

MONTOLD

Private Debt Fund

Providing credits to German SME



MONTOLD SME LENDING FUND GMBH & CO. KG

FUND BAFIN ID 70162347

ISIN/BLOOMBERG DE000A3C7PBo / MOBI7OE GR

MARKETING COMMUNICATION

BAFIN ID 70162347

MAY 2022

Disclaimer

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MARKETING, NO COMMITMENT OFFERING

This document is a marketing communication. The purpose of this document is to introduce Montold German SME Lending Fund (the “Fund”). This document is not an invitation to invest and is neither an offer to sell nor a solicitation to buy interests in the Fund. Therefore this document does not include a complete description and information that is relevant to the Fund. The decision to invest in the Fund can only be made based on the full fund documentation. Prior to making an investment please refer to the limited partnership agreement of Montold SME Lending Fund GmbH & Co. KG dated 21 June 2021, as amended from time to time (the “LPA”), and the Fund’s confidential information memorandum (the “PPM”), including the “Risk Factors” section therein, which contains a discussion of the risks and uncertainties that we believe are material to our business, operating results and financial condition. The LPA and PPM shall be provided to you prior to making an investment decision. This document must be read in conjunction with the LPA and the PPM in order to fully understand all the implications of an investment in the Fund, its terms, structure and investments, regulatory and tax risks and risks associated with conflicts of interest and carefully evaluate those described risks before making an investment in the Fund.

TARGET AUDIENCE

This document exclusively addresses investors in Germany who are professional or semi-professional investors as defined in the German Capital Investment Act (KAGB).

As a registered AIF-capital management company (AIF-Kapital-verwaltungsgesellschaft) under § 2 para. 4 and § 44 of the KAGB, Montold does not actively market the Fund outside of Germany.

OWN DUE DILIGENCE, NO INDIVIDUAL RECOMMENDATION

Nothing contained in this document is intended to constitute legal, tax, securities or investment advice. The general opinions and information contained in this document should not be acted or relied upon by any person without obtaining its own specific and relevant legal, tax, securities or investment advice.

It is firmly recommended that all interested investors will carry out their own due diligence of the fund documentation prior to any investment into the Fund and should consider their own investment, legal and tax advice.

FUND’S STRUCTURE

The Fund is a non-listed German limited partnership (Kommanditgesellschaft) which intends to invest all of its total assets (net assets plus borrowings for investment purposes) in private credit investments (loans issued in private offerings or issued by private companies).

Disclaimer

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RISKS

This investment involves a high degree of risk. You should purchase these securities only if you can afford the complete loss of your investment. You should read the LPA and PPM carefully for a description of the risks associated with an investment in the Fund.

These risks include, but are not limited to, the following:

We have no prior operating history and there is no guarantee that we will achieve our investment objectives.

This is a “blind pool” offering and thus you will not have the opportunity to evaluate our investments before we make them.

There is no guarantee that suitable investments will be or can be secured in the desired amounts or at all, or that they will be successful.

You should not expect to be able to sell your interest regardless of how we perform.

You should consider that you may not have access to the money you invest for an extended period of time.

We do not intend to list the interests in the Fund on any securities exchange, and we do not expect a secondary market in our interests to develop.

Because you may be unable to sell your interests, you will be unable to reduce your exposure in any market downturn.

We intend to implement an interest repurchase program, but only a limited number of interests will be eligible for repurchase and repurchases will be subject to available liquidity and other significant restrictions.

An investment in interests is not suitable for you if you need access to the money you invest. See “Suitability Standards” and “Interest Repurchase Program” in the PPM.

We cannot guarantee that we will make distributions and, if we do, we may fund such distributions from sources other than cash flow from operations, including, but not limited to the sale of assets, borrowings, return of capital or offering proceeds, and we have no limits on the amounts we may pay from such sources. A return of capital (1) is a return of the original amount invested, (2) does not constitute earnings or profits and (3) will have the effect of reducing the basis such that when a limited partner sells its interest the sale may be subject to taxes even if the interest is sold for less than the original purchase price.

Distributions may also be funded in significant part, directly or indirectly, from temporary waivers or expense reimbursements borne by Montold or its affiliates, that may be subject to reimbursement to Montold or its affiliates. The repayment of any amounts owed to our affiliates will reduce future distributions to which you would otherwise be entitled.

We expect to use leverage, which will magnify the potential for loss on the amounts invested in the Fund.

FORWARD-LOOKING STATEMENT DISCLOSURE

Certain information contained in this document constitutes “forward-looking statements”, which can be identified by the use of forward-looking terminology such as “may”, “will”, “expect”, “intend”, “anticipate”, “estimate”, “believe”, “continue” or other similar words, or the negatives thereof. These may include our financial projections, estimates and their underlying assumptions, statements about plans, objectives and expectations with respect to future operations, and statements regarding future performance. Such forward-looking statements are inherently uncertain and there are or may be important factors that could cause actual outcomes or results to differ materially from those indicated in such statements. Montold believes these factors include but are not limited to those described under the section entitled “Risk Factors” in the PPM. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in the LPA and the PPM. Except as otherwise required by any federal securities or other regulatory law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

ISSUER, USE OF INFORMATION

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OTHER

Numerical data is approximate and as of July 30, 2021, unless otherwise noted. The words “we”, “us”, and “our” refer to the Montold and/or the Fund, unless the context requires otherwise.

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Introduction to Montold SME Lending Fund GmbH & Co. KG

Fund Objective

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- The Fund is a closed-end private debt fund which intends to lend money to borrowers – German SME companies.
- The Fund collects interest and principal repayments and reinvests the proceeds.
- The term of the Fund is set at 5 years, after which distributions are made to the investors. It might take some additional time to distribute all proceeds from the
- Fund, depending on the specific credit terms for credits maturing after the termination date of the fund and incurred as a result of reinvestment.
- The Fund focuses on short-term lending to micro- and small-sized German SME companies. These companies are underleveraged as legacy German banks were unable to penetrate this sector effectively and therefore there is an opportunity to fill this gap.

Fund Terms

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- | | | | |
|----------------------|--|---|--|
| ➤ Fund Size | 50 mln Euro | ➤ Fund Manager | Montold Asset Management GmbH („Montold“), |
| ➤ Fund BaFin ID | 70162347 | ➤ BaFin ID | 10156973 |
| ➤ Management Fee* | 1.0% | ➤ Berlin Tauentzienstraße 13 | 10789 Berlin, Germany |
| ➤ Hurdle rate** | 6.0% | ➤ Tel:+49 30 229 57 328 | |
| ➤ Redemptions | After 5 years | ➤ email: | info@montold.com |
| ➤ Subscription | Open | | |
| ➤ Distributions | The aim is to distribute the coupon annually, but without hard commitment. The final distributions are made after the end of the investment period | | |
| ➤ Minimum Investment | 0.2 mln Euro | | |
| ➤ Minimum Hold | 5 years | | |
| ➤ Legal Counsel | POELLATH P+P Pöllath + Partners | | |
| ➤ Auditor | KWP Revision GmbH | | |
| ➤ Administrator | Montold AM | | |

* Additional 100bps is charged by Puls for its loan origination

** Fund income above the hurdle rate of 6% is split 50/50 between investors and Montold AM

Fund Structure

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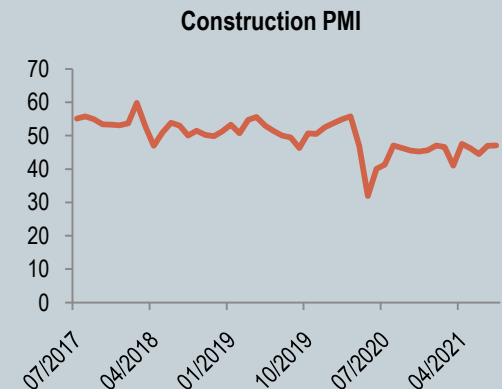
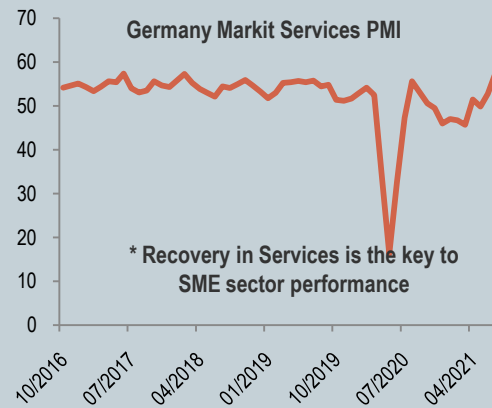
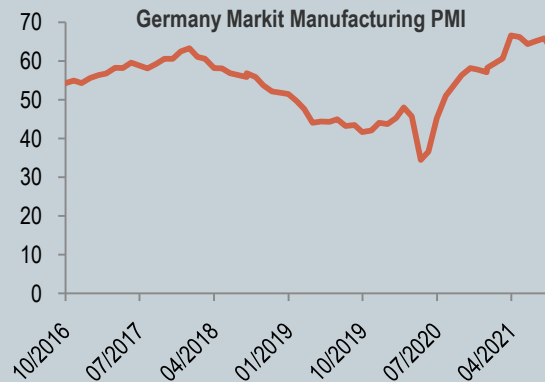
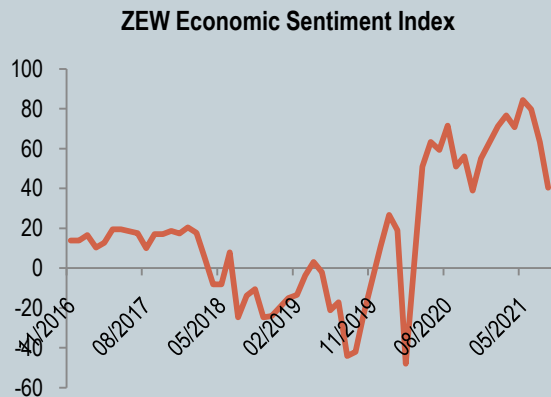
- The Fund is structured as German limited partnership (Kommanditgesellschaft) according to the German Commercial Code (Handelsgesetzbuch (HGB)).
- Investors in the Fund become limited partners in the partnership.
- For details of the terms of the partnership please refer to the Limited Partnership Agreement of Montold SME Lending Fund GmbH & Co. KG dated 21 June 2021 (the “LPA”).

Germany economy and SME Sector

Germany economy backdrop post COVID

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- Germany economic growth recorded 4.9% decline in 2020 hit by COVID crisis.
- It is now recovering strongly with 9% growth in August 2021 compare to 11% fall in August 2020.
- The measure is expected to record a 3.6% rise in the end of 2021.



Germany SME sector contribution to economy and post Covid developments in SME sector

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- Germany small and medium SME is a key economic sector, accounting for 644 Eur bn of GVA on our estimates in 2021 (based on [2019 EC SBA Germany Factsheet](#))
- This figure corresponds to 21% of overall Germany value added in current prices and to 36% of GVA in non financial German business economy.
- The VAD in SME sector corresponds to 37,000Eur per person employed which bodes well with German GDP per capita of 41,000Eur
- The health of the SME sector is therefore crucial to Germany economic well being and growth.

	Number of enterprises	Number of persons employed	Valued added Eur mn	Number of persons employed by enterprise
Micro (0-9)	1 983 074	5 795 137	195 680	3
Small (10-49)	394 597	7 208 893	243 417	18
Medium (50-250)	72 155	6 096 376	205 852	84
Total Micro, Small and Medium SME	2 449 826	19 100 406	644 949	106
Large SME (250+)	17 859	7 143 600	241 212	400
Total	2 467 685	26 244 006	886 161	506

Source: [2019 EC SBA Germany Factsheet](#)

Germany SME sector structure

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- GVA generation by sector is closely related to employment numbers
- The largest sector for SME is Trade and repair of motor vehicles followed by professional, scientific and technical services and construction industry
- Manufacturing, transportation and hospitality sectors as well as information and communication and real estate are the next cluster of key SME sectors by employment and VAD generation.
- Hospitality sector of course was the worst hit by the COVID crisis by empirical data. But with services PMI data showing recovery, there is reason to believe the troubles in the sector are almost over.

<u>Employment in Germany SME companies</u>	1-9	10-49	50-249	250+	
Manufacturing	358 534	1 031 815	1 433 964	2 274 400	5 098 713
Construction industry	881 892	962 246	346 747	145 600	2 336 485
Trade, maintenance and repair of motor vehicles	1 340 272	1 917 642	1 687 603	2 051 600	6 997 117
Professional, scientific and technical services	1 278 611	766 841	416 789	401 600	2 863 842
Real estate, Housing	404 566	202 366	132 480	94 400	833 812
Energy supplies	748	9 299	54 412	226 000	290 459
Water supply, disposal, removal of environmental pollution	4 462	48 431	95 220	88 400	236 514
Mining and quarrying	2 747	11 546	13 011	10 800	38 104
Transportation and storage	218 576	456 396	472 637	474 400	1 622 010
Hospitality industry	485 374	1 059 218	476 524	131 200	2 152 316
Information and communication	310 269	245 554	264 623	310 400	1 130 846
Other economic services	473 927	488 349	696 198	929 600	2 588 073
Repair of computer equipment and household goods	35 158	9 189	6 168	5 200	55 715
	5 795 137	7 208 893	6 096 376	7 143 600	26 244 006

Source: [KfW SME Panel 2020](#),
DB, Montold,
[Genesis.destatis.de](#)

Germany banking universe and SME credits

Germany Banking Backdrop

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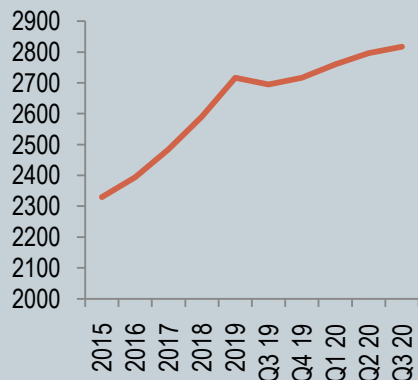
➤ Germany Banking System is well funded in the large corporate segment and the sector of households

	Assets Euro bn\$
Germany total banking assets	
Commercial banks total	3445
Public banks total	1531.92
Cooperative banks total	872.43
Development banks total	534
Central bank	2471
Total	8854.35

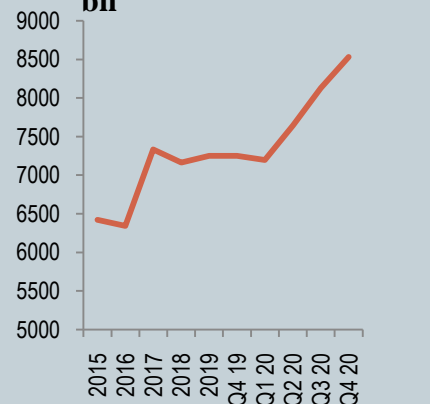
Largest German Commercial Banks by Total Assets 2018 (in EUR billion)

Deutsche Bank AG	1325
Commerzbank AG	462
Unicredit Bank AG	286
DB Privat- und Firmenkundenbank (ehemals Postbank)	276
ING-Diba AG	171
Hamburg Commercial Bank (former HSH Nordbank 42.% owned by Cerberus)	130
Other	1033.5
Commercial banks total	3445

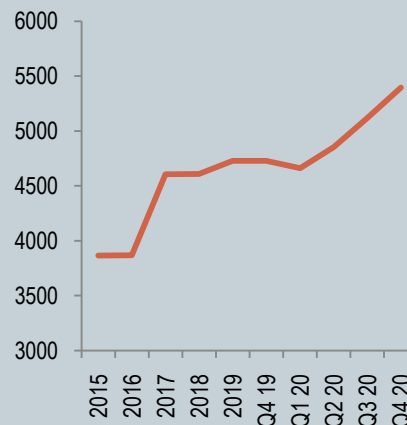
Germany Bank credit to the private non-financial sector (core debt) bn Euro



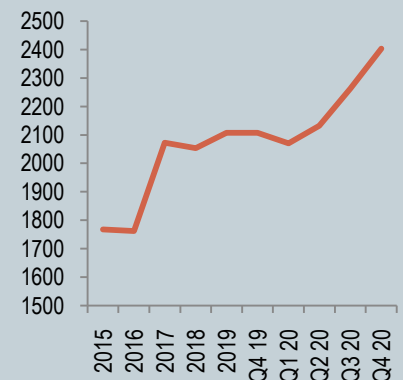
Total credit to the non-financial sector (core debt) financial sector Eur bn



Total credit to the private non-financial sector (core debt) Eur bn



Total credit to households (core debt) Eur bn



Source: BIS, Montold,

Montold Lending Model for Germany SME

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➤ *Lending to SME Sector in Germany corresponds to 463\$bn according to Montold Model for SME Sector lending.*

➤ *This corresponds to only 16% of total credits in corporate non financial sector and doesn't match 36% of GVA the SME companies generate*

Total Debt bn EUR	1-9	10-49	50-249	Total
Manufacturing	21 522	61 939	86 079	169 540
Construction industry	10 588	11 553	4 163	26 303
Trade, maintenance and repair of motor vehicles	13 409	19 186	16 884	49 479
Professional, scientific and technical services	5 482	3 288	1 787	10 558
Real estate, Housing	13 254	9 445	83 421	106 120
Energy supplies	28	349	2 041	2 418
Water supply, disposal, removal of environmental pollution	67	727	1 429	2 223
Mining and quarrying	41	173	195	410
Transportation and storage	4 374	9 132	9 457	22 963
Hospitality industry	12 140	26 493	11 919	50 552
Information and communication	2 328	1 843	1 986	6 156
Other economic services	4 742	4 886	6 965	16 593
Repair of computer equipment and household goods	132	34	23	190
Total	88 108	149 047	226 351	463 505

Total Debt bn EUR of micro and small enterprises by sector	
Manufacturing	83 461
Hospitality industry	38 633
Trade, maintenance and repair of motor vehicles	32 595
Real estate, Housing	22 699
Construction industry	22 140
Transportation and storage	13 506
Other economic services	9 627
Professional, scientific and technical services	8 770
Information and communication	4 171
Water supply, disposal, removal of environmental pollution	794
Energy supplies	377
Mining and quarrying	214
Repair of computer equipment and household goods	166
Total	237 155

Interest bn EUR	1-9	10-49	50-249	Total
Manufacturing	1 614.18	4 026.01	4 734.36	10 374.55
Construction industry	794.08	750.91	228.96	1 773.96
Trade, maintenance and repair of motor vehicles	1 005.69	1 247.07	928.63	3 181.38
Professional, scientific and technical services	411.18	213.72	98.29	723.19
Real estate, Housing	994.08	613.90	4 588.17	6 196.15
Energy supplies	2.11	22.68	112.28	137.06
Water supply, disposal, removal of environmental pollution	5.02	47.24	78.59	130.86
Mining and quarrying	3.09	11.26	10.74	25.09
Transportation and storage	328.02	593.60	520.15	1 441.77
Hospitality industry	910.51	1 722.06	655.54	3 288.11
Information and communication	174.61	119.76	109.21	403.58
Other economic services	355.62	317.58	383.09	1 056.29
Repair of computer equipment and household goods	9.89	2.24	1.27	13.41
Total	6 608	9 688	12 449	28 745

Source: Montold Model for German SME Credits

Some examples of Germany high yield bonds yield levels

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- Large German large with investment grade credit ratings corporates borrow at c.2-3%.
- Even Germany distressed and high yield bond offer at most at 5-6% YTM

Name	Sector	Coupon	Maturity	Duration	Price	Currency	YTW
DOUGLAS GMBH RegS	Consumer Cyclical	6	Apr 08, 2026	3.99	118.03	EUR	6.26
TUI CRUISES GMBH RegS	Consumer Cyclical	6.5	May 15, 2026	3.58	121.48	EUR	5.91
HP PELZER HOLDING GMBH RegS	Consumer Cyclical	4.13	Apr 01, 2024	2.53	115.38	EUR	5.37
VERTICAL HOLDCO GMBH 144A	Capital Goods	7.63	Jul 15, 2028	3.18	108.2	USD	5.04
NIDDA BONDCO GMBH RegS	Consumer Non-Cyclical	5	Sep 30, 2025	1.7	118.89	EUR	5
VERTICAL HOLDCO GMBH RegS	Capital Goods	6.63	Jul 15, 2028	2.58	126.37	EUR	4.87
CT INVESTMENT GMBH RegS	Consumer Cyclical	5.5	Apr 15, 2026	3.53	121.71	EUR	4.83
BLITZ F18-675 GMBH RegS	Industrial Other	6	Jul 30, 2026	1.51	122.12	EUR	4.58
CTC BONDCO GMBH RegS	Basic Industry	5.25	Dec 15, 2025	1.04	120.84	EUR	4
PCF GMBH RegS	Capital Goods	4.75	Apr 15, 2026	3.53	122.22	EUR	3.95
VERTICAL US NEWCO INC 144A	Capital Goods	5.25	Jul 15, 2027	3.48	105.38	USD	3.68
TELE COLUMBUS AG RegS	Communications	3.88	May 02, 2025	1.85	119.38	EUR	3.62
GRUENENTHAL GMBH RegS	Consumer Non-Cyclical	4.13	May 15, 2028	5.07	122.06	EUR	3.53
NIDDA HEALTHCARE HOLDING AG RegS	Consumer Non-Cyclical	3.5	Sep 30, 2024	1.55	118.84	EUR	3.51
CHEPLAPHARM ARZNEIMITTEL GMBH RegS	Consumer Non-Cyclical	4.38	Jan 15, 2028	4.18	123.45	EUR	3.45
DEUTSCHE BANK AG (NEW YORK BRANCH)	Banking	3.73	Jan 14, 2032	8	103.31	USD	3.32
DEUTSCHE BANK AG (NEW YORK BRANCH)	Banking	4.88	Dec 01, 2032	5.41	109.24	USD	3.25

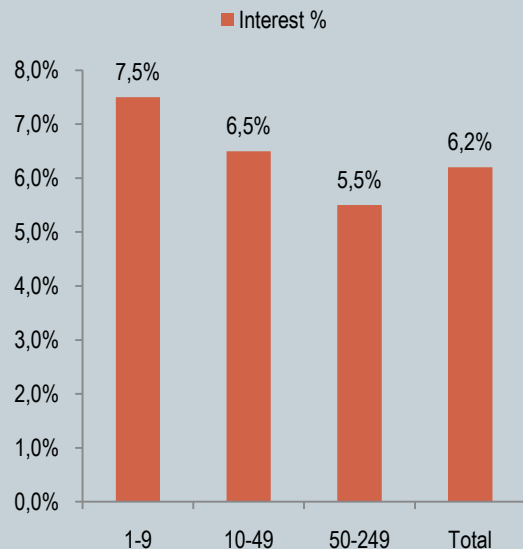
Source: Midlincoln Research, Ishares. Data is through July 30 2021

Germany SME Credits

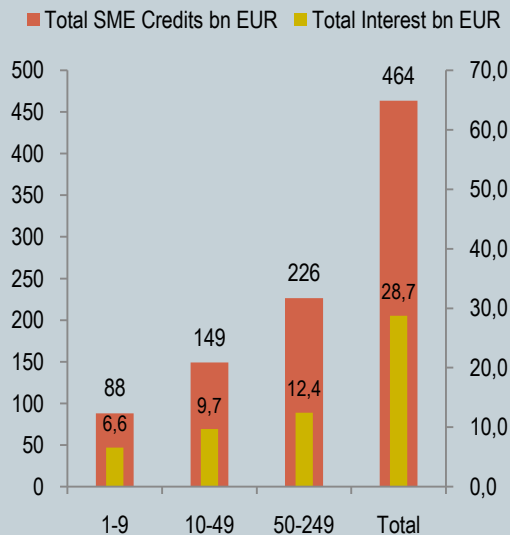
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➤ According to Montold Model for Germany SME credit, cost of borrowing for SME companies are on the order of 5.5% to 7.5%, depending of size of the enterprise.

Estimate of Interest on credits by SME size



Total SME leverage and Interest Bn Eur by size



Estimate of SME Lending Rates by Sector

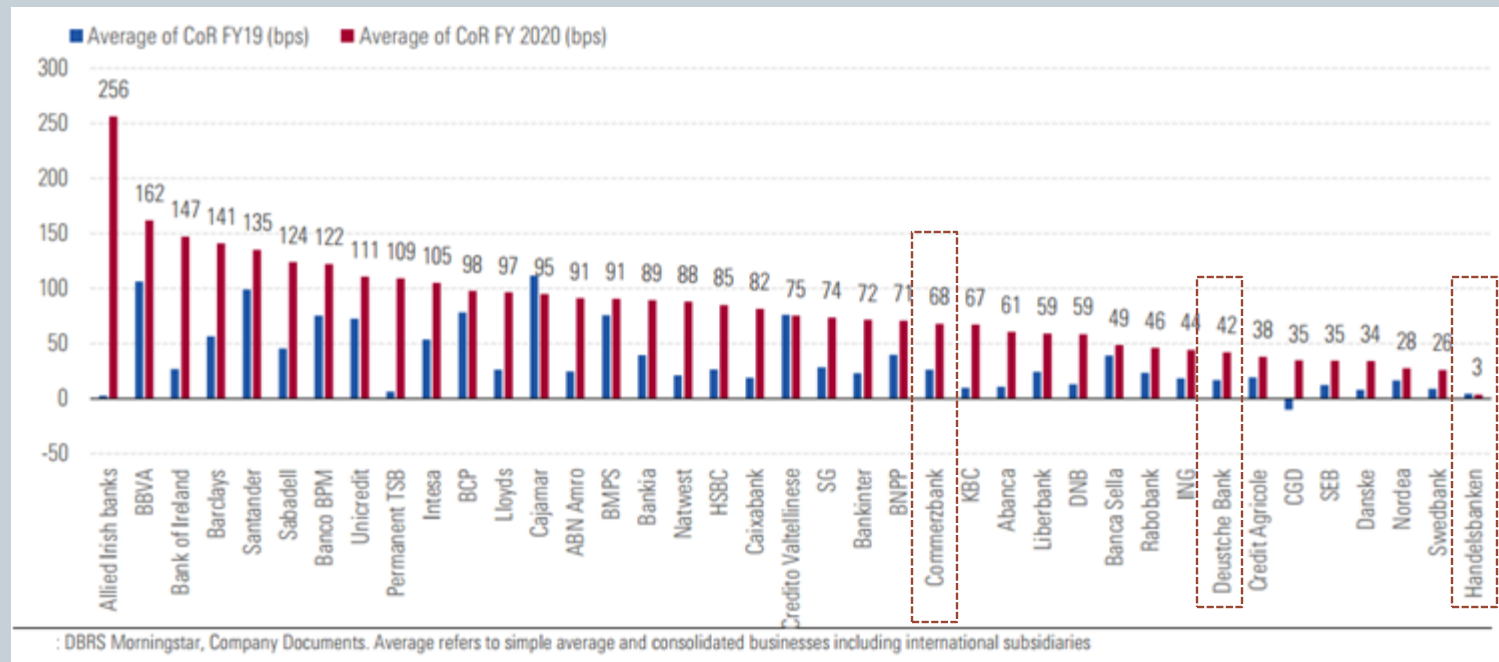
	Total
Manufacturing	6.1%
Construction industry	6.7%
Trade, maintenance and repair of motor vehicles	6.4%
Professional, scientific and technical services	6.9%
Real estate, Housing	5.8%
Energy supplies	5.7%
Water supply, disposal, removal of environmental pollut	5.9%
Mining and quarrying	6.1%
Transportation and storage	6.3%
Hospitality industry	6.5%
Information and communication	6.6%
Other economic services	6.4%
Repair of computer equipment and household goods	7.1%
Total	6.2%

Source: Montold Model for German SME Credits

European Banks' Cost of Risk

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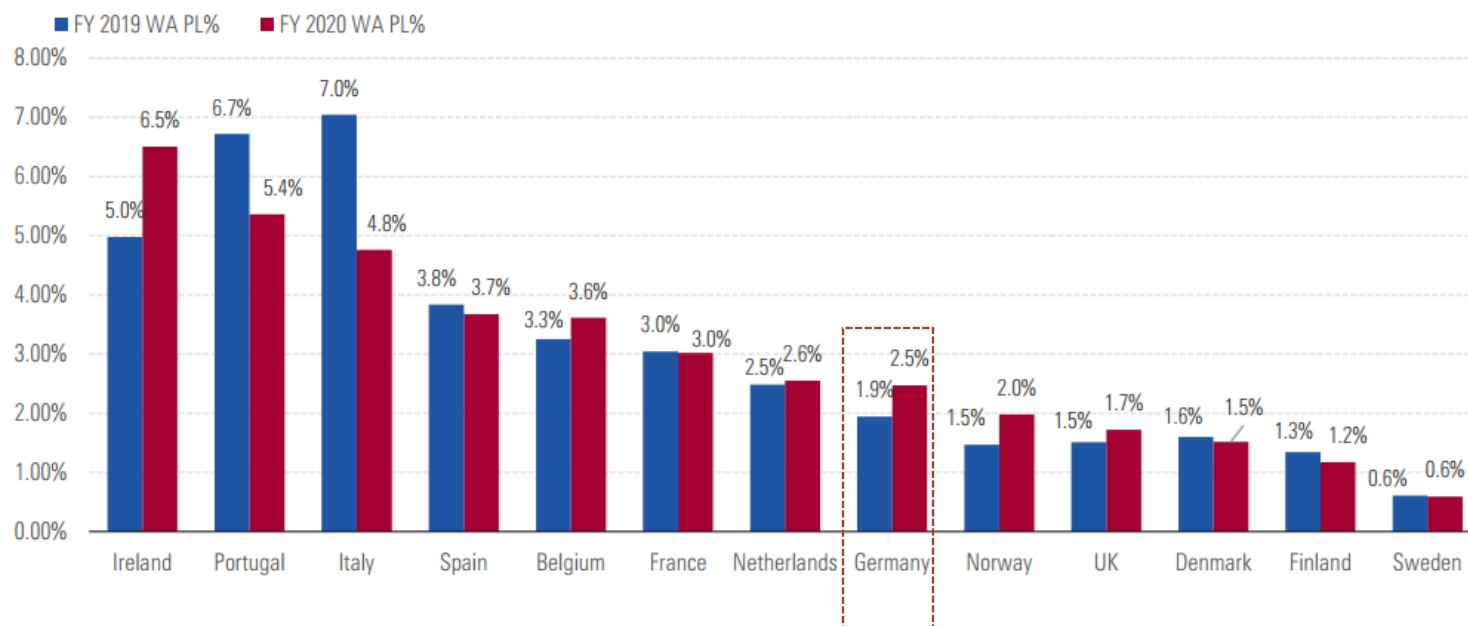
➤ And despite fairly high yields for the SME sector credits, the level of Cost of Risk for Germany banks remain the lowest in the comparable universe



European NPLs

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➤ German NPL levels are quite modest. While German NPLs were expected to rise to 2.5% levels in the midst of Covid crisis, they could be back soon to the pre-crisis levels of 1.9%



Source: DBRS Morningstar, Company Documents. Average refers to weighted average and consolidated businesses including international subsidiaries and in reported currency. NPLs refers to NPLs EBA definition as reported by banks or Stage 3 loans if NPLs EBA definition are not available. HSBC data in GBP using an average of year spot exchange rate USD:GBP.

Government Support

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➤ It is worth mentioning that German development banks including KfW and the regional banks offer some support to German SME. However the support is limited by the size of the banking institutions balance sheets.

Germany KfW regional development bank assets and initiatives

Germany Development Bank Assets bn Eur

German Development banks and other

KfW	485
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Other including(LfA Förderbank Bayern, Baden-Württemberg: L-Bank, Investitionsbank Berlin, Investitionsbank des Landes Brandenburg , Bremer Aufbau-Bank, Hamburgische Investitions- und Förderbank) see the section on Governmet Support for the total list of Germany development banks	49
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Development banks total	534
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Bavaria: LfA Förderbank Bayern, z.B.	Emergency loan (German only)
Baden-Württemberg: L-Bank, z.B.	Liquidity loan (German only)
Berlin: Investitionsbank Berlin (IBB), z.B.	Liquidity Aids (English only)
Brandenburg: Investitionsbank des Landes Brandenburg (ILB), z.B.	SME Credits (German only)
Bremen: Bremer Aufbau-Bank, z.B.	Entrepreneur loan (German only)
Hamburg: Hamburgische Investitions- und Förderbank (IFB), z.B.	Credit for Growth
Hesse: Wirtschafts- und Infrastrukturbank Hessen (WiBank), z.B.	Founding and Investing loan
Mecklenburg-Western Pomerania: Bürgschaftsbank MV GmbH, z.B.	BMV Loan (German only)
Lower Saxony: NBank, z.B.	Founding Credit (German only)
North Rhine-Westphalia: NRW.Bank, z.B.	Universal Credit (German only)
Rhineland-Palatinate: Investitions- und Strukturbank Rheinland-Pfalz (ISB), z.B.	Working Capital Loan (German only)
Saarland: Saarländische Investitionskreditbank AG, z.B.	Founding and Investing Financing Programme (German only)
Saxony-Anhalt: Investitionsbank Sachsen-Anhalt (IB), z.B.	SME Loan (German only)
Saxony: Sächsische Aufbaubank, z.B.	Liquiditätshilfemaßnahmen
Schleswig-Holstein: Investitionsbank Schleswig-Holstein (IB.SH), z.B.	Working Capital Loan (German only)
Thuringia: Thüringer Aufbaubank, z.B.	Consolidation Fund (German only)
Further information is also available via the funding database of the Federal Ministry of Economics:	https://www.foerderdatenbank.de/FDB/DE/Home/home.html

SME Information Coverage

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- On a top level the topic of SME is researched by European commission. The European Commission encourages EU Member States to learn from each other and to take up measures which have proved to be successful in other Member States. Framework - the 10 principles of the Small Business Act (SBA). The SBA is the EU strategy to improve the business environment for SMEs
- Some research is done by the European Investment [fund](http://EIF.org) (EIF.org), which provides guarantees to banks and financing organizations lending to SMEs in Europe.
- Also by European Investment Banks which provides credits, guarantees and invests into equity of SME in various European countries
- More research is carried out by European association of guarantee institutions (AECM.eu) that publishes scoreboards for [SMEs](#)
- Another body that provides useful SME insights is European banking association that provides info on SMEs via its [Facts and Figures reports](#)
- In Germany the SME research is carried out by Germany key development bank kfw.de which heavily relies on the results obtained by European commission research for its [SME Panel](#)
- Deutsche Bundesbank (Germany central bank) overlooks the SME financing conditions and provides some research via its [discussion papers](#) and [stability reviews](#)
- SME topics are researched by German key commercial banks [Deutsche bank](#) and [Kommerzbank](#)

Fund financial model

Revenue Model

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➤ Montold revenue model aims at achieving 3.9% annual return after tax and post liquidity as a base case.

➤ A more ambitious flat rate approach is to yield 6.4% net annual return. Income above 4% hurdle rate will be split 50-50 between Montold and investors.

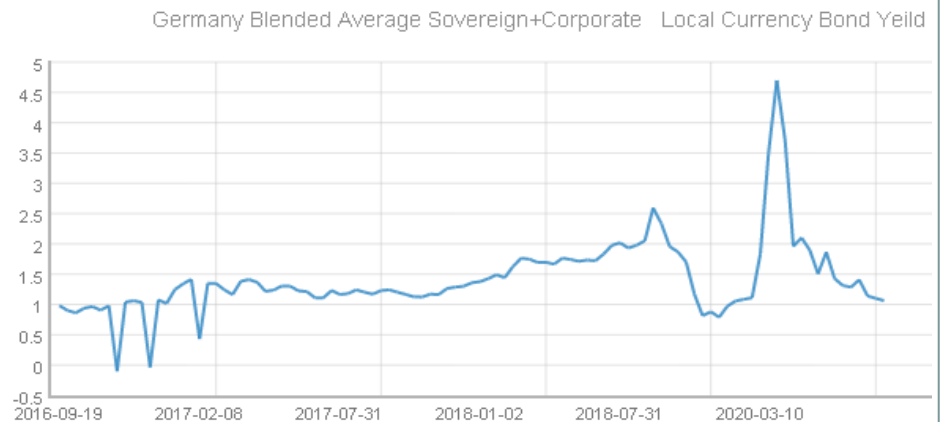
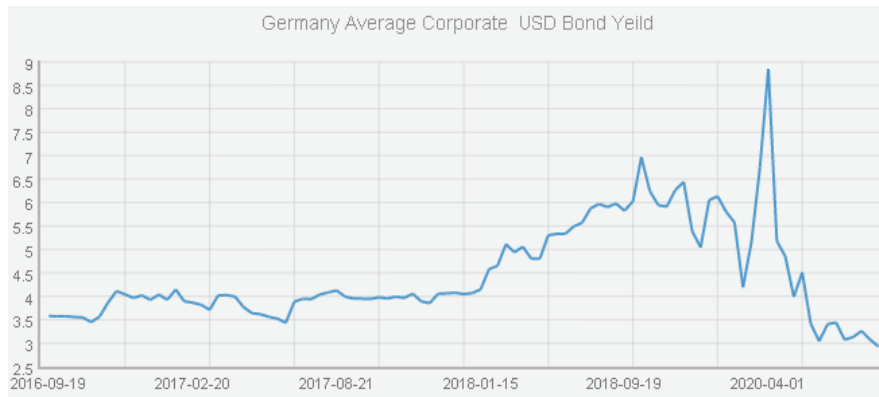
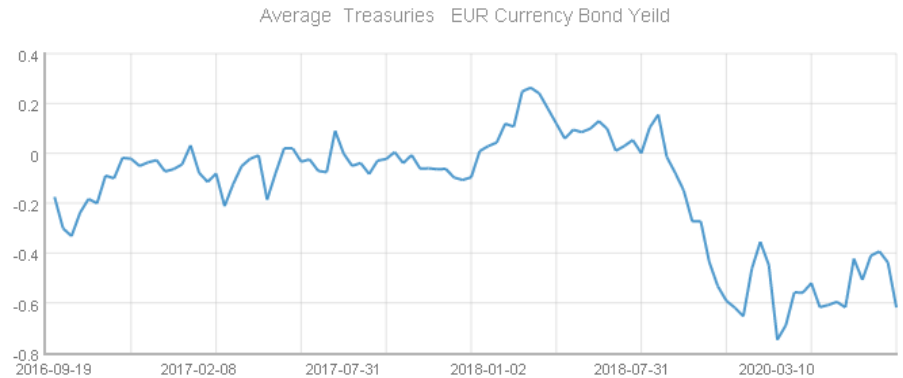
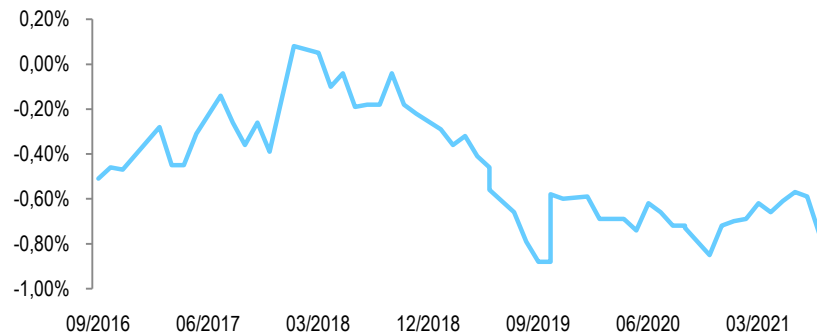
	Dynamic risk class approach	Flat rate approach
Interest received	8.9%	12.0%
Interest paid	0.0%	0.0%
Total Interest Revenue	8.9%	12.0%
Commission Expenses (Montold)	2.0%	2.0%
Platform fee (Puls)	1.0%	1.0%
Total cost	3.0%	3.0%
Risk Costs	1.3%	1.5%
Result before tax	4.6%	7.5%
Tax rate	15.0%	15.0%
Result after tax	3.9%	6.4%
	Dynamic risk class approach	Flat rate approach
Risk Grade	Risk weight	Risk weight
A	10.0%	5.0%
B	15.0%	10.0%
C	35.0%	20.0%
D	40.0%	65.0%
RAROC 1 year	25.5%	66.1%

Germany Capital Markets

Germany Yields

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➤ Germany bond yields are very modest.



Source: Midlincoln Research, Ishares. Data is through July 30 2021

Germany Equity Markets

26

➤ Germany small caps – a better choice for positioning in the market.

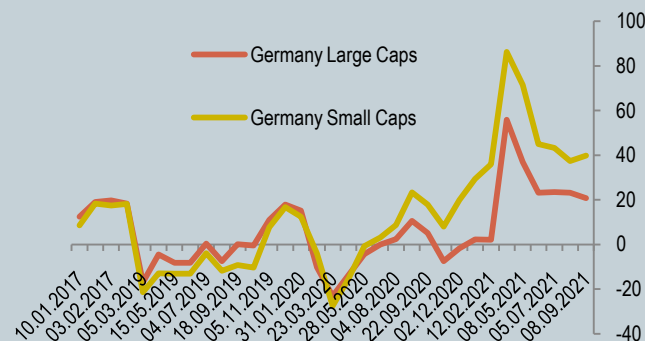
➤ Economic data for Germany adds some positives, German markets behave likewise gaining 15.7% YTD for the MSCI Germany Hedged Index.

➤ German Factory Orders slightly lagging, services - the locomotive of growth.

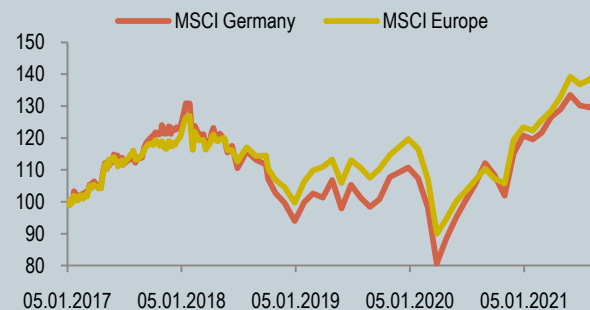
➤ Dax Index makeover positive for the market as it expands from 30 to 40.

➤ Some inflation in Germany may be positive for the markets.

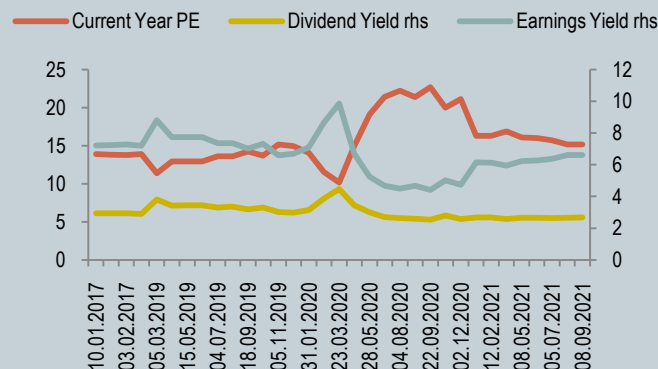
Trailing 12 m returns %



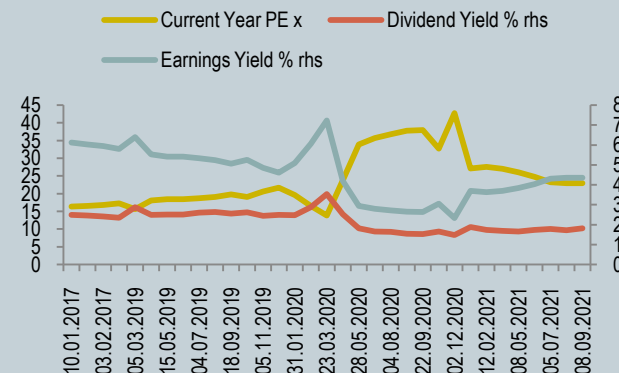
Trailing 12 m returns %



Germany Large Caps valuation



Germany Small Caps Valuations

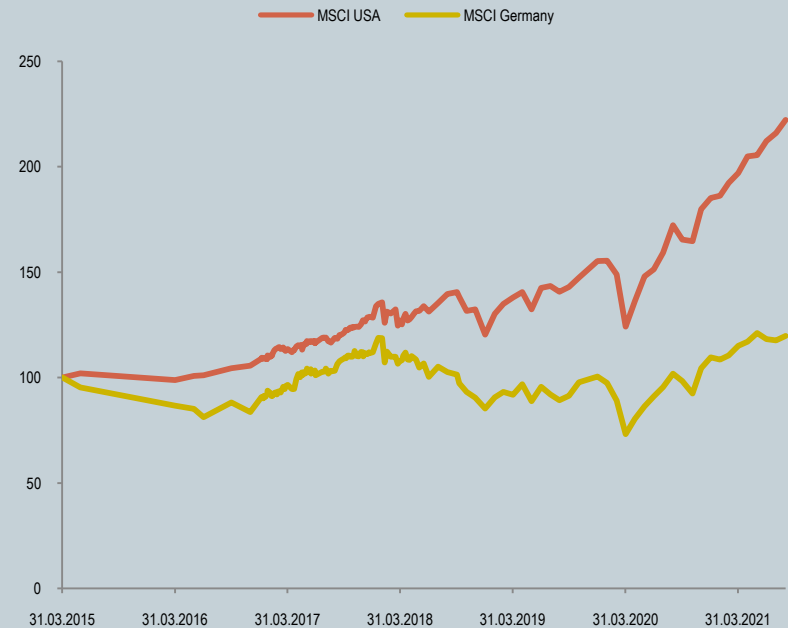
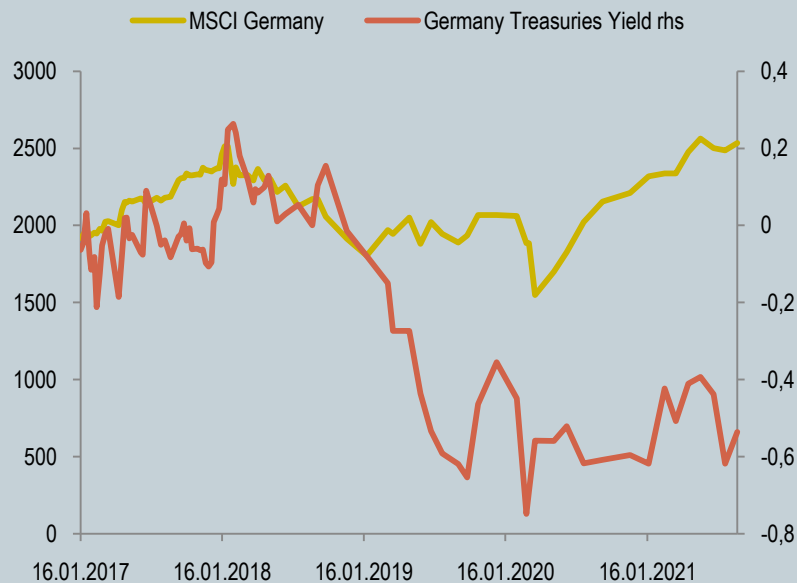


Source: Bloomberg

Comparison vs. US Equities and vs. Germany Treasuries

27

➤ Equities in Germany closely correlate with benchmark bond yield performance and US equities



Source: Bloomberg

SME Funds and Loan Funds

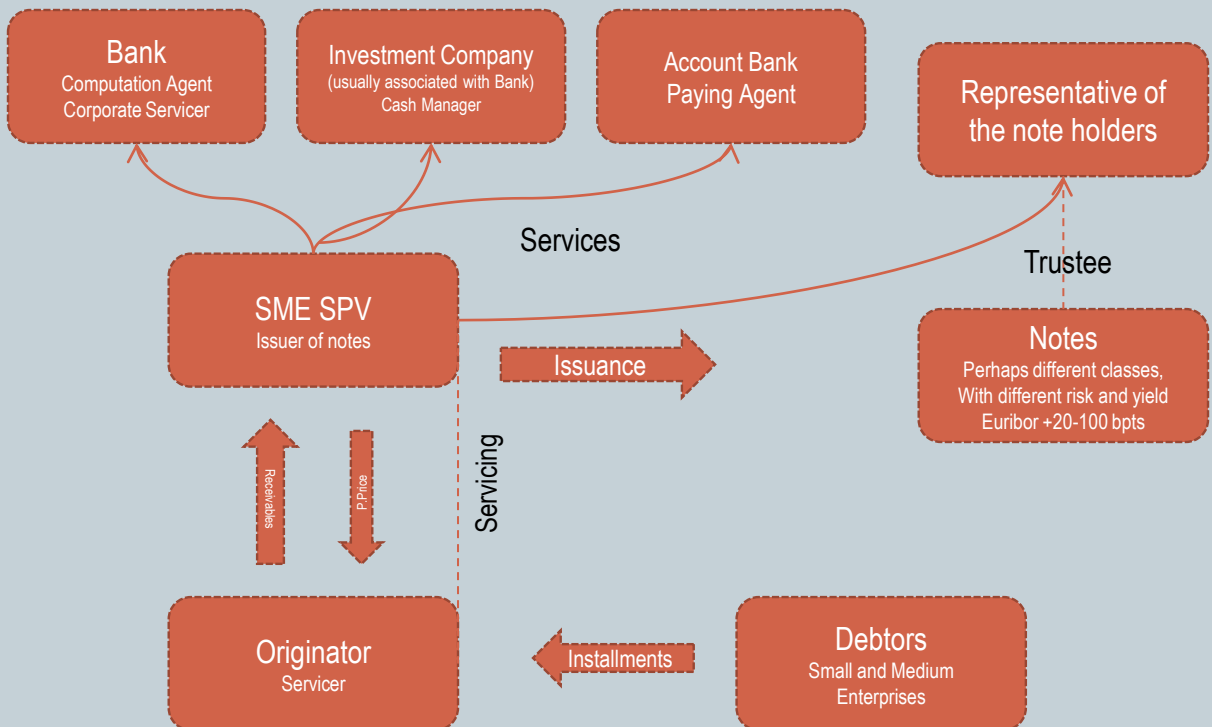
Securitisation SME Note Example of Structure

29

Underlying assets	Securitisation Name	Originator Country	ISIN code
SME loans	FCT Bpifrance SME 2020-1	FR	FR0014000GV7
Leases	abc SME Lease Germany SA , acting in respect of its Compartment 7	DE	XS2231779302, XS2231781464, XS2231782355
SME loans	Lanterna Finance S.r.l.	IT	IT0005415218, IT0005415226, IT0005415234
Leases	Alba 11 SPV S.r.l.	IT	IT0005413205, IT0005413239, IT0005413247, IT0005413254, IT0005413262
SME loans	Small Business Origination Loan Trust 2019-3 Designated Activity Company	GB, IE	XS2057896420, XS2057898392, XS2057898475, XS2057898806, XS2057898988, XS2057899366, XS2057899283
Leases	abc SME Lease Germany SA , acting in respect of its Compartment 6	DE	XS2050524458, XS2050535736, XS2050536627
SME loans	FCT Bpifrance SME 2019-1	FR	FR0013452117, FR0013454212
SME loans	Civitas SPV S.r.l. - Series 2019-1	IT	IT0005388316, IT0005388324, IT0005388332
Leases	Limes 2019-1	DE	XS2004795568
SME loans	Valsabbina SME SPV	IT	IT0005380115, IT0005380123

➤ **Securitisations** are the biggest public investment vehicles supporting SME lending. Normally they are large size vehicles (500-2000 mn Eur) originated by banks and hold portfolios of SME loans.

➤ Most frequently they are offered to investors as notes more rarely bonds paying 3m Euribor rate plus some margin 20-100 bpts. As 3m Euribor is in the negative territory the yield to investors is tiny.



Source: Midlincoln Research

EIB SME Initiatives

30

➤ EIB (European Investment Bank) one of the key institutions in the region investing in fixed income, guaranteeing bonds and notes and investing in equity of SME related businesses.



Source: EIB

A Path for German SME lending fund

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Private Credit for SMEs
Predominantly direct lending through
secured and unsecured loans

- Investment flexibility across wide range of private credit
- High current income potential given increased demand from Germany SME companies
- Opportunities for enhanced returns, access to diligence through Fintech
- Potential for beneficial structures with favorable terms to target attractive risk-adjusted returns
- Expansive sourcing and due diligence supported by Fintech

Montold Fund vs. European and emerging markets debt funds

32

➤A comparison of the total return of public debt products of European and U.S. investment managers is presented in the table below. For example, the iShares Sovereign emerging markets credit ETF is offering an average yield of 4%, calculated as a simple average of its underlying. The average Sovereign blended currency global fund for developed market bonds (which includes European sovereign credit) is offering 0.13% average yield. High-yield emerging markets credit shows an average yield of 4.4% and US Treasuries yield on average 0.45%. Even local currency emerging market yields on average are at 5% - with a substantial currency risk attached.

Montold Fund vs. European and emerging markets debt funds

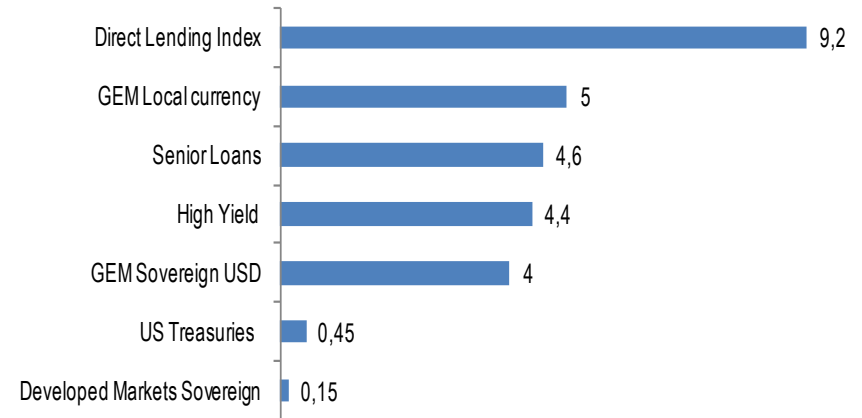
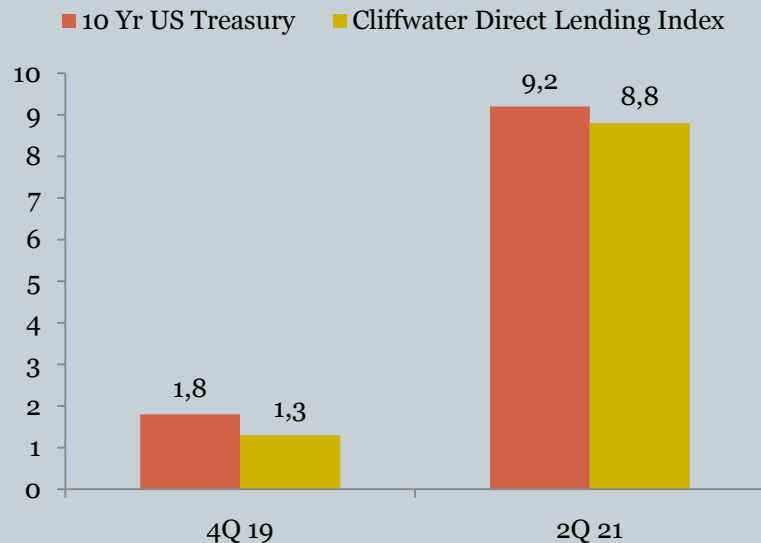
Fund	Adjustments	Currency	Management fee	1Y	3Y	5Y	Av Yiled
*Montold Private Debt Fund estimate base case	after tax post liquidity annualised	Euro	2.0	na	na	3.9	8.8
Blackrock BGF Euro Bond Fund	before tax annualised	Euro	0.8	-0.5	2.4	-1.3	na
Fideuram Fund Euro Bond Low Risk	before tax (non annualised)	Euro	1.0	-7.7	-2.8	-1.8	na
BlueBay Funds - BlueBay Investment Grade Euro Aggregate Bond Fund I - EUR	before tax (non annualised)	Euro	0.5	-4.0	2.0	2.8	na
DWS Xtrackers II EUR Corporate Bond UCITS ETF 1C	before tax annualised	Euro	0.1	3.3	1.8	na	na
iShares J.P. Morgan USD Emerging Markets Sovereign Bond ETF	after tax post liquidity	USD	0.4	4.2	4.2	2.4	4.2
iShares J.P. Morgan EM Corporate Bond ETF	after tax post liquidity	USD	0.5	4.4	4.6	3.3	3.5
iShares J.P. Morgan EM High Yield Bond ETF	after tax post liquidity	USD	0.5	7.3	3.5	2.4	3.5

Source: Ishares, Blackrock, DWS, FT as of June 30 2021

Private Debt Funds vs. Other Fixed Income Funds and Products

33

➤ The yield comparison vs. key funds is highly skewed towards SME credits.



Source: Morningstar, Cliffwater Direct Lending Index (Income for trailing 4 quarter ending June 30 2021), S&P/LSTA Leveraged Loan Index, Ishares as of July 30 2021

Montold scoring model for SME credits

Scoring Model for Credit Issuance

35

- Montold Asset Management has developed a reduced-form model that uses the stochastic default intensity to describe the possibility of default. Subsequently, it is using the intensity of a SaaS specialised transition matrix to describe credit rating migration.
- The outstanding feature of the model is that migration boundaries are recovered for the first iteration. The SaaS model demonstrates an applicable method of measuring accurately credit risk and monitoring credit risk migration in a live manner.
- Model features that improve credit risk:
 - Fast adaptability to customer's situation.
 - Explicit predictability of the distance between default and non-default groups
 - Correct rating of each company
 - Fuzzy synthetical evaluation mode
- Model allows to avoid barriers and unwelcome events:
 - Slow reaction on default events
 - Lack of credit history for young companies
 - Inaccurate external rating
 - One point in time financial condition of a company

Risk Policies and debt collection

Risk Policies

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- Carefully designed risk policy provides organisational tangible benefits.
- It provides an enhanced understanding of which risks organisations are taken and which are avoided, enabling the organisation to deploy its people, capital and intellectual assets in the most productive way.
- In general, the policy is covering the full lifecycle of a loan:
 - Application stage
 - Clear definition of target clients
 - Minimum required criteria
 - Accepted industries
 - Accepted legal forms
 - Evaluation
 - Defined decision engine
 - Classification of the client. Regular (one company) and GoCC (group of connected clients)
 - Eligibility and affordability checks
 - Scoring
 - Post loan management
 - Portfolio management
 - Credit reviews and monitoring
 - Early warning system
 - Collections

Collections

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➤ Current collection and provision model used by the fund is pro-cyclical - therefore, any economic changes will trigger some changes the amount of the reserves. The model combines available information relevant to assessing the collectability of contractual cash flows, including information about past events, current conditions and reasonable and supportable forecasts. By incorporating knowledge about current conditions, as a factor within collection model, Montold is better positioned to understand the impact of the prevailing credit cycle on its loan portfolio. This understanding helps improving its estimate of expected credit losses. With this forward-looking component in the estimation of loss forecasting, reserves are inherently adjusted to changing economic situation. This means that the timing of the projection of losses will have no impact due to changes in short-term economic expectations.

➤ For the purpose of determining the allowance for losses on loans and advances, financial instruments are classified according to stages or levels. The stages have the following meanings:

Stage 1: No significant increase in credit risk since issuance.

Stage 2: Significant increase in credit risk since issuance

Stage 3: Objective evidence of impairment.

➤ When there is a change in status of a customer, there is starting collection process which is outsourced to 3rd parties (probably EOS, a part of AUTO Group) which is specialized on B2B collections and inkasso market. The process is as well structurate in 3 stages:

1. Calling and sending the letters – recovers about 65% to 70%
2. Preparing for legal actions, pre juridical actions – another 15% to 19%
3. Legal and post court decision – 3%

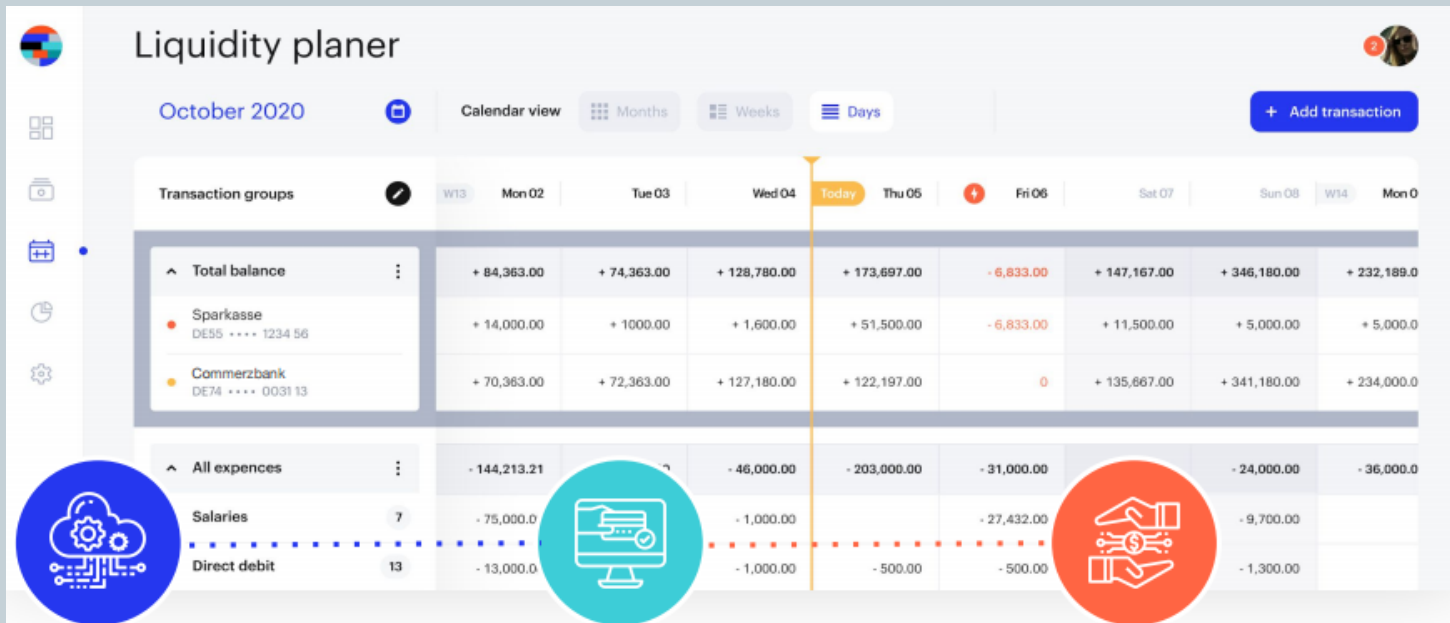
➤ Risk costs comprise the change in the loan loss provision (+), write-downs of uncollectible receivables (+) and payments received on written-down loan receivables (-). The detailed calculation and presentation is made separately for HGB and IFRS accounting. Under IFRS, the change in compensation right assets must also be taken into account in the risk costs, whereas under HGB the Simba transaction has a direct impact on the allowance for losses on loans and advances.

Pulse Integration

- Is a German Fintech a digital treasury system
- Planung. Überweisung. Leihe Sofort
- All in one tool for SME businesses
- Offering clients:
 - Cash flow management for All banks in a single dashboard with dynamic forecasting tailored to the client
 - Real-time scoring, dynamic limits adjustment, transparent decision making, instant financing up to 300K*
 - Payments and FX transactions
- Pulse is an LP in the SME Fund and Montold Asset Management will seek to attract most of the debtors via Puls software and subscription

Puls Interface

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Cash-flow management: Forecast cash flow. Plan how much money, when & where you need. Monitor it real-time.

Single dashboard account aggregation based on PSD2, real time information and provide ML analytical tools for correct automatic forecast. Data enrichment, integration with CRM, ERP and accounting systems.

Non banking financing: Covers operational financial gaps if client can afford it.

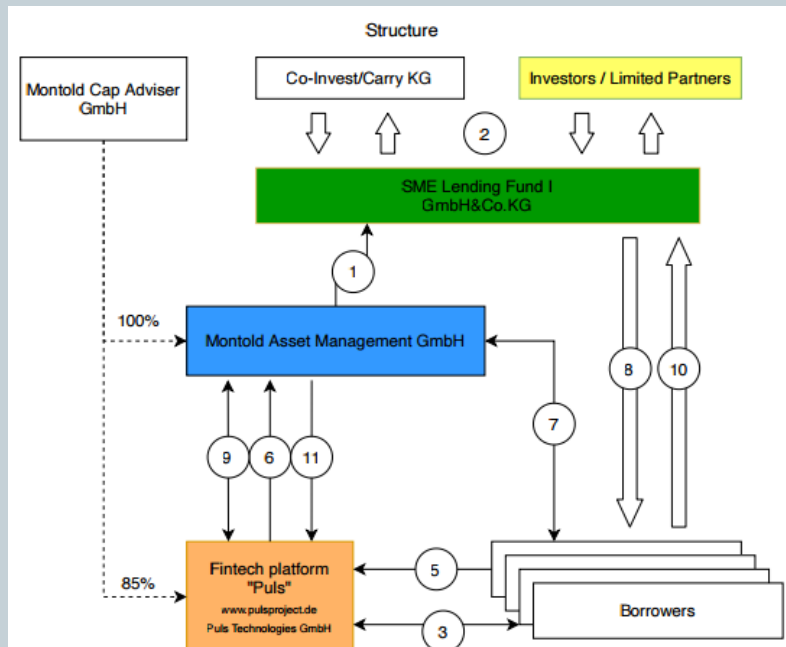
Real time Scoring based on real-time cash flow forecast, monitored permanently and real-time, mitigating credit counterparty risk.

Payments: Move money to the right place, in the right time and in the right amount.

Initially based on PSD2. Further ZAG license. Digital smart and convenient, current accounts (IBANs), preset payments, Instant-SEPA and SWIFT transfers, FOREX, payment cards.

Pulse Integration

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1. Montold Asset Management GmbH initiates and manages SME Lending Fund I GmbH&Co.KG - closed-ended Special AIF, issuing direct monetary loans to the prospective borrowers - German legal entities with less than 50 employees and up to 10mil eur annual turnover (SME).

2. Limited partners (semi-professional and institutional investors) are contributing capital into the Fund and receiving all Funds proceeds after the end of fund term net off Fund's direct expenses, fees and commissions described in the Fund terms.

3. Prospective borrowers are using fintech online software platform Puls for automated cash flow management and forecasting, budgeting and financial function automation.

4. Puls is aggregating clients bank balances into single dashboard via two German OpenBanking API providers - Finleap Connect and FintechSystems.

5. Should prospective borrowers wish to apply for a loan to Montold Asset Management GmbH they will be able to do so via request form located on the Puls website where client allow Puls to pass the request to Montold Asset Management along with access to financial information via Puls platform.

6. Montold Asset Management receives the loan requests together with the prospective borrower's financial information available via the Puls platform. Risk manager of Montold Asset Management is assessing the prospective borrowers credit risk and confirm loan terms or reject the request.

7. Montold Asset Management contact prospective borrower and request additional information (KYC/AML and additional financial information where required). If loan request is approved Montold Asset Management sign Loan agreement with the Borrower.

8. The Fund wire the loan amount to the Borrower (as per Montold Asset Management instruction).

9. As part of Loan Agreement client gives consent for Montold Asset Management to have read-only access to clients data in Puls platform for monitoring borrowers financial status and projected cash flow in order to control and mitigate borrowers credit/counterparty risk.

10. Interest rate payments and Loan repayment amounts wired by borrowers to the Funds accounts.

11. Puls receives fee in the amount of 1% p.a. of the loan amount that is successfully repaid back to the Fund for the deal sourcing and software services.

ESG guidelines

SME Lending Fund Approach to ESG

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- Despite that the objective of the fund is flexible towards ESG agenda, Montold Asset Management sees ESG topics a high priority in the fund management approach.
- The team is looking to incorporate ESG issues into investment analysis and decision-making processes.
- The team will be active owners and incorporate ESG issues into credit issuance policies and practices.
- The team will seek appropriate disclosure on ESG issues by the debtors entities.
- The team will promote acceptance and implementation of the ESG practices and standards of the investment industry.
- The team will work together to enhance their effectiveness in implementing the ESG practices.
- The team will report on activities and progress towards implementing the ESG practices.

Team

Montold Asset Management Team

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Stas Surikov

COO



Yulia Yaroslavtseva

CEO



Stella Grossu

Head of risk



Contacts

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Montold SME Lending Fund GmbH & Co. KG
(the “Fund”)
BaFin ID 70162347

Managed by Montold Asset Management GmbH
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BaFin ID 10156973

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