting policies as necessary."*

Despite recent volatility, our origination partners continue to improve upon and monitor their underwriting standards. For example, Guillermo Hernandez, CEO of Aspiria, stated that they *"have installed a series of guidelines to have a better communication and reaction speed with our clientele to prevent any unforeseen events with our portfolio."*

Many originators depend heavily on data driven methodologies. Nelson Ortiz, Head of Finance at Zinobe, highlights this data driven approach coupled with, *"the short tenure of [their] product and [their] ability to monitor payments on a daily basis" allows the company to adjust "model parameters to reduce default risk."*

Suffice it to say that we will continue to be in close contact with all of our origination partners over the coming weeks and months as we navigate through a potential prolonged global economic downturn.

## Asset level

Cadence continues to closely monitor underlying loan tapes and payment information received from our originators for any under performance and/or overweight exposures to any identifiable at-risk segments.

As part of our risk management policy, it is important that we maintain a diversity of originators on our platform. As such, the majority of our originators are from a diverse array of niche sub-sectors (except for the MCAs we work with that are broadly diversified within the SMB sector).

We have proactively scanned those portfolios that have known at-risk exposures this week and will continue to actively monitor these segments going forward. Even prior to current events, many of our originators have also been proactively identifying industries with higher exposure to market volatility and allocating more of their portfolio to non-cyclical industries less impacted by recessions.

Guillermo Hernandez, CEO of Aspiria, stated, "*Our company has been working over the last years in originating predominantly financing secured by real estate, with a focus on prime clientele. We have also made a special effort in financing non-cyclical or recession-free industries, such as healthcare and education, as well as upgrading our internal procedures. We will abide by our strict credit policies which have historically provided low default rates, and we will continue to uphold best practices in our underwriting systems.*"

In addition, SellersFunding CEO, Ricardo Pero, explained, "*We're asking additional questions related to where manufactures are based, turnaround time for shipments, limiting disbursements based on inventory levels, etc.*" to help gauge and assess the client's exposure risks to COVID-19.

## Note-level

If needed, Cadence has many tools at its disposal to simultaneously protect note investors and support originators and maintain consistent performance going forward.

The four main variables we can directly adjust on the structure of our notes are (1) increase first loss levels with certain originators with at-risk exposures and/or experiencing underlying performance drift, (2) curtail the amount we issue for such programs, (3) further shorten the tenor of our notes, and/or (4) increase the expected APYs to our investors to right size the risk-reward balance.

On (1), we will increase the contingent first loss provisions on some future notes, in anticipation of potential effects to portfolios that maintain meaningful exposure to consumer discretionary. This will act as a credit enhancement for our investors, while adding further protection from potential underperformance of notes.

This also translates to a lower advance rate for the originators, thus slowing the speed at which they can continue to grow until performance is restored.

On (2), we will endeavor to maintain the current size of our programs as long as underlying cash flows can support such size. If we begin to see a material uptick in defaults or delinquencies, we will downsize our programs accordingly to maintain consistent risk/return profiles alongside raising first loss provisions as described in (1) above.

On (4), once the prior three steps have been taken into consideration, we always have the option to increase the APY on our notes to accommodate investor demand. Given our market-based pricing approach, we are keenly aware risk premia has adjusted in other markets and should we need to find a market-clearing level, we'll be in a position to adjust accordingly to the extent possible. This is largely a factor of what cost of capital our originators can bear based on the returns they garner from their underlying portfolios.

As we continue to monitor performance data, as well as receive ongoing feedback on the steps our originators are taking to bolster underwriting standards, shore up liquidity and/or tactically adjust exposures, we'll use the various structuring tools at our disposal to right-size the risk/return profile of our notes accordingly. The benefit to our short term notes is that it allows us this flexibility in order to better ensure principal is protected. Ultimately, we can, of course, always suspend or discontinue a note program altogether should we have any reason to believe potential losses cannot be adequately structured away.

Protecting investor capital is our primary objective at Cadence, and everyone here remains committed to our risk management framework. While the recent market movements have been tumultuous, these unique conditions have provided us an opportunity to analyze and improve our already robust risk management models. Ultimately, this is all to better protect you, our valued investors. Please don't hesitate to reach out to us if you have any specific questions.

# Delivering on Transparency with our Latest Surveillance Reports

PUBLISHED: MAY 11, 2020

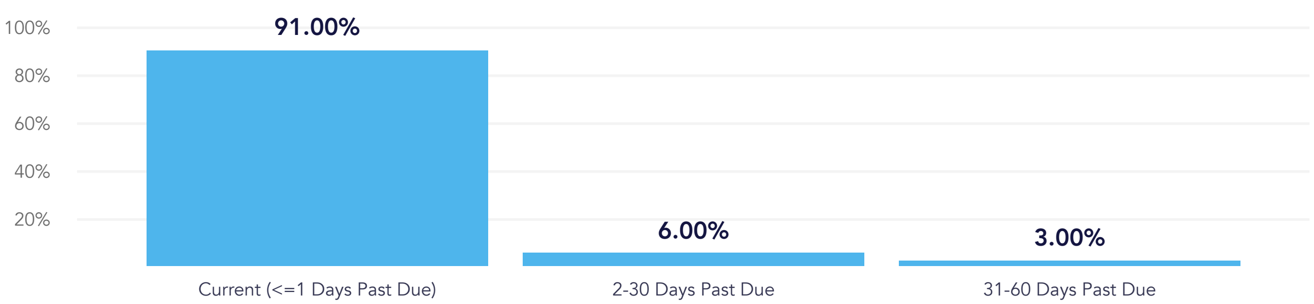
**Cadence was founded on a premise that we consider vital for the ongoing development of the private debt markets: transparency.**

In August 2019, Cadence became the first alternative investment platform delivering real-time performance data on the underlying assets of some of our structured note offerings. As our platform has grown and partnered with more originators that operate within different industries, utilize different financing instruments, and ultimately serve different market segments, the data and performance metrics that each originator manages and monitors has increasingly varied. In an effort to help investors monitor and compare performance across different notes, we have recently introduced our Surveillance Reports.

As part of our own diligence and internal risk management framework, we were already analyzing many of the metrics included in these reports. However, the recent global events accelerated our efforts to prepare these reports for many of our originators. Once we saw the value these reports provided internally, we quickly made them available for investors on the platform. The structure and format of each surveillance report has been agreed upon with each originator, and the Cadence team prepares these with the periodic loan tapes that are made available to us.

Our goal is to provide surveillance reports for most, if not all, of our Short Term Note Programs (STNPs) by the end of Q2 2020. However, given the structure of some of our STNPs, due to either the frequency of payments, concentration of underlying assets, or otherwise, some surveillance reports might be less indicative of asset-level performance and more focused on portfolio-level demographics. In either case, we will strive to provide reliable information that is intuitive to grasp, comparable across similar asset types and continuously improved upon in our pursuit of full disclosure.

## How to Interpret the Data



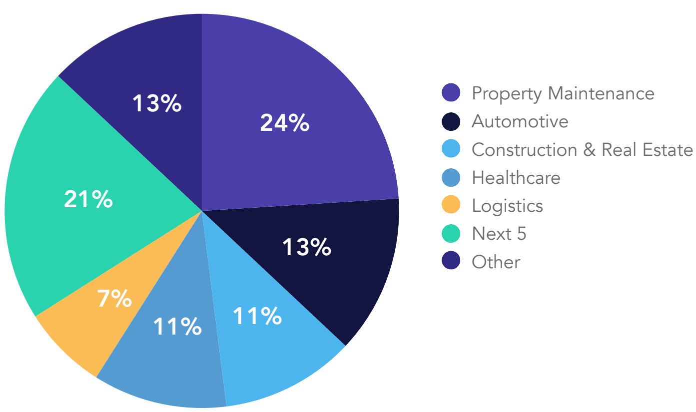
## Days Past Due Analytics

Days Past Due: Days past due defines how many days a borrower is late on their payment according to the assets' underlying payment schedule. Days past due is calculated by first deriving the daily accrual per loan or advance, or in simpler terms, how much on average each loan or advance is supposed to pay on a daily basis. Then, the daily accrual is multiplied by the existing tenor of the loan to understand the total amount each loan or advance should have paid back by the date of the report. The total expected payment is then compared to the actual amount that has been paid back to determine if there is any shortfall. If there is a shortfall, days past due is calculated per asset by dividing the total shortfall over the expected daily payment. For example, suppose there is a loan that has a daily payment of $100 and matures in 100 days. If day 10 has just ended and the loan has paid back only $700 instead of $1,000, the underlying borrower is 3 days past due. It is important to note that the payment frequency of each underlying loan, such as daily, weekly, or monthly payments, is accounted for when calculating days past due.

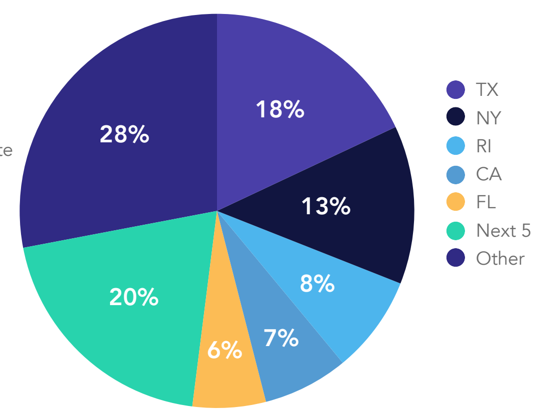
In the above example, 91% of payments are current, or on time, while 6% are between 2 and 30 days past due with 1% of payments being between 31 and 60 days past due. Days past due analytics are provided in order to illustrate the overall health of the underlying loans of each originator and/or note. Where applicable, each surveillance report also includes a breakdown of days past due by industry and state, province, or country. By doing so, investors can uncover any correlation between payment delinquencies and industry or geography. On a weekly basis, the report also displays a historical lookback at days past due, which is intended to provide insight into any upward or downward trends in underlying payment delinquencies.

## Portfolio Demographical Analytics

INDUSTRY CONCENTRATIONS

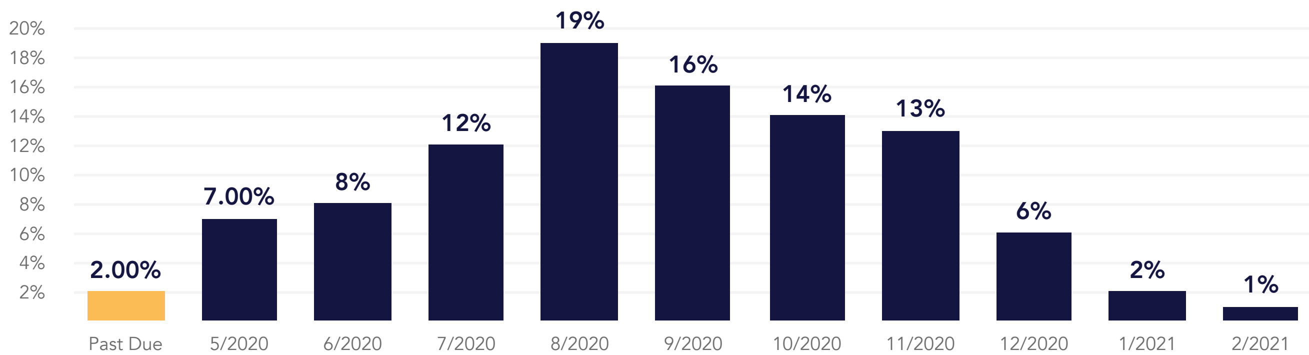



STATE CONCENTRATIONS




Industry and State Concentrations: Concentrations are indicative of how much an originator lends in each industry and state. In the above example, 24% of this originator's portfolio is made up of loans in the Property Maintenance industry. Additionally, 18% of the portfolio is comprised of loans in Texas. Concentrations are a useful metric to understand how an originator is allocating their cash to underlying loans and ultimately a metric that sheds light on the portfolio diversification of each originator. A diversified portfolio consisting of loans in many industries and states mitigates idiosyncratic risk and tends to offer more protection against highly concentrated portfolios.

## Outstanding balance by anticipated payoff date

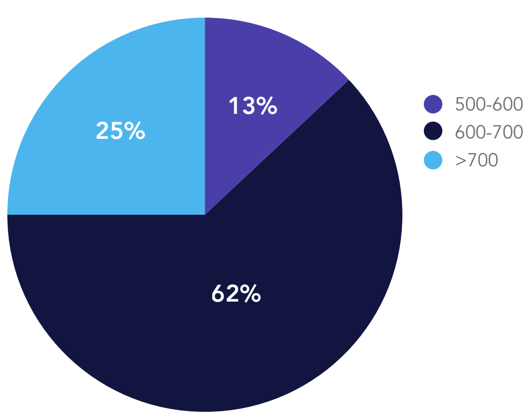



Outstanding balance by anticipated payoff date: Payoff dates are indicative of the date in which an underlying loan is expected to be fully paid off. Where applicable, each surveillance report contains the above chart that details what percentage of the outstanding balance is expected to be paid off each month. In this example, 19% of the outstanding balance is expected to be paid off in August of 2020 with 16% expected to be paid off in September of 2020. This metric helps identify any exposure to conditions over particular time periods. For example, worsening economic conditions in the Spring of 2020 or Winter of 2021 should not affect this originator as much as unfavorable conditions in the Summer and Autumn of 2020.

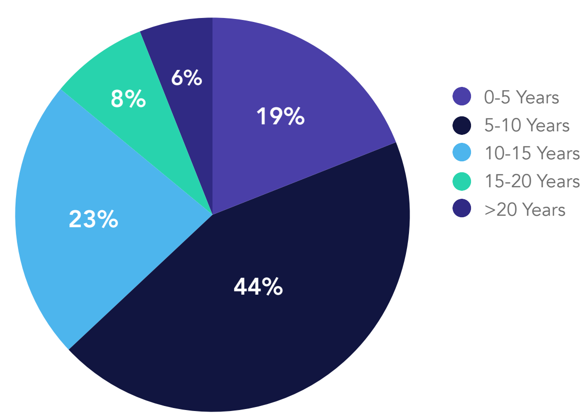
## Portfolio Demographical Analytics

Portfolio Demographics Analytics: Insights on the demographic composition of originators' portfolios are paramount for a prudent risk-management framework. Where applicable, surveillance reports uncover these insights by showing the composition of credit quality as well as years in industry of each of the underlying borrowers receiving any advances or loans. In this example, 62% of the portfolio is comprised of loans or advances to borrowers with a FICO credit score of 600 – 700. FICO and Vantage credit scores are common measures of credit quality for the underlying borrowers. Additionally, in this example, 44% of the portfolio is exposed to borrowers with 5 – 10 years of industry experience. This metric is particularly useful to monitor for SMB lending products because of the insights it sheds on the quality and history of the underlying businesses.  These two metrics together offer transparency into the credit worthiness of the underlying borrowers as well as uncover trends in underwriting standards over time.

FICO SCORE




YEARS IN INDUSTRY



## Portfolio Origination and Collection Analytics

Portfolio Originations and Collections: Where applicable and on a monthly basis, surveillance reports will highlight historical views on each originator's origination volumes and overall collections by their respective vintage. In the above example, $20.1MM was originated in November of 2019. For the vintage of November 2019, which refers to the month these loans were originated, $18.9MM has been collected by the originator from their underlying borrowers. These analytics, over time, offer information about the historical issuance pace of each originator as well as the historical collections on each of their assets. This transparency is provided so that investors can identify any spikes or lulls in origination volumes as well as bring to light any issues with collections of repayments.

## Strengthening the Toolkit

As we strive to publish surveillance reports for all originators on our platform, there still may be some instances in which these do not offer insightful metrics due to the underlying term or structure of the assets. Our goal is to provide investors with understandable key investment metrics that allow them to identify trends and insights in the historically opaque private debt market. Given the historical limitations of data quality in the asset class, it is our view that investors will make better investment decisions with an enhanced toolkit at their side.

As originators are aware of the data being distributed and analyzed, these reports also work to incentivize strong underwriting and collection practices. We'll continue our commitment to unparalleled transparency by providing investors  more data, trends, and insights. It is our goal for all investors to participate in this market by making well-informed implementation plans with sound data and analytics supporting their investments.


# STNPs in the Era of Coronavirus: A Report

PUBLISHED: MAY 18, 2020

**The COVID-19 health crisis has had profound effects in private credit markets, both on investment performance and the very working of this corner of the financial sector. Through the last few months, Cadence has continued to navigate the challenging yet opportunity-laden times according to its longstanding values of transparency and sound investment structures. However, there is no doubt that the economic and financial conditions brought on by COVID-19 have changed our investment platform, thankfully for the better. Though we can't control the economic impact of coronavirus, or its idiosyncratic impacts on particular businesses or consumers, we believe there is always much we can do to protect investors.**

## The COVID-19 Threat

It's worth recalling the nature of the threat posed by the health crisis and economic downturn to private credit markets. The obvious impacts are the contraction in small business revenues brought on by stay-at-home orders and restrictions on public gatherings. As unemployment has risen, knock-on effects for consumers became increasingly concerning. Then there was the threat of operational disruptions at asset originators that might impact their ability to service assets, for example.

However, there are also the "unknown unknowns". Less obvious impacts that nonetheless pose a potentially grave threat. For example, how would pre-COVID origination practices hold up from a risk-management standpoint after the pandemic? What new questions must originators ask of borrowers? What new questions should Cadence be asking originators? How would seemingly less-discretionary or more 'essential' industries hold-up? Would geographies without stay-at-home orders actually perform better economically. Surely the cross-sectional impact of this downturn was going to differ from all previous recessions and market disruptions.

## Informing Investors

In the face of such unprecedented circumstances, providing investors with the latest information becomes paramount. To this end, Cadence provided its first update to investors on the COVID-19 situation on March 13, a week before the first state stay-at-home order in the United States was implemented in California. The update broke down some responses we received from originator partners to COVID-19 related questions we never thought we would have had to ask.

Since that update was published, we have continued to keep investors informed of conditions in private credit markets and our own note programs specifically. For example, Cadence hosted its first Quarterly Investor Update in April in a webinar format that allowed investors to put questions to members of the management team at Cadence. The team discussed Cadence's originator onboarding and risk management practices and the Q&A focused mostly on the effects of COVID-19 on our originators and note programs. More on that below.

In case you missed it, you can watch a recording of the Investor Update. On top of this presentation, we have also provided new weekly Capital Markets Updates in an audio format to supplement our monthly written-form Capital Markets Updates. All these resources are available on the Insights section of our website.

Cadence has also spent the past two months providing investors with more data and information on how the assets collateralizing their investments are performing. Just for the insights they provide about the economy, these resources are worth exploring. For one, Cadence has rolled out Real Time Performance data for more note programs.

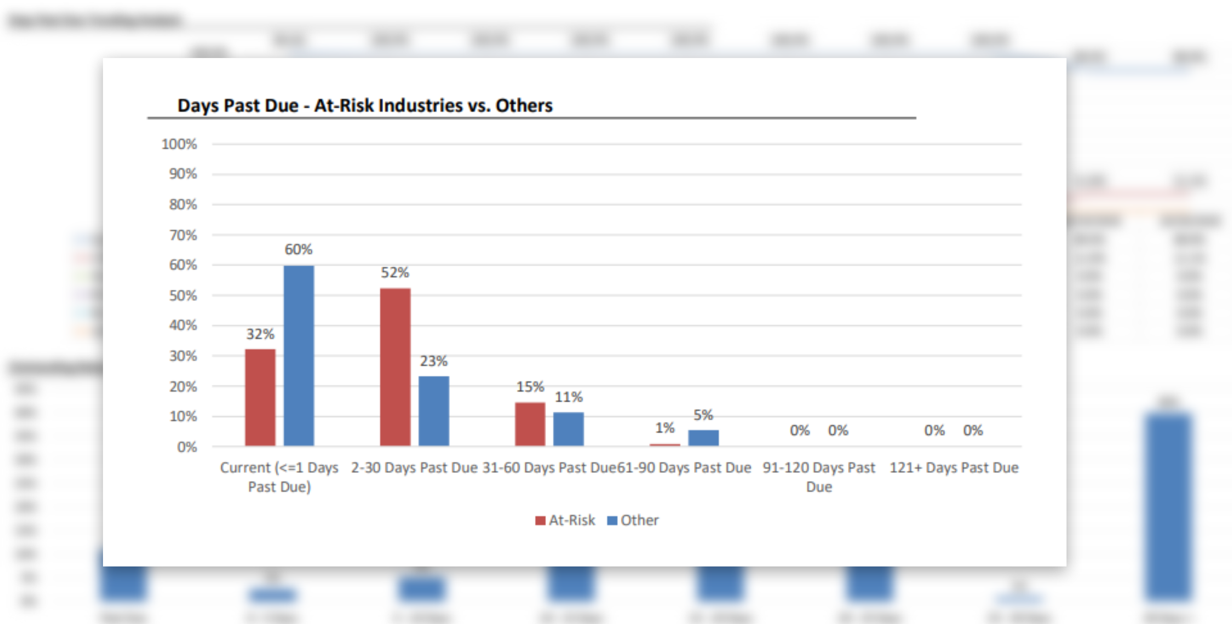
This feature, accessible from the deal pages for the notes in question, shows the state of an originator's portfolio on a loan-by-loan basis. You can use this tool to get some quick statistics on the portfolio and see how individual assets are performing. Also, consider that because we have originators whose businesses serve both brick & mortar retail and e-commerce, and both these originators give us Real Time Performance data, investors are able to gauge how much stronger origination trends have been in the e-commerce sector versus brick & mortar retail.

| PROTECTING INVESTORS | TOTAL NUMBER OF ASSETS | TOP FIVE CONCENTRATION % |
|---|---|---|
| **$509,004.52** | **1081** | **2.60%** |
| AVERAGE OUTSTANDING AMOUNT | WEIGHTED AVERAGE APY % | WEIGHTED AVERAGE TEAM |
| **$470.86** | **13.8%** | **9.2 Months** |

| Identifier | Date Funded | Original Balance | Current Balance | APY | Original Term | Location | Payment Frequency | Last Payment Date | Status |
|---|---|---|---|---|---|---|---|---|---|
| ABT-408212 | 05/11/2020 | $263.98 | $263.98 | 36.0% | 4.0 months | California | Monthly | 05/11/2020 | Performing |
| SL-6008220 | 05/11/2020 | $315.86 | $315.86 | 36.0% | 11.0 months | California | Monthly | 05/11/2020 | Performing |
| ASOR-9108246 | 05/11/2020 | $710.83 | $710.83 | 30.0% | 9.0 months | California | Monthly | 05/11/2020 | Performing |
| PAS-3508184 | 05/10/2020 | $700.25 | $700.25 | 36.0% | 8.0 months | Washington | Monthly | 05/10/2020 | Performing |
| IA-14708132 | 05/09/2020 | $901.57 | $901.57 | 36.0% | 11.0 months | California | Monthly | 05/09/2020 | Performing |
| ACS-2608145 | 05/09/2020 | $326.12 | $326.12 | 36.0% | 9.0 months | California | Monthly | 05/09/2020 | Performing |
| IP-14308148 | 05/09/2020 | $814.41 | $814.41 | 30.0% | 11.0 months | California | Monthly | 05/09/2020 | Performing |

Cadence has also launched new Surveillance Reports that provide even more analysis of performance using the same data that feeds into the Real Time Performance data discussed earlier. Recall that we mentioned our view that the cross-sectional impact of this downturn would be truly unique. These Surveillance Reports reveal some of the disparate effects of the economic slump.

For example, the reports break down the effects of COVID-19 on the most at-risk US states and industries. As you can see on the chart from the May 11th report for one originator, at-risk industries (those believed to be most affected by COVID-19, like leisure and hospitality) were seeing worse performance compared to other industries. The exception is the "61-90 Days Past Due" bucket but this is likely due to pre-COVID issues considering that no stay-at-home orders were in place that long ago.



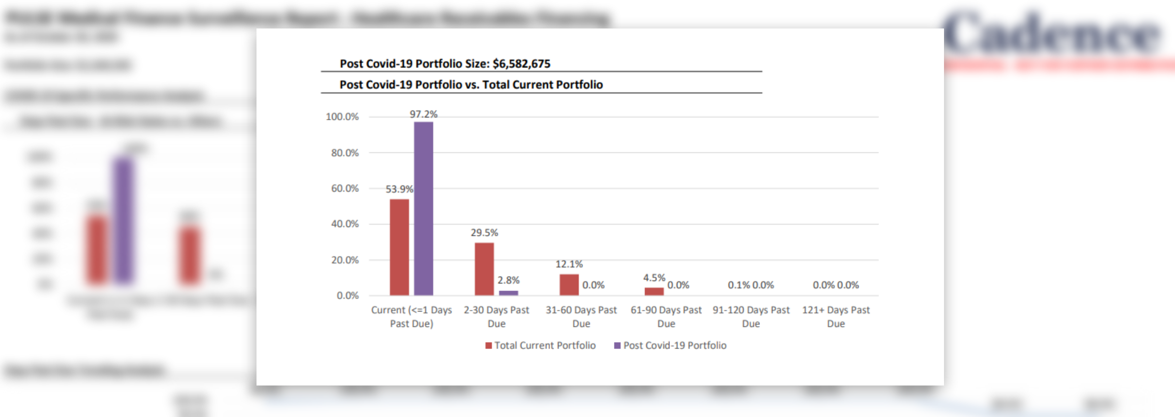

If we break down the industry performance further, even more valuable information is revealed. For example, the following table from the same report as the above chart shows that not all seemingly at-risk industries are equally affected. For example, borrowers in the automotive sector are proving more resilient despite consumers avoiding travel and road traffic volumes being lighter. Unsurprisingly, the picture is very different for borrowers in the leisure and hospitality sector. A far larger proportion of those borrowers are not current on their obligations.

**By Industry (% of Total Portfolio Size)**

| | Current (<=1 Days Past Due) | 2-30 Days Past Due | 31-60 Days Past Due | 61-90 Days Past Due | 91-120 Days Past Due | 121+ Days Past Due | Total |
|---|---|---|---|---|---|---|---|
| Construction & Real Estate | 15.2% | 6.7% | 2.4% | 0.0% | 0.0% | 0.0% | **24.3%** |
| Logistics | 7.4% | 3.8% | 2.2% | 0.2% | 0.0% | 0.0% | **13.5%** |
| Property Maintenance | 7.4% | 2.4% | 1.2% | 0.3% | 0.1% | 0.0% | **11.3%** |
| Healthcare | 5.2% | 1.6% | 1.6% | 0.0% | 0.0% | 0.0% | **8.4%** |
| Automotive | 5.5% | 1.0% | 0.5% | 0.0% | 0.0% | 0.0% | **7.0%** |
| Industrial | 1.9% | 1.2% | 0.3% | 2.7% | 0.0% | 0.0% | **6.1%** |
| Sales and Wholesaling | 4.0% | 0.1% | 1.3% | 0.0% | 0.0% | 0.0% | **5.4%** |
| Restaurants & Bars | 0.2% | 1.9% | 1.6% | 0.2% | 0.0% | 0.0% | **3.9%** |
| Leisure & Hospitality | 0.2% | 3.2% | 0.4% | 0.0% | 0.0% | 0.0% | **3.8%** |
| *Remaining Industries* | *6.9%* | *7.6%* | *0.7%* | *1.1%* | *0.0%* | *0.0%* | ***16.3%*** |
| **Total** | **53.92%** | **29.50%** | **12.06%** | **4.46%** | **0.06%** | **0.00%** | **100.00%** |

**Industries in red are indicative of at-risk industries due to COVID-19, which represent 22% of the portfolio*

That said, many originators have changed their origination practices since the start of the most recent downturn. Where these changes are substantial, we report the differing performance of pre-COVID and post-COVID loan vintages, with the expectation that the later would perform better. The chart below from the same report referred to above reveals this sharp improvement in performance for one originator. These reports can be accessed on the originator pages viewable under the "Our Originators" section of our website. We currently have such reports available for four originator partners but continue to roll this out to more. Given the valuable and actionable information contained in these reports we invite you to create a Cadence account to gain access.




## Protecting Investors

There is more to be done than just informing investors when we are well positioned to take measures designed to reduce risk. This is an advantage of the short duration of Cadence's note programs. Because notes are under a year in duration, programs can be altered to address risks to investors more frequently.

To this end, Cadence has taken steps as varied as shortening note tenors, increasing first loss provisions, and introducing more notes with amortization periods to reduce risk. Regarding the latter, in cases where the nature of the originator's portfolio allows, an amortizing note can reduce risk by returning capital to investors sooner than the maturity date. Where portfolio performance has deteriorated, first loss cushions have increased. For example, one originator's 3-month note program has seen the first loss protection attached to their notes rise from 15% of the note amount to 25%.

Besides these measures, Cadence has continued to track developments at originator partners and their industries to ensure non-credit risks are also addressed. These include liquidity risk, operational risk, and currency risk. Operational reviews of new originator partners increasingly focus on these risk factors as well as business continuity.

Lastly, Cadence has given investors the chance to give their input on where note programs should be priced through a system of Dutch auctions. You can read more about this here but, in essence, Dutch auctions allow investors to indicate how much they would invest as various yield levels for any given note program. This has been a valuable feedback mechanism for Cadence, giving us more confidence with respect to market-clearing levels for different note programs. It also gives our originators more comfort as to the security of their funding sources in such trying times. The Dutch auction mechanism has already altered the APYs on several note programs; investors are being heard. If you are signed up with Cadence, you should be receiving emails about new Dutch auctions roughly weekly.

## What this Means Going Forward

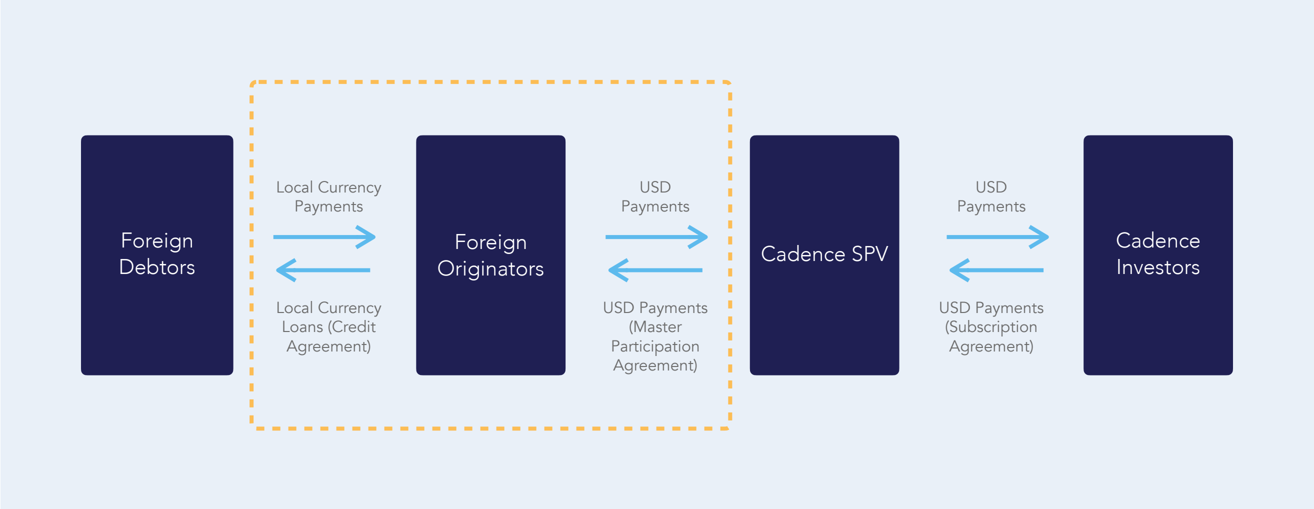
The economic trends set in place by COVID-19 are here to stay, at least for a little while longer. As a result, we continue to be extra-motivated to inform and protect investors. The Cadence team will continue to roll out Real Time Performance data and Surveillance Reports for more originators and their note programs. Cadence will also continue to provide frequent updates in multiple formats to investors on our platform. We hope investors continue to take comfort in these ongoing actions as Cadence continues to grow, welcoming new investors and asset originators to its dynamic investment platform.


# Risk Management for Foreign Currency Risk

PUBLISHED: JULY 22, 2020

**As discussed in our previous posts, "Our Holistic Approach to Risk Management" and "Delivering You Consistency in Risk Management," our robust internal risk framework is the foundation for every offering on the Cadence platform. We developed our digital securitization and investment platform with a major focus on assessing the suitability of every opportunity. This includes, but is not limited to, analyzing the creditworthiness of all the counterparties that impact the cash flows; employing a proprietary risk scorecard to both quantitatively and qualitatively assess every counterparty; structuring our investment opportunities with the primary objective of protecting investment principle.**

Cadence only offers investment opportunities that pass our rigorous vetting process for our originator partners. As part of our due diligence process, we obtain an in-depth understanding of each originators' credit process, understand the intrinsic risks within each loan product or segment they respectively target, and recognize the broader macroeconomic circumstances that can increase repayment risk in each region, country or jurisdiction our originators operate in.




As described in previous posts, we usually divide risk into two categories: asset performance risk and counterparty risk. The former relates to when the underlying assets contributing to the repayment of an obligation do not perform as expected. The latter deals with the risk that the performance of a note becomes de-linked from the underlying assets due to the actions of a transaction party.

If an originator is based in a foreign country, or has assets in a denomination different than the U.S. dollar, there is an added component to the counterparty risk, which we can call currency risk. For instance, if the underlying loans of an originator are tied to local currency, and if during the period during which the note is outstanding, the local currency depreciates against the U.S dollar, it will make the payments from the originator to Cadence's issuing SPV more expensive, potentially resulting in a higher probability of underperforming on the interest and principal repayment to our investors. As we continue to explore international opportunities for our investors, the following are some of the main mechanisms we utilize to mitigate currency risk:

1. During our assessment of international originators, if their country of business is going through country-specific financial distress, with either increased inflationary concerns, a quickly depreciating currency, or is overall experiencing high volatility, we would be cautious to proceed altogether with a transaction at that time, eliminating any potential risk to investors, as we would not feel comfortable onboarding a transaction to our platform until more stability can be seen in the country of operations of our originator.

2. To date, we have not worked with any entity domiciled in any country whose government currently restricts persons or entities to convert local currency to foreign currencies, including U.S. dollars, the currency in which investments are denominated in on our platform. As part of our processes, we conduct ongoing monitoring and continuously diligence the loan book performance, the broader performance of our originator partners, and country and regulatory dynamics where they have risk exposure to, and will do our best to mitigate and communicate all relevant risks at the time we begin marketing each transaction, as well as during any subsequent note rollover or new transaction thereafter.

3. For issuances involving assets from non-US originators, we also engage with local legal counsel, from the country where the originator is based, during our due diligence process. We select our local counsels based on their track record and reputation in the country, while also having extensive experience with private credit and capital markets. Engaging local counsels allows us to better assess and understand all legal considerations, including any currency-related concerns, other potential risk implications, which we aim to communicate to our investors in the confidential private placement memorandum available during syndication period, and incorporate all relevant takeaways into the structure of the note, as required.

4. In cases where the underlying assets of our partner originators are not in dollars or dollar-linked, this can lead to a currency mismatch, which, as discussed, can add a layer of risk to the overall investment. In order to mitigate this risk, some originator partners have implemented currency hedging strategies, but that remains at the discretion of how each originator chooses to manage their own asset and liability currency strategies, and any regulatory constraints in their respective countries of origin. Even if issuers are able to enter into cross-currency swaps to manage the risk profile associated with currency and interest rate exposure, this can also potentially lead to mark-to-market losses or margin calls that can be caused by decreases in the fair value of cross-currency swaps attributable to the appreciation of local currency against the U.S. dollar or fluctuations of interest rates in the respective countries.

5 Once a note is issued, and as we continue to monitor our transactions and diligence our originator partners and their portfolios, we continue to monitor country risk and FX performance. One advantage of the Cadence platform is that as we work with short term notes, we can reassess our originators' risk profile promptly and re-align the risk-return equation for our investors or originators, as recommended, at maturity date or call date of a note. We consider this feature to be a key component of our offerings because we are providing for flexibility across our short term note programs in an otherwise illiquid market.

6 Cadence usually also requires that originators absorb losses on the collateral up to a predetermined point. This acts as a credit enhancement of the investors of the notes. If any significant currency depreciation occurs during the life of the note making it harder for the originators to make payment on the U.S. dollar obligations, in the absence of a cross-currency swap, we have already incorporated into the deal structure a "first loss cushion" or "first loss provision." Historically, this first loss cushion has varied between 5% and 30% of notes' principal and interest amount.

7 Originators also generally manage a liquid amount of U.S. dollars in cash accounts in case they need to face any unexpected capital calls or have upcoming U.S. dollar obligations due in the near future. Furthermore, many financing originators also have other sources of capital available and/or have established lines of credit with institutional investors, and can access them as needed.

We are careful and diligent to only bring opportunities to our platform that we are confident will perform as expected. Of course, and similar to other asset classes we are also bound to external shocks that can create more volatility and deviations in performance. With every transaction we assess, we continue to update and improve our internal risk framework, which remains at the very core of the success of our investment platform. While determining what investments fit your risk profile best, we think it is important our investors understand different risks and mitigants on our platform.

# Accredited Investing: Now Available to More Investors

PUBLISHED: DECEMBER 9, 2020

**Being an accredited investor allows one to access and make investments not available to every individual investor. This access has, for the longest time, been limited to a small amount of people, all who could invest in vehicles outside "traditional markets."**

**After decades of limiting the definition of who can be an accredited investor, the SEC recently made important changes that allow significantly more investors to qualify as accredited. This ultimately opens a world of investment opportunities to millions of people and institutions who previously were without access.**

## Who were accredited investors?

For the longest time, institutional investors were defined as investors meeting the following criteria:

**A**

Investors with earned income that exceeded $200,000 (or $300,000 together with a spouse) in each of the prior two years, and reasonable expectation of the same for the current year

*or*

**B**

Investors with a net worth over $1 million, either alone or together with a spouse (excluding the value of the person's primary residence).

As you can see, this left quite a few people unable to make accredited investments, even if they did so for clients or had the financial know-how to do so.

## Who can be an accredited investor today?

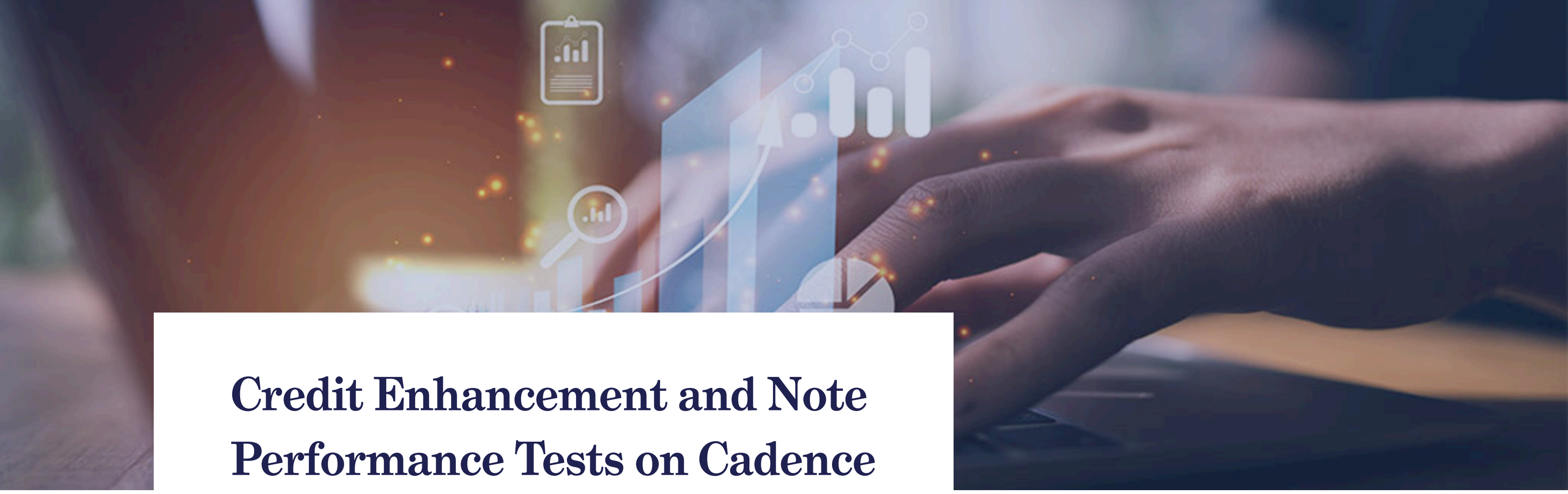
As of December 9, 2020, the definition of accredited investor widened to include certain investors demonstrating financial literacy, know-how, and history in the world of finance. This includes (and is limited to):

- Investors with certain professional certifications, designations, and/or credentials, including Series 7, Series 65, and Series 82 licenses while qualifying as "natural persons." (Investors with other licenses are to be considered and added in the future.)
- "Spousal equivalents," or spouses of accredited investors who pool their assets along with said investors to meet the previous net worth and/or income requirements for accredited investors. (Eg. If you are married to an accredited investor and share monetary resources, you are now also an accredited investor.)
- Those who are "knowledgeable employees" of a private fund.
- Limited Liability Companies (LLCs) and Family Office entities with $5 Million assets under management. SEC- and state-registered investment advisers (but not reporting advisors) of these entities can also now be considered accredited investors.
- Entities including Native American tribes, governmental bodies, funds, and entities "organized under the laws of foreign countries" with investments over $5 million — as long as they were not formed solely to invest in a specific accredited investment.

## What's Next?

These changes to the accredited investor definition are the first changes since 2012, and only the second change since the legal definition of an accredited investor came to be in 2020. As the SEC press release states, future amendments to the definition can include different financial certifications. Cadence will continue to update our site and services accordingly if and when more investors are considered accredited in the future.

For more on what it means to be an accredited investor, read our accredited investing primer. As always, all accredited investors can continue to access exclusive investment opportunities with zero fees, only on Cadence.



# Credit Enhancement and Note Performance Tests on Cadence

PUBLISHED: DECEMBER 23, 2020

**The typical note structures used on Cadence's investment platform bring various benefits for investors. Most programs provide exposure to a diversified pool of assets and benefit from some form of credit enhancement. The exact degree of these enhancements can be checked on a transaction's deal page.**

In securitizations of private credit assets, credit enhancement refers to any of a number of features designed to make the notes even more creditworthy than the underlying assets themselves. Perhaps the most common form of credit enhancement is overcollateralization, or "OC." When the outstanding amount of the note is less than the notional value of the loans or other assets in the collateral, the difference is the OC. The higher the level of OC, the more protection there is against defaults and losses in the underlying portfolio.

A slightly less typical form of credit enhancement in Cadence notes is a cash reserve account. A cash reserve supports a deal by providing further protection against losses, but also by providing liquidity that can be used to meet note interest or principal payments if proceeds from the underlying assets come in lighter than expected.

Cadence note programs have utilized both of these common forms of credit enhancement in the past. We often combined the OC and the cash reserve (if any are available) into a single number called "first loss cushion." In larger institutional securitizations on public markets, this is usually referred to as "total hard credit enhancement." This may include the credit enhancement provided by more subordinated notes, but Cadence programs usually consist of a single tranche.

Cadence sees value in providing more detail on credit enhancement to investors, and to this end will separately disclose the level of overcollateralization and cash reserve. Note that these might not add precisely to the "first loss cushion." In the world of esoteric asset-backed securities, OC is frequently expressed as a percentage of the portfolio amount rather than the note amount. Given the overcollateralization, the portfolio amount —the total asset value collateralizing the note sold to investors — would be larger than the note amount. As a result, the level of OC depends on how you characterize it. Given these ambiguous and potentially confusing industry conventions, it is all the more important to provide clear and detailed information about transaction structures.

Also, Cadence is rolling out a new structural feature to the note programs on the platform. These are note performance tests that check for sufficient collateral on an ongoing basis. At the close of each note, Cadence confirms that the collateral supporting any deal is sufficient to cover both the note amount and any OC required.

The introduction of an OC test would essentially ensure collateral continues to stay above some minimum threshold on an ongoing basis. If the collateral balance falls below this threshold, then reinvestment of proceeds from the underlying assets by the originator is typically either restricted or suspended entirely, with cash proceeds accumulated to pay down the note either in a lump sum or a series of amortization payments. As of December 2020, programs for PULSE Medical Finance and The Smarter Merchant include such a deal feature, and we intend to make this common across offerings in the future.

Typically, in calculating the collateral amount, assets beyond a certain level of delinquency are "haircut" — that is to say they are counted for less than their full value (usually $0 for defaulted assets). Similarly, assets with payments beyond the Cadence note maturity could also be haircut. In this way, an overcollateralization test ensures that even after deducting for defaulted, delinquent, or "long-dated" assets, there is still ample collateral. The test attempts to limit deterioration in the note's credit enhancement. An overcollateralization test was first introduced in the Cadence note program with PULSE Medical Finance, and was discussed in the "Risks And Mitigants" section of our deal page. The level of OC and any minimum threshold can be found in the Surveillance Reports for PULSE Medical Finance.

**PULSE Medical Finance Surveillance Report - Healthcare Receivables Financing**
As of October 20, 2020

Cadence
CONFIDENTIAL - NOT FOR FURTHER DISTRIBUTION

| Outstanding Notes | Close Date | APY | Term | HPR | Offering Size | Portfolio Size* | Participation Percentage | Participation in Portfolio |
|---|---|---|---|---|---|---|---|---|
| 17-B | 9/25/2020 | 13.50% | 6 Months | 6.54% | $1,250,000 | $1,569,392 | 85.15% | $1,336,337 |

*Portfolio size is indicative of outstanding balance. Any advance in which the receivable is still future dated is considered current.

| Current OC* | Minimum OC | Excess OC |
|---|---|---|
| 23.78% | 19.00% | 27.00% |

*Overcollateralization = 1 - ((note principal due + subsequent interest payment) / ((Cash + Receivables) * Participation Percentage)).
*If OC level goes below Minimum OC, cash flow from the collateral cannot be reinvested into new collateral.
*If OC level goes above Excess OC, excess cash can be leaked to the originator as long sa the OC level remains above the Excess OC after the cash leak.

| At a Glance | |
|---|---|
| Outstanding Advances | 20 |
| WA Estimated Term | 45.1 Days |
| Paid off advances | $1.41 MM |
| Collections on paid off advances | $1.47 MM |

As a case study in the importance of note performance tests in esoteric securitizations, one can look to institutional transactions for which public information sheds some light on how structures held up through the COVID-19 recession earlier this year. An example was a $70 million deal for small business lender Fora Financial from late 2019. This transaction (Fora Financial Asset Securitization LLC, Series 2019-1) was backed by merchant cash advances and business loans. The transaction breached a test in April that triggered an early amortization of the notes. This ended a 3-year reinvestment period after just about 6 months as delinquency rates soared to 45%.[1] Despite this, each of the classes of notes have paid back in full by November 2020.[2]

Investors on the Cadence platform also had exposure to similar assets through note programs for originators such as Wall Street Funding, which was onboarded onto the platform in 2019. In the case of the Wall Street Funding program, the short duration of individual notes provided substantial protection by allowing program terms to evolve as the economic environment worsened. For example, the level of first loss cushion was increased from 15% to 25% as notes were refinanced, protecting against lower collection rates.

While short duration mitigates some risk posed by migration in the credit quality of underlying assets, investors increasingly value the protections offered by more dynamic structures. As such, notes that are both short dated and carry note performance tests will likely get more common, especially for programs that allow reinvestment of proceeds into new assets by the originator — actions that can cause credit quality to migrate. Cadence looks forward to communicating these structural nuances to investors to better illustrate how program structures are critical and can vary across offerings.

[1] Information from Kroll Bond Rating Agency "Fora Financial Asset Securitization LLC, Series 2019-1, Surveillance Report", Sep 30, 2020

[2] Information from Kroll Bond Rating Agency "KBRA Withdraws Ratings on Class C Notes on Fora Financial Asset Securitization LLC, Series 2019-1", November 16, 2020

# Institutional Platform Engagement

# Institutional Platform Content and Research in 2020

## Whole Business Securitization in 2020

Despite the disruption to franchise businesses brought on by COVID-19, it was a relatively active year in the securitization of franchise royalties. Such transactions make up the majority of whole business securitizations ("WBSs"), transactions that use the revenue generating assets of an operating company as collateral for bond issuances in a bankruptcy remote structure. Issuances this year under such structures included transactions for ServiceMaster and Bojangles.

Unlike typical asset-backed securities, which are collateralized primarily by "financial assets" with fixed payment terms ranging from loans and leases to receivables and structured settlements, a WBS is secured by assets with potentially more volatile income streams like franchise and intellectual property royalties.

Issuers are drawn to WBSs because the structures tend to achieve higher credit ratings than other forms of secured financing, leading to better pricing. Investors favor WBS structures because cash flows from the underlying collateral are isolated from the sponsor in a bankruptcy remote special purpose vehicle. WBSs also provide the possibility of transitioning management of the collateral to a replacement manager. Despite these strengths, in the case of deals secured by restaurant franchise royalties, COVID-19 presented potentially grave threats.

Cash flow available to pay bondholders under a restaurant royalty WBS is directly linked to the revenues of individual restaurants because royalties — due to a franchisor under a franchise agreement — are typically established as a percentage of franchisee revenues. Policy measures designed to arrest the spread of coronavirus and the public's concerns over the safety of dining out resulted in sharp declines in restaurant traffic, credit quality, and investor demand for WBSs would suffer.

One example of a deal damaged by the effects of COVID-19 was TGIF Funding LLC (Series 2017-1). This transaction's senior bonds were originally rated BBB- by S&P and BBB by Kroll Bond Rating Agency. Heading into 2020, the rating agencies had each already downgraded the issue on account of falling store count and sales. In 2019, S&P had taken the bonds down to BB+ and Kroll to BBB-. Following a series of downgrades this past year, the senior notes are currently rated B by both agencies and a rapid amortization event was triggered under the deal's indenture by a fall in systemwide sales.

It was nonetheless an active year for new deals, with ten transactions closing for a total of over $4.4 billion in issuance according to Finsight. While in volume terms, this represents a decline from last years' $9.1 billion in issuance, it was nonetheless a remarkable level for a few reasons. First, the scale of the decline was not as great as that experienced in other COVID-ravaged ABS sectors, such as aircraft lease ABS. Second, most of the WBSs closed in 2020 were printed after the effects of COVID in the United States had amplified in March, once again in contrast to aircraft ABS (which virtually ground to a halt after a strong winter).

The year also saw inaugural WBS issuers come to market, including Bojangles and FAT Brands in the restaurant sector, and ServiceMaster in the commercial and residential cleaning and restoration industry. Cadence acted as a Structuring Agent in two rounds of bond issuances for FAT Brands Inc. Most of the proceeds from the second of those deals went to finance the acquisition of Johnny Rockets by FAT Brands Inc.

Lastly, as the year went on, new deals priced at levels that represented substantial yield tightening. As one example, BBB-rated bonds with a weighted average life of 6.8 years issued by CKE Restaurant Holdings, operating Hardee's and Carl's Jr., priced at a yield of 3.981% in November, 100 bps tighter than the equivalent bonds from the same issuer's 2018 deal.

It may seem strange that primary markets were so active amidst the broader disarray. However, COVID-19 has had an unequal effect on different franchise concepts, even within the restaurant sector. Quick service restaurants were better equipped for delivery, take-out, and drive-through as compared to casual dining concepts, hence the relative pain experienced by TGIF.

By contrast, brands like Bojangles, Hardee's, and Carl's Jr. experienced more modest drops in sales or are even up in respect to monthly sales compared to year ago levels. Fine dining experienced its own grave challenges with considerably less room to maneuver.

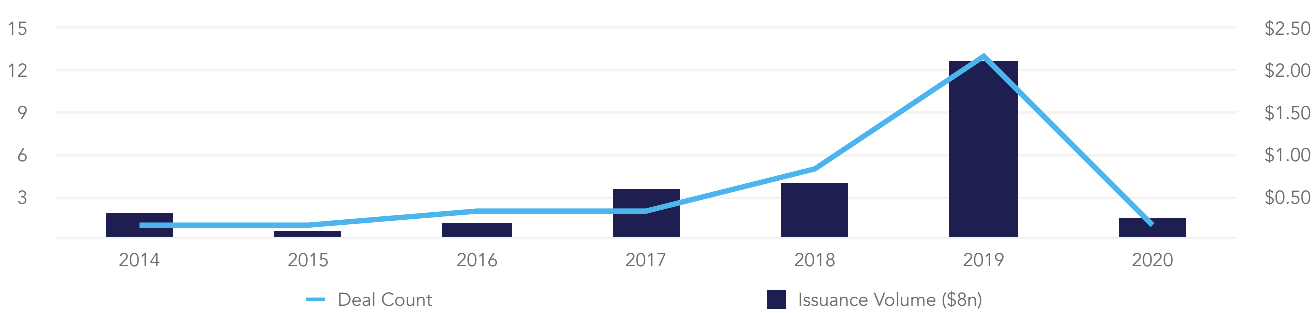
The WBS market was a case of haves and have nots in 2020, with the coronavirus pandemic having a disparate impact on different franchise businesses — even among those in the restaurant sector specifically.

## Small Business ABS in 2020

As a byproduct of traditional financial institutions taking a step back from small business lending, a cohort of new, non-bank originators arose following the global financial crisis to serve the financing needs of small and medium sized businesses (SMBs) outside the scope of the U.S. Small Business Administration. As a means to sustain this market growth, the non-SBA SMB asset-backed securitization (ABS) market has organically developed, with issuers, such as OnDeck Capital, Funding Circle, Kabbage, Kapitus and others, regularly tapping the term securitization market since 2014.

With 2019 seeing over $2 billion in issuance, 2020 was expected to be a robust year for SMB securitizations, as several newer issuers were expected to ramp their programs and funding needs. While January saw one transaction for $252 million from Funding Circle, the landscape changed as the COVID-19 pandemic took hold towards the end of the first quarter. With the shutdown of economic activity across the country accelerating in April, the small business sector experienced significant stress through forced closures, supply-chain disruptions, and employee absences.

HISTORICAL SMB ABS ISSUANCE VOLUME
(Excluding SBA Issuance)



To provide relief for the sudden economic shock experienced by businesses and their employees, Congress signed into law the CARES Act in late March 2020. The CARES Act established the Paycheck Protection Program (PPP) authorizing up to $659 billion, disbursed through the Small Business Administration, allowing businesses to fund up to eight weeks of payroll costs and ongoing operating expenses such as interest on mortgages, rent, and utilities. Through the unprecedented direct aid from the PPP, small businesses were able to keep employees on the payroll and resume their operations at a faster clip as lockdown restrictions eased in the Summer months. As of August 2020, the SBA deployed over half a trillion dollars to over 5 million businesses across the country.

Because of widespread interruption in economic activity resulting from Coronavirus, the small business sector continues to face significant headwinds. With the capital markets largely closed to new issuance and traditional capital providers reducing warehouse lending, many SMB finance lenders were forced to curtail or halt new originations in H1 2020. As a result of deterioration in performance, many increased their collection capabilities through improved technology and additional collectors, as well as retooling their origination engines and underwriting criteria, with a focus on essential businesses that fared well during the pandemic.

As result of the negative economic implications and the government mandated business closures, in March 2020, Kroll Bond Rating Agency placed all of its 10 U.S. SMB securitization transactions ($2+ billion in outstandings) on Watch Downgrade. Similar actions were taken by DBRS Morningstar.

As collateral performance data began to trickle in, these actions were merited as early stage delinquencies on SMB ABS dramatically increased in April and May. Overall collateral performance worsened on outstanding securitizations, ultimately triggering early amortization events across many transactions.

To provide additional protections to bondholders, ABS structures typically employ an early amortization feature, where all collections from the underlying assets are used to repay existing notes in order of seniority, triggered upon significant deterioration in collateral performance.

In SMB ABS, these features are often pegged to the collateral pool's average yield, excess spread, delinquency levels, and required reserves. For example, on May 7th, an early amortization event occurred with respect to OnDeck's ABS (ODAST) as a result of an asset amount deficiency in that series. While the eventual shock of the pandemic gradually subsided and the large stimulus programs had their desired effect, a material portion of the delinquent and defaulted receivables in the ODAST transactions continued to make partial or full repayments.

As the structure remained in rapid amortization, a significant amount of deleveraging occurred between April 2020 and October 2020, ultimately allowing DBRS Morningstar to remove its Under Review status for the subordinate tranches, with all notes fully repaid in December 2020.

While 2020 was certainly a challenging year for small business and the SMB finance industry, the government's swift implementation of PPP proved a saving grace for many vulnerable businesses across the U.S. While the SMB ABS market suffered a deadening blow following the initial wave of the pandemic, the securitization structures proved durable, providing adequate protections for bondholders and the basis for the SMB market to re-emerge stronger after the pandemic subsides.

# Originator Engagement

# Originator Content and Research in 2020

## Top Trends for Lenders in 2020

The past year has been an eventful one for fintech and traditional lenders alike, almost entirely because of COVID-19. Some effects of the pandemic were indiscriminate. Take, for example, COVID-19's implications for monetary policy and its geographic scope, at least within the Americas. Meanwhile, other effects were much more significant for particular products or sectors.

In many respects, COVID-19's impact on the economy was more severe for businesses — particularly small businesses — than it was for consumers. Many of the hardest-hit businesses failed to benefit from fiscal stimulus measures while unemployed consumers saw stimulus checks and enhanced unemployment benefits that often exceeded lost incomes. Surprisingly, data on real personal incomes in the United States released by the Bureau of Economic Analysis revealed that Q2 2020 saw a 10% year-over-year growth in incomes, the largest growth since at least 1960. The positive effect of stimulus had more than exceeded the negative impact of job losses and reduced hours.

Nonetheless, Cadence noticed that many lenders took a pause on originations during the pandemic, including both consumer and small business lenders. In some cases, this was the result of reduced access to capital. In many instances, originators were grappling with rising delinquencies, choosing to adjust underwriting criteria or dedicate more resources to servicing. A common example of COVID-induced changes to underwriting criteria were the introduction of COVID-19 screeners to approval processes. Many small business lenders completely avoided the hardest hit sectors, such as restaurants and bars, during the spring and summer.

Consumer lenders had to adjust to the new environment as well. Much of the pandemic's impact on these originators resulted from regulatory changes. The CARES Act in the U.S. had the result of allowing some mortgage and student loan borrowers to request forbearance under favorable terms — an act which provided secondary support to other lenders facing the same borrowers who now had the resources to reduce other debt. The Paycheck Protection Program (PPP) loans had a similar second-order effect on businesses, even if PPP loan proceeds themselves could not be applied to repay debt.

There were still other regulatory changes affecting consumer lenders, including state-level moratoria on repossessions and foreclosures. Auto lenders and loan servicers, for example, had to navigate an array of state-by-state limitations on repossession abilities that came into effect and expired at different times.

Another consequence of the pandemic on originators, particularly in more credit deprived sectors, was the phenomena of higher quality borrowers falling further down the "credit waterfall." Typically, as prospective borrowers look for the cheapest loans, they usually settle for the lowest rate loans they qualify for. To simplify, this means that sub-prime lenders see few prime borrowers accept their loan terms because such applicants typically have better options. The phenomenon exists to some extent in business and consumer lending alike.

The pandemic, however, changed this too. At least in some sectors, lenders markedly reduced their origination pace, as mentioned previously. This meant that prime borrowers that could normally qualify for loans from lenders, accepting only the highest quality applicants could no longer find credit from the sources they could usually expect to approve them. This also meant they fell further down the "credit waterfall," receiving loan approvals only from lenders usually targeting lower credit quality borrowers.

Many originators saw their average borrower credit score or internal risk tier improve, even without changes in marketing or underwriting. It also meant that those lenders willing and able to put money out during the pandemic have "won" both in terms of market share and in terms of borrower credit quality relative to portfolio yield (as compared to originators who paused or sharply curtailed originations).

On the portfolio surveillance front, the pandemic also accentuated the importance of frequently refreshing performance data. A servicer tracking collections and delinquencies intra-month was able to assess the impact of the COVID-19 recession more quickly, adjusting underwriting or servicing practices accordingly.

Investors also benefit from frequent reporting. In evaluating performance, when there is a high degree of opacity or delay in performance data, investors assume the worst. Better transparency and real-time data enable investors to more accurately draw conclusions in terms of the value of their portfolios and the sufficiency of collateral. Cadence was able to provide its platform investors with granular data on a daily or weekly basis for many originator programs. Contrast this with business development companies (BDCs) and their investors who had to wait a month or longer to receive updates on performance.

Lastly, another trend Cadence noticed in 2020 had relatively little to do with the coronavirus pandemic. The importance of tech and data integrations in underwriting has only continued to grow, especially among capable fintech originators and aspiring lenders looking to become more technology-enabled. Some of this is the result of the growing availability of alternative data sources, as well as the appeal of such data-driven underwriting models among credit and equity investors in such companies. We expect this trend to only continue into 2021 and in the years to come.

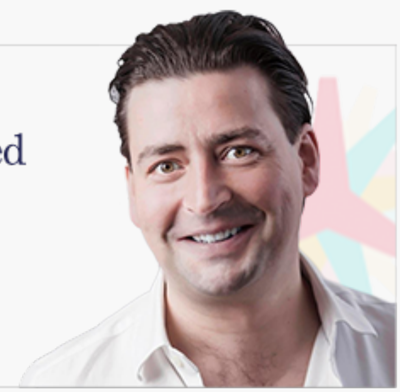
# An Appetite for Apps:
# Q&A with the CEO of Pollen VC

POLLEN VC

CADENCE'S HEAD OF MARKETING, BRIAN GUERRA, INTERVIEWS POLLEN VC'S FOUNDER AND CEO, MARTIN MACMILLAN

PUBLISHED: FEBRUARY 10, 2020

> [Cadence] has been great to work with and helped us access a diversified investor base of both retail and institutional investors.
>
> MARTIN MACMILLAN
> Founder & CEO, Pollen VC



Hello, there! Today, I'm joined by Martin Macmillan, the founder and CEO of Pollen VC, one of the first originators on the Cadence platform.

Pollen VC provides flexible credit lines to mobile app and game publishers. Their first deal on our platform, Ultra Short Term Mobile App Financing 3-A, was launched in August of last year.

A little bit of background on Martin before we jump in. He's previously described himself as a reformed investment banker turned FinTech entrepreneur. Before founding Pollen VC, he was a Director at UBS in London, where he ran the short term credit trading group and helped build UBS' first client-facing electronic debt trading platform.

**Brian: Thank you for taking some time to speak with us. I'm jumping right in with the question I'm most curious about, and it has nothing to do with investing. Your business is built around and focused on apps, so I'd imagine you're more in the loop than most about the interesting and/or fun ones out there. What are your goto apps?**

Martin: For productivity, I love Wunderlist – I'm an inveterate list maker and I like the fact that it works offline, so I can add things as I think of them. I use it to bunch up items to talk about with colleagues in our catch-ups, so I don't end up bombarding them with single question emails.

For fun, I like Vivino, the wine tracking app. It lets me scan wine labels and check pricing, as well as give me a log of what wine I enjoyed and where.

**BG: List making and wine tracking, very practical! Ok, so for those who are unfamiliar with Pollen VC, can you briefly explain what your company does?**

MM: Sure, we solve a liquidity problem for growing app and game developers.

It takes Apple and Google up to 60 days to pay out the developer of an app after consumers have purchased content. We make secured loans to the developer, enabling them to bridge this funding gap and reinvest more quickly into marketing and user acquisition for their app or game.

We connect directly to the billing systems of the App Stores and mobile advertising networks, allowing us to digitally verify their receivables on a daily basis, and offer a simple drawdown mechanism making the end-user experience simple and user-friendly.

**BG: That's interesting about developers having to wait up to 60 days to get paid. Is there anything else you think people would be surprised to learn about the app industry?**

MM: There are roughly 5,000 new apps and games launched each day globally on to app stores. Discoverability is, therefore, a huge issue, and developers are reliant on advertising platforms like Facebook and Google in order to target consumers.

Fortunately, the targeting abilities of the ad platforms allow even niche apps to reach their audience. Of course, being able to monetize an app successfully and cover the underlying acquisition costs of the ads is paramount. Sadly, most do not achieve this.

**BG: When surveying the market, what types of developers and/or apps are typically most compelling to you?**

MM: Any developer who is investing in paid advertising for their app or game.

It all comes down to unit economics. If they can prove that $1.00 invested in Facebook or Google Ads will yield more than $1.00 in lifetime value (LTV) in a known number of days, then being able to reinvest faster into paid marketing is going to help them grow quicker.

**BG: And you're able to offer a different way for them to reinvest in their own company than what's been typically available, right?**

MM: Yes, until now, many app developers relied on dilutive equity financing to fund their advertising spend, but we offer a cost-effective, non-dilutive solution using their accounts receivable (AR) to finance growth.

**BG: What do you think is a misconception investors may have about the app industry?**

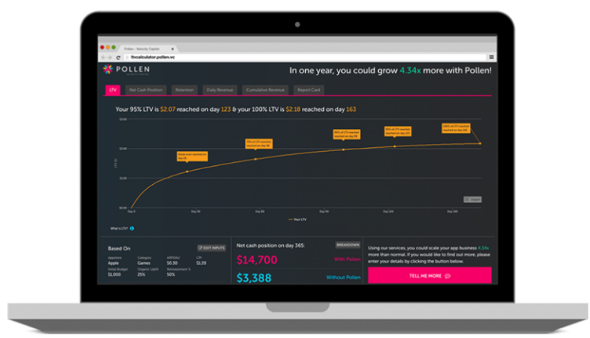
MM: We've been lucky. The ubiquity of apps and the familiarity with the underlying counterparties like Apple and Google means that everyone gets comfortable with the concept, albeit not the underlying payment terms on how they operate.

**BG: From an investor's point of view, what makes this space unique as a potential opportunity?**

MM: Tech giants such as Google, Apple and Facebook have very little debt in public markets and are among the most cash-rich companies in the world. Working in partnership with Cadence, we offer an opportunity for both retail

**BG: Can you, at a high level, explain the lifecycle of the capital you raise on the Cadence platform?**

MM: Most of the funding we provide ends up back into user acquisition cycles with the main advertising platforms, i.e. Google, Facebook and Apple Search Ads.




(Sidenote: If you're curious, check out their LTV calculator for app developers!)

App developers are focused on their unit economics of acquisition – what it costs them to acquire a user (e.g. Facebook ad spend) and the expected LTV of that user. Provided the LTV exceeds that Customer Acquisition Cost (CAC), if the ROI is positive after factoring in the cost of capital to finance over the same period, then using their AR to finance their ad spend is a very capital-efficient way to grow. The ROAS (return on ad spend) breakeven cycles can be achieved in some cases in as little as 7 days, so every day counts.

**BG: That makes sense. I'm sure there have been some great success stories, but is there one in particular that comes to mind?**

MM: Sure, we helped a team of talented game developers achieve more than 20x revenue growth in 15 months and ultimately achieve a successful exit to a listed gaming company.

Initially, the referral came from their angel investor when the company was seeking to raise more capital to fund Facebook ad campaigns. Fortunately, their investor subscribed to the same school of thought on capital efficiency as we do, so we were introduced directly.

Everyone had a great outcome because 1) the founders scaled and exited without additional dilution, 2) the investor had improved returns on exit by not having to follow his original investment with additional capital and 3) we were lending more capital as the company was growing.

**BG: Hopefully many more of those stories to come!**

**My final question is specifically about the partnership between Cadence and Pollen VC. As one of the first originators on our platform, what attracted you the most?**

MM: We loved the ease of use and flexibility offered by the platform, and the vision and commitment of the founders. The team has been great to work with and helped us access a diversified investor base of both retail and institutional investors. Cadence will remain an important part of our capital mix as we continue to grow our business.

**BG: Thanks for your time Martin! If anyone is interested to learn more about you, how can they do that?**

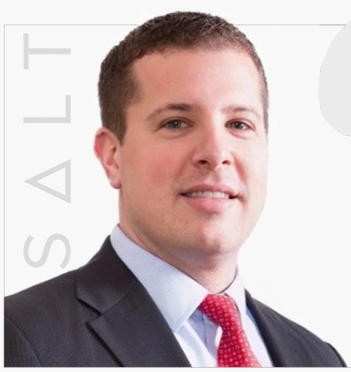
MM: We have a very active blog where regularly post original content and guest posts at https://insights.pollen.vc/ I would encourage current or potential investors to subscribe in order to get updates on our business and a good flavor of how we are helping provide capital efficient funding to growing businesses in our sector.

# Crypto Chat:
# Q&A with Dustin Hull, VP of SALT Lending

SALT

CADENCE'S HEAD OF MARKETING, BRIAN GUERRA, INTERVIEWS SALT LENDING'S VP OF FINANCE & CONTROLLER, DUSTIN HULL

PUBLISHED: FEBRUARY 21, 2020



> Like us, [Cadence is] pioneering a technology platform that is modernizing asset-backed lending.
>
> DUSTIN HULL
> VP & Controller, SALT Lending

Today I'm joined by Dustin Hull, the VP of Finance & Controller at SALT Lending. SALT is one of the newer originators on our platform, with the successful launch of their first note on Jan. 29.

**Brian: Thanks for sharing some time with us Dustin. For those who haven't heard of SALT (and maybe aren't familiar with crypto-collateralized loans), can you briefly explain what SALT does?**

Dustin: Sure, SALT is a traditional lender with a twist. We provide USD-denominated cash or stablecoin loans secured entirely by cryptoassets such as Bitcoin, Ether, and Litecoin. By accepting cryptoassets as collateral, we provide an opportunity for our customers to unlock their value without having to sell them.

**BG: And how does that process work?**

DM: When applying for a loan, customers choose their preferred loan type, loan amount, and loan duration and then transfer their chosen collateral types to our platform.

We do not require credit or income checks, nor do we charge origination or prepayment fees. Our Loan-to-Value (LTV) monitoring system tracks the prices of assets 24/7/365 so customers can effectively monitor and manage their loans. In the event of a meaningful price drop, customers can choose to make a one-time payment, deposit additional collateral or opt to have their collateral sold on the open market to restore the health of their loan.

Given SALT has the ability to liquidate collateral when a loan's LTV ratio crosses a certain threshold, we can effectively protect the lender from loss of principal and have had zero principal loss to date. Once customers pay back their loan in either cash or stablecoin, they are granted full access to their assets again.

**BG: It seems that when people hear the word crypto, they have an immediate reaction. What is a misconception investors may have about this space?**

A common misconception is that you can't collateralize cryptoassets because they are volatile in nature. While this misconception is understandable, SALT exists because we have solved that very issue.

We've built technology that enables us to track the prices of assets all day every day, along with the health of our customers' loans. We rely on this real-time monitoring system to inform us when a customer's collateral is declining in value, causing their Loan-to-Value ratio to rise. By custodying our customers' assets for the duration of their loan, we retain the ability to liquidate a portion of their collateral if the customer does not take action to restore the health of their loan during a market downturn. This enables us to prevent losses of principal for the lender.

So, while managing such volatility is not common in traditional asset-backed lending, we've found a way to manage crypto assets as collateral, which has enabled us to bring this alternative asset class to the traditional finance space.

**BG: Many people might not be aware of the regulation involved in this space. Can you elaborate on that?**

DH: Despite our focus on crypto, we're subject to the same rules and regulations as traditional lenders. Given our categorization as a lending business, regulatory compliance is a strong priority for us and we've worked closely with regulators over the years to pursue lending licenses where necessary. We also work closely with auditors to ensure we are compliant – not only in terms of the financial aspects of our business but in terms of our technology and process as well.

**BG: Because of the growing popularity of the industry, there are competitors popping up. What do you think sets SALT apart from others?**

DH: Our customer service, security measures, and customizable loan offerings are what set us apart from other lenders in the crypto space.

Customer Support: Not only are we able to fund loans in as little as 24 hours, but to make sure we can help our customers around the world with any questions they may have, we offer phone support during normal business hours and 24/7 online support. Given it's not easy these days to reach a real human even in the traditional banking space without first having to go through numerous automated options, our customer support offerings make it easy for borrowers to communicate with us directly as the need arises.

Security: We are proudly CCSS (CryptoCurrency Security Standards)-certified, meaning we maintain high-security standards when it comes to managing customer assets. Once a customer transfers assets to our platform, they are held in cold storage and are protected by a multi-signature process, meaning no single individual can move funds.

Unlike other crypto-backed lenders, we don't rehypothecate customer assets or commingle them with assets owned by other customers.

Customizable Loan Options: When applying for a loan with SALT, customers can choose their loan amount, loan type, duration and starting Loan-to-Value (LTV) ratio ranging from 30% to 70%. We also grant customers access to our LTV monitoring system that tracks the prices of assets 24 hours a day, 365 days per year. If there's a meaningful price drop, our real-time alert system notifies customers immediately via phone calls, texts and emails, so they can effectively manage their loan.

**BG: What makes this space unique from an investor's point of view?**

DH: From an investor standpoint, crypto-backed loans are an appealing investment because they are over-collateralized liquid asset-backed loans, and SALT has complete control over the collateral securing them.

Given we custody our customers' assets for the duration of their loan, we have the ability to automatically liquidate a portion or all of the collateral necessary to restore the health of the loan, preventing any potential loss of principal. Essentially, we're providing investors with indirect exposure to the crypto asset class with reduced risk.

**BG: Can you explain the lifecycle of the capital raised through Cadence?**

DH: We put capital partner money to work by funding loans as quickly as we can. We earn on the difference between the rate at which we can borrow and lend. A big part of what we do when talking to capital partners is ideating around potential new lending products that build off of our existing technology.

**BG: When surveying the market for efficient sources of capital, what attracted SALT to the Cadence platform?**

We're attracted to companies like Cadence that are adding a twist to the traditional asset-backed lending space. Like us, they are pioneering a technology platform that is modernizing asset-backed lending and given their focus on alternative investments and our focus on crypto, the two businesses naturally complement each other. Additionally, Cadence's short duration securitizations closely match the durations that SALT offers in our fixed term loans. We also admire their talent and efficiency and are excited to work with them for the foreseeable future.

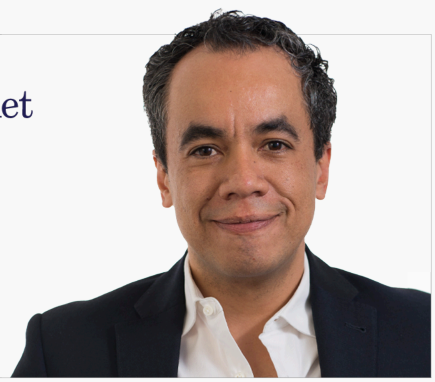
**BG: Great to have SALT on our platform, Dustin! Thank you for the insights.**

# International Interest: Q&A with the CEO of Aspiria

CADENCE'S HEAD OF MARKETING, BRIAN GUERRA, INTERVIEWS ASPIRIA'S CEO, GUILLERMO HERNANDEZ

PUBLISHED: JULY 1, 2020

> If you do it correctly, emerging market assets are a great way to obtain uncorrelated risk-adjusted returns.
>
> GUILLERMO HERNANDEZ
> CEO, Aspiria



Hello, there! Today, I'm joined by Guillermo Hernandez, the founder and CEO of Aspiria, our first international originator on the Cadence platform.

Founded in 2015, Aspiria is a data-driven provider of short term financing to a variety of small and medium-sized businesses in Mexico. They've succeeded, in part, by offering services to those typically underserved by traditional financial institutions.

Aspiria is also one of the growing number of originators on our platform that offers surveillance reports on their underlying portfolios. It's the type of data and information investors on our platform won't find anywhere else, and it's why we love working with tech-enabled originators.

**Brian: Thank you for taking some time to speak with us, Guillermo! You have a really interesting background, with undergraduate studies in Mexico, and your MBA in Manchester. How did that global perspective impact your career and, ultimately, Aspiria?**

Guillermo: Working and studying abroad makes the world feel much smaller and more accessible.

Now at Aspiria, we have business partners from the US, Europe, LATAM and soon, Asia. Finance is one of those disciplines which is global by nature.

**BG: For those who haven't heard of Aspiria, can you briefly explain what you do?**

GH: Sure. At Aspiria, we work at increasing access to capital to small and medium businesses (SMBs) in Mexico through our online platform. Not only do we make the whole lending process simple, automated and fast, but we also increase the access to capital to SMBs which have been shunned by the traditional banking sector by using our statistical credit scoring models.

**BG: What type of impacts have you seen from COVID-19, and how is Aspiria thinking about these potential risks going forward?**

GH: Unexpected events are a recurring condition in the global economy, such as the ones we are currently facing.

Our company has been working tirelessly over the last years in originating predominantly financing secured by real estate, with a focus on prime clientele. We are also abiding by our strict credit policies, which have historically provided low default rates, updated our credit origination models to take into account these unexpected events, and we are upholding best practices in our underwriting systems.

We made an effort in financing non-cyclical or recession-free industries, as well as upgrading our internal procedures and implementing new fraud prevention tools.

Within other parts of the company such as the collections and legal team, we have installed a series of guidelines to have better communication and reaction speed with our clientele to prevent any unforeseen events with our portfolio.

**BG: Guillermo, a question I sometimes hear around international originators is related to potential currency risk. Aspiria actively hedges currency risk exposure... can you explain how that works and what that ultimately means for investors?**

GH: Currency risk is an ongoing theme for any originator which obtains financing in non-domestic currency to provide loans in local currency. In our case, we use different hedging products (futures and options) to hedge our short- and long-term liabilities. We hedge with different large FX-focused financial institutions.

**BG: Closely related to that, how do you think about the general macro risk involved in cross-country investing?**

GH: This is a great question. With yields in advance economies going into negative territory, emerging economies are becoming a strong alternative for retail and institutional investors to obtain a superior risk-adjusted yield on their investments.

To best deal with the uncertainties of investing internationally, one must do their homework in screening and vetting the originators, and rely on the originating partner, in this case Cadence, to have strong and robust vetting processes for the originators.

If you do it correctly, emerging market assets are a great way to obtain uncorrelated risk-adjusted returns.

**BG: What do you believe is the biggest differentiator between you and some of your competitors in this space?**

GH: Most of our competitors were born as a traditional finance institutions and are slowly trying to digitize themselves to face a brave new world.

Since our inception, we focused on developing our own in-house tech and data expertise (which was 10x harder) to bring a world-class solution to a market segment in great need of the service.

**BG: What is a misconception investors may have about your asset class?**

GH: I guess the first step would be defining our particular asset class. I believe we could be defined as "SMB financing secured by real estate in Mexico."

Within our asset class, one of the misconceptions is that all originators are born and run equal. Like within any complex endeavor, there is a massive performance difference in terms of administration, operations, risk management, etc. between top and low performers.

**BG: What is something most people don't know about your industry and emerging markets?**

There is a widespread of up-and-coming, talented and experienced CEOs and asset administrators in emerging markets. Many of them were either educated or gained experience in top-tier institutions in advance economies, to later return to their home countries.

Given that investors are always on the lookout for alpha, investing in the assets managed by these professional teams in emerging economies is a great way to obtain above-market yield, which has been proven difficult in many markets.

**BG: What's the most interesting part of your job?**

GH: Well, there are many talented and bright people within our team and our partners (such as Cadence). Getting to solve complex and important problems, such as increasing access to capital for SMBs with great people is bliss.

**BG: Any interesting success stories around that you're able to share?**

GH: More than a story, it's a small stat. 75% of the clientele we serve are not serviceable by the traditional banking sector. Furthermore, given the rigorous underwriting procedures and credit models we use, these clients have proven to be great clients with very low risk. We have a myriad of stories of companies successfully growing because of our financing.

**BG: What attracted you to Cadence?**

GH: Initially, it was the people. I found that the whole team is made up of smart and dedicated talent. Then I thought that the business model, which is democratizing securitization and creating the necessary tools to do this, was incredibly interesting and had enormous potential. I see great things ahead.

**BG: If anyone is interested to learn more about Aspiria, how can our investors do that?**

GH: I am more than happy to connect and share more details on Aspiria. We are doing great things and always looking forward to meeting people that want to join in our work.

**Thanks for your time, Guillermo!**

# Credit, Debit or Cherry? Q&A with Felix Steinmeyer

CADENCE'S HEAD OF MARKETING, BRIAN GUERRA, INTERVIEWS CHERRY'S FOUNDER AND CEO, FELIX STEINMEYER

PUBLISHED: SEPTEMBER 16, 2020

> The entire Cadence team has been great to work with. We're both like-minded partners that are tech-enabled, and that makes it much easier to form a lasting partnership.
>
> FELIX STEINMEYER
> Founder & CEO, Cherry

Hello, there! Today, I'm joined by Felix Steinmeyer, the Co-founder and CEO of Cherry, which closed its first note on our platform in May.

Based in California, Cherry is a point-of-sale financing company that uses proprietary technology to originate consumer loans through its merchant partners. Their first offering on Cadence was met with an immediate oversubscription.

Prior to founding Cherry, Felix was co-founder and CEO of Mason Finance, which was acquired by Magna Life Settlements. He received both his Master's and MBA from Stanford.

**Brian: Felix, thank you for taking some time to speak with us! So, I'm always intrigued by company names. What's the backstory for coming up with Cherry?**

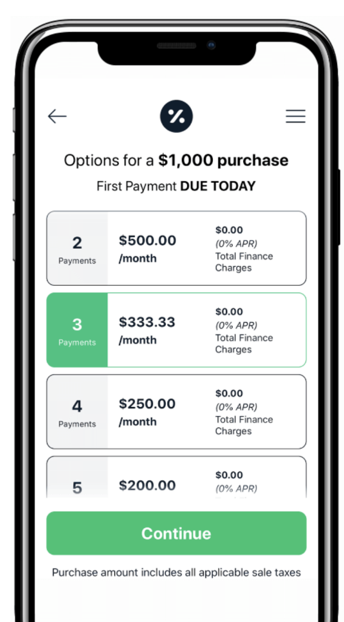
Felix: Well, we wanted to come up with a short and catchy name, but originally Cherry wasn't part of the list we put together. We had a bunch of different names we were thinking about, and one day my girlfriend happened to bring home some cherries.

We were looking at this list, and I looked down, and thought, hmm, why not Cherry? And then we started to see how it sounded in different contexts, like, 'Do you want to pay credit, debit or Cherry?

We liked it, and it stuck!

**BG: That's great – definitely memorable!**

**For those who are unfamiliar with Cherry and what your company does, can you summarize what your company does at a high-level?**



FS: Sure, Cherry is the fastest and easiest point-of-sale financing solution available today.

Ultimately, it's an app that a merchant can download and use to offer their customers the ability to pay for an item or service via an installment plan the same day. It's a win-win, growing the merchant's sales and providing a better experience for the customer.

**BG: What types of businesses and merchants are most likely to partner with Cherry for their point-of-sale financing needs, and where are they typically located?**

FS: Typically, we partner with small and medium-sized businesses with $1-10M in revenue, and currently, we've been focused on the aesthetics verticals.

Right now, we're only available in California, but the goal is to be nationwide in the near future.

**BG: COVID-19 has certainly changed things in this country around retail. What types of impacts are you seeing right now?**

FS: We have roughly the same number of new businesses coming in every month post-COVID as pre-COVID, so interest in that sense seems to not have changed much, which is great. From the consumers, we can see slightly higher delinquencies, but much lower than expected and lower than what our competitors are seeing.

We're also excited to see the impact that our income verification tool will have on delinquencies, as it's an underwriting ability we strongly believe will lead to even better delinquency results going forward.

**BG: What is something most people don't know about Cherry or your industry?**

FS: Our product is one that makes it easier to conduct retail transactions even in the current climate. You can transact with our product while being 6-feet away, and it takes only a minute.

Our product is also incredibly easy and fast to use. It's mobile-based and overall, we believe it's much easier than many existing solutions where you have a clerk at reception behind a computer, and they ask for all of your info, and they need you to repeat a number, or misspell your name, and that takes a lot of time and can be really prone to errors. With Cherry, you can scan the back of your ID or quickly fill out the fields on your own phone.

**BG: What do you think is a misconception investors may have about your industry?**

FS: Many investors in debt capital often have mostly invested in actual cash personal loans and had scarring experiences with fraud, especially when the transaction is underwritten digitally and/or done via an online lender.

This fear seems to carry over to the point of sale installments asset class. However, in my view, it's a poor comparison, which also reflects in the delinquency and loss data. Offline point of sale installment loans have much lower rates of fraud than online personal loans for a few reasons:

1) The borrower does not get cash, only a good or service at retail prices, and the funds go to the merchant. This means that it's much harder and less economical for potential bad actors to profit from fraudulent transactions since it's either very difficult or impossible to resell the good or service and

2) Double underwriting, meaning not only is each borrower underwritten individually but so is each merchant. This allows for even better fraud and loss prevention than is possible in a single underwriting.

**BG: From an investor's point of view, what makes this space unique as a potential opportunity?**

FS: This asset class isn't one that's easy to get access to. Point-of-sale installment consumer credit has very favorable default characteristics, and typically involves short durations and smaller tickets with high coupons. There's also a key underwriting point, which is that these loans are essentially underwritten anew each time someone wants to apply for an installment plan. Consider the advantages of that versus a credit card that might be four years since last checked.

**BG: You issued your first note earlier this year in May. What initially attracted you to Cadence?**

Cadence has a diversified investor base, and you've coupled that with flexibility for us as an originator. And the entire Cadence team has been great to work with. It's not like working with a big, generally somewhat slower-moving, investment fund. We're both like-minded partners that are tech-enabled, and that makes it much easier to form a lasting partnership.

**BG: Thanks for your time Felix! If anyone is interested to learn more about you, how can they do that?**

Sure, anyone can goto our website, withcherry.com and reach out to us! We're pretty easy to get ahold of.

# From Columbia to Colombia: Q&A with the CEO of Zinobe

CADENCE'S HEAD OF MARKETING, BRIAN GUERRA, INTERVIEWS ZINOBE'S FOUNDER AND CEO, TAREK EL SHERIF

PUBLISHED: OCTOBER 14, 2020

> Cadence allows originators to shape their funding according to their business needs, which separates them from traditional financial players.
>
> TAREK EL SHERIF
> Founder & CEO, Zinobe


Today I'm joined by Tarek El Sherif, the founder & CEO of Zinobe, one of our data-driven international originators focused on consumer loans. Tarek graduated from Northeastern University in Boston, before getting his MBA at Columbia University in New York City.

**Brian: For those who haven't heard of Zinobe, can you briefly explain what Zinobe does?**

Tarek: Zinobe is a data-driven fintech based in Bogota, Colombia. Our products target underserved segments within the consumer and, more recently, the small business markets. Our consumer brand, Lineru, was the first digital credit product in the country and has expanded to offer payment and transfer services for our clients.

Aliatu, our new small business line, primarily provides working capital and term loans to companies that are part of a large corporate supply chain network. In both areas, our focus is to target data-rich environments and provide a high service level through the application of technological solutions.

**BG: You have a very interesting background. I'd love to know how you ended up starting a business in Bogota, Colombia.**

TEL: The short answer is that my wife is from Colombia, which is quite a common response for expats living in Colombia.

For the detail behind my decision, it rests more with the timing of my career move. I had been in banking for close to eight years and was looking for a change in lifestyle and to do something entrepreneurial. My wife and I agreed that we should pick a place that we wanted to live and take our time to look for an opportunity. Our initial choice was Brazil, because we had friends there and we liked the culture.

Things changed when we found out that we were expecting our daughter, and I made the suggestion of going to Colombia so that her family could help us with the transition. Colombia was supposed to be a temporary stop, but when I started the business and it started taking off, our plans changed.

**BG: One of the really fascinating things you've been able to do is build a company that's incredibly focused on technology.**

**Can you explain why that's been such a focus at Zinobe, and what this may mean for investors?**

TEL: Technology and data are at the center of all our efforts in the company. From a customer standpoint, technology is used to provide faster service, a better user experience, and increased customization.

From an investor's perspective, technology increases automation, which reduces operational expenses and provides greater transparency, which mitigates risks. Technology also allows us to apply our data-driven approach, enabling us to be more inclusive than traditional players and to make intelligent decisions.

**BG: How has Zinobe navigated through the COVID pandemic?**

COVID has caused a lot of hardship in Colombia from both an economic and a human perspective. Zinobe has been very fortunate in that none of our employees have been symptomatic to this point and we were able to allow the entire workforce to work remotely almost immediately. Looking at the business, our technology platform enabled us to control risk in a rapid manner through our real-time reporting and automated decision-making.

The short duration products were also an advantage in that updated credit policies would be material almost immediately. Our track record of attending underserved markets and being 100% digital attracted the attention of the government and we became the first company to partner with a government to launch a credit product for independent workers as part of their COVID response. On the whole, I think that we were able to manage a difficult situation relatively well through a combination of good fortune and opportunism.

**BG: What is a misconception investors may have about your industry?**

TEL: I think that short-term consumer lending can be controversial since you are dealing with a client base that is typically less sophisticated and with few options, but this should not lead to blanket judgments as there is a genuine need that should be addressed.

In order to build a long term value proposition, a company has to satisfy all of its stakeholders, and reputation is essential in financial services. I would say that one misconception is that all players in this space are predatory, and there is not a way to address this market in a responsible manner.

You have to focus on isolating what is considered bad behavior in this asset class and distinguish yourself, which includes:

- Eliminating rollovers, which mask NPL's and put borrowers in a debt spiral
- Capping charges and having flexible payment plans
- Giving full transparency on all charges and penalties

These are some of the practices that we have always had in place at Zinobe along with a key focus on retention and customer satisfaction.

**BG: What is something most people don't know about your industry?**

TEL: One of the lesser understood elements for international investors is the difference between emerging and developed markets and where fintechs fit within those markets.

In developed markets, fintechs have traditionally focused on technology and user experience improvements, whereas in emerging markets there is a much stronger inclusion element. Fintechs are also able to attack sectors that are often completely unattended. Credit card penetration in Colombia, for example, is under 20%.

**BG: What do you think sets Zinobe apart from its competitors?**

Our focus on owning and developing our technology is one differentiating factor. Typically, fintechs outsource development which gives them less ability for customization and limits product development.

We understood that technology would be one of the pillars of the business and decided to take ownership of it. This has resulted in us having the ability to expand into small business lending and payments where most of our competitors are siloed in one product. We also have more of a focus on client retention which we enforce through a company emphasis on NPS, loans per customer, and rewards. We have separated ourselves from our competitors in all of these metrics.

Lastly, I would highlight our data-driven approach and our proprietary scoring algorithms. To my knowledge, we are the only company in Colombia utilizing machine learning derived scoring and a big data architecture in the credit space.

**BG: What makes this space unique from an investor's point of view (or what makes this something that would be appealing to invest in)?**

TEL: Investing in data-driven originators is appealing in that investors get greater transparency on risk levels and general operations. Smaller credits provide diversification in portfolio risks and shorter durations give liquidity, all while not sacrificing yield due to the product structure.

Zinobe has the benefit of having an extensive track record, both in terms of operational experience – 7.5 years and in volume – +1mm credits processed; so investors can gain comfort in a proven operations and risk management model.

**BG: You recently launched a product in the Small and Medium Enterprise (SME) market. What's your strategy in that space?**

Our SME product launched last year after two governmental entities approached us to create a product for small businesses. The entities were Bancoldex, referred to as a 2nd floor bank, which offered to provide us subsidized funding; and Fondo Nacional de Garantias, which offered to provide principal protection at varying levels.

For us, it was a natural progression from our consumer business as we could utilize a lot of operational learnings from our 8-year history in the consumer space. For small businesses, there is a high correlation between the consumer risk of the owner and the small business risk. Additionally, a significant portion of our consumer client base were micro-entrepreneurs who used the credit for their working capital needs. We applied two important strategies which have enabled us to scale successfully; firstly, we looked for real-time data that could help fill the formality void and provide better trend information than financial statements; and second, we looked to partner with large corporates to get access to networks of small businesses which enabled us to leverage long-standing relationships and get access to private data sets.

**BG: What's the most interesting and/or rewarding part of your job?**

As a founder, one of the most rewarding aspects is building up your team and seeing individuals growing and getting promoted. We have maintained a turnover rate below 5% historically and an employee NPS of 73. From a customer perspective, Lineru has several metrics which demonstrate our impact and level of service: NPS of 78, 2.5 year average customer life, NPL's more than 2% below industry average.

Our inclusive aspect is highlighted by the fact that 68% of our portfolio consists of people with little to no access to credit. Aliatu has also been quick to make an impact, with average purchases by our clients increasing >100% in 3-4 month time period.

**BG: As one of the first international originators on the Cadence platform, what attracted you to Cadence?**

TEL: Cadence was a good fit for us due to their efficient, business-friendly approach and our shared data-driven mindset. Cadence allows originators to shape their funding according to their business needs, which separates them from traditional players. We feel that Cadence is a valuable partner that will help us achieve our growth plans.

**BG: We're glad to have you as a partner. Thanks for your time Tarek!**

# 2021 Private Credit Outlook

# 2021 Private Credit Outlook

Considering the ongoing effects of COVID-19 on the global economy into the start of 2021, our expectation is that credit investors will remain steadfast in their unrelenting search for yield that continues to be the overarching theme since the global financial crisis over 12 years ago.

All major central banks will want to ensure the path to recovery is well underway before considering any significant tightening in monetary policy. In fact, some countries are expected to cut benchmark rates even further this year.

> *"In Bloomberg's quarterly review of monetary policy that covers 90% of the world economy, no major western central bank is expected to hike interest rates this year."* [3]

Accordingly, in one of its last announcements for 2020, the Federal Reserve of the United States also stated that they would keep buying government bonds until the economy made substantial progress, which provides further assurance to financial markets while simultaneously keeping borrowing costs low. Another check on policy changes continues to come in the form of a still-struggling job market, a key area of focus for the Federal Reserve. Despite a sharp reduction in unemployment rates from the 14.7% record high in April at the onset of the pandemic, unemployment claims rose again towards the end of 2020 as surging COVID-19 rates slowed hiring and led to more layoffs.

In this continued low-interest rate environment, we also expect to see further credit spread compression, particularly in higher yielding markets. In a recent publication by Amundi research center, they stated:

> *"...credit spreads have tightened to nearly pre-coronavirus levels. Investment grade spreads have narrowed to about 2.3% points over Treasuries, after jumping to their highest level since 2009 in March. High-yield spreads also stayed at the 6% point range over Treasuries after rising to above 11 percentage points in March."* [4]

With benchmark rates hovering near all-time lows and credit markets reverting back to historically tight levels, savvy credit investors that are not inclined or mandated to extend duration or move down the credit spectrum are increasingly turning to well-structured private credit.

According to the Alternative Credit Council's latest "Financing the Economy 2020" report:

> *"Institutional investors have been increasing their allocation to private markets for some time"* and they continue, *"The growth in allocations to fixed income is often driven by demand for assets that can generate income, provide diversification, hedge against risks during equity bear markets, and offer liquidity. Private credit is extremely well placed to provide the first of these at a time when traditional fixed income assets are offering either minimal returns or even negative rates. Identifying assets that can do the same in public credit markets at the current time can be much more challenging."* [5]

For 2021, we expect the overall demand for private credit — and particularly Cadence note programs — to continue growing as investors search for yield outside traditional fixed income investments. We also believe that the modifications made to the Accredited Investor Rule will also broaden the accessibility of private credit to a larger population of individual investors, driving further demand into the private credit asset class.

After starting 2021 with thirteen Cadence note programs, we are gearing up to announce new strategic partnerships with private credit originators in Q1 2021. We expect that, by end of the year, we will nearly double the number of originators on our platform. We also plan on increasing the volume outstanding with our existing originators as they ramp up for growth after a complex 2020, in which most of them focused on managing their growth trajectory conservatively amid the unprecedented crisis.

We are also continuing to develop CadencePrime note programs by sourcing longer-term and more bespoke note structures for new and existing originators. Combined, we expect to have a broader array of opportunities available for all Cadence investors, ranging from 2-month notes to 4-year notes, while also maintaining a diverse pipeline of opportunities based on asset class, expected returns, and credit enhancements.

On a final note, as Cadence continues to deliver on graduating private credit originators from our Cadence and CadencePrime note programs into the institutional market, we have the unique opportunity to tactically bring transparency and standardization to the asset class as a whole. We are on a firm trajectory to bring the public market standards we are adopting and the technology we are building from our corner of the private credit market directly to the broader private credit market by acting as a trusted advisor, underwriter, and placement agent. We are at the crossroads of where market opportunity bolstered by positive trends meets unprecedented innovation, and we are excited for the impact we will have within private credit during 2021 and beyond.

[3] Bloomberg News, "Ultra-Low Interest Rates Are Here to Stay: 2021 Central Bank Guide", January 4 2021 (https://www.bloomberg.com/news/articles/2021-01-05/ultra-low-interest-rates-here-to-stay-2021-central-bank-guide)

[4] Amundi, "Heading Into 2021, What Do We Think About Credit Markets?", December 1, 2020 (https://research-center.amundi.com/page/Article/2020/12/Heading-into-2021-what-do-we-think-about-credit-markets)

[5] The Alternative Investment Management Association, "Financing the Economy 2020" (https://acc.aima.org/resources/research/financing-the-economy-2020.html)

# Capital Markets Team

## Prath Reddy, CFA

HEAD OF CAPITAL MARKETS

Prath is the Head of Capital Markets at Cadence. He has over 10 years of experience in financial services, primarily within investment banking. Prior to joining Cadence, Prath was a Director at UBS Investment Bank within their debt capital markets group based in New York. He has originated, structured and executed numerous fixed-income securities for both public and private corporations across various sectors and markets during his career. He received a BS in Business Administration with a Finance concentration from Northeastern University and is a CFA® charterholder.

## Surat Maheshwari, CFA

HEAD OF SYNDICATION

Surat is the Head of Syndication and Strategy at Cadence. He joined Cadence with over 20 years of experience in the capital market area at global financial institutions such as Citigroup, Nomura, and Oppenheimer. Over the years, Surat has completed over $50 billion in financings for companies around the globe in a variety of security structures in both the investment and non-investment grade markets in the US. Surat has an MBA from Columbia Business School in the New York city and he is also a CFA® charterholder.

## Rohit Bharill

HEAD OF RISK

Rohit is the Head of Risk at Cadence. He has over 12 years of experience in structured finance, with expertise in a large variety of synthetic and asset-backed securities from his experience at various credit trading desks and rating agencies. Prior to joining Cadence, Rohit was a Managing Director at Morningstar Credit Ratings and headed their ABS and CLO ratings group. Prior to Morningstar, Rohit worked with Moody's in their ABS group, and with Nomura and Lehman Brothers on their credit flow trading desks. He earned a Bachelor of Technology in Mechanical Engineering from Indian Institute of Technology – Bombay, and has a Master of Arts in Mathematics of Finance from Columbia University.

## Charlie Lienau

MANAGING DIRECTOR

Charlie is a Managing Director of Capital Markets at Cadence. He has over 10 years' experience in investment banking, primarily within the fixed income space. Prior to joining Cadence, Charlie was an Executive Director of UBS Investment Bank in New York where he focused on originating and executing public and private financing transactions for Latin American clients across various industries, including government, financial institutions, and corporations in the real estate, utilities and retail sectors. Before joining UBS Investment Bank, he worked at LECG, a global litigation, economic consulting and business advisory group as a Research Analyst. Prior to joining LECG, Charlie worked at JPMorgan Chase in the Center of Research Group. Charlie obtained his undergraduate degree in Economics from Universidad de San Andres in Argentina, and an MBA at Columbia Business School with graduation honors with distinction.

## Catheryn Robinson

MANAGING DIRECTOR

Catheryn is a Managing Director at Cadence. She has an in-depth experience in capital raising, structuring, and marketing asset-backed securities, cross-asset derivatives, and structured products. Prior to joining Cadence, Catheryn was a Head of Business Development for a digital unsecured consumer loan originator, Peerform/Strategic Financial Solutions. She was responsible for capital formation and institutional investor relations from seed stage to post-acquisition of the company's multi-year, loan origination debt capital solutions. Previously, Catheryn worked at J.P. Morgan, HSBC and Donaldson, Lufkin & Jenrette. She holds a B.S. in Accounting from the University of San Francisco.

## Alex Pirro, CFA

VICE PRESIDENT

Alex is a Vice President at Cadence. He joined Cadence with over 5 years of experience in global capital markets from Wells Fargo Securities. While there, Alex focused his efforts on underwriting ABS and originating structured lending facilities for consumer and residential mortgage asset classes across Europe and the U.S. He is also a CFA® charterholder.

## Lucas Keefer

VICE PRESIDENT

Lucas is a Vice President at Cadence. He joined Cadence from J.P Morgan's Asset and Wealth Management division, where he worked for 4 years establishing frameworks for ongoing risk management of discretionary multi-asset class portfolios with over $300B in AUM. Lucas obtained a bachelor's degree in Economics and Philosophy from the College of the Holy Cross.

## Daniel DeMatos

ASSOCIATE

Daniel is an Associate at Cadence. He joined Cadence from Moody's Investors Service where he worked on credit ratings for new CLO transactions and surveillance on existing CLO and CDO transactions. He also supported research efforts. He received a BS in Finance and Economics from Rutgers University.

## Paola Rios

ANALYST

Paola is an Analyst at Cadence. She joined from SS&C, a publicly-traded financial services SaaS company, where she served as an Associate Solutions Analyst. She obtained her undergraduate degree in Mathematics and Environmental Studies from Bowdoin College.

## Yunjie Xu

ANALYST

Yunjie is an Analyst at Cadence. Prior to joining Cadence, Yunjie was an AVP on the US ABS team at DBRS Morningstar, where he worked as rating analyst and was responsible for modeling and analyzing Asset-Backed Securities, including Auto, Equipment, PACE, and other esoteric ABS transactions. He also supported ongoing surveillance and periodic industry research. Yunjie has a B.S. in Economics from George Mason University and M.A in Economics from New York University.

## Isaac Cleveland

CO-OP ANALYST

Isaac is a Co-Op Analyst at Cadence. He joined Cadence from Northeastern University where he is a third-year student studying Finance and International Business. He previously worked at KeyBank on their foreign exchange trading desk, and has worked for both startups and VC firms alike on an ad hoc basis doing sourcing and due diligence.