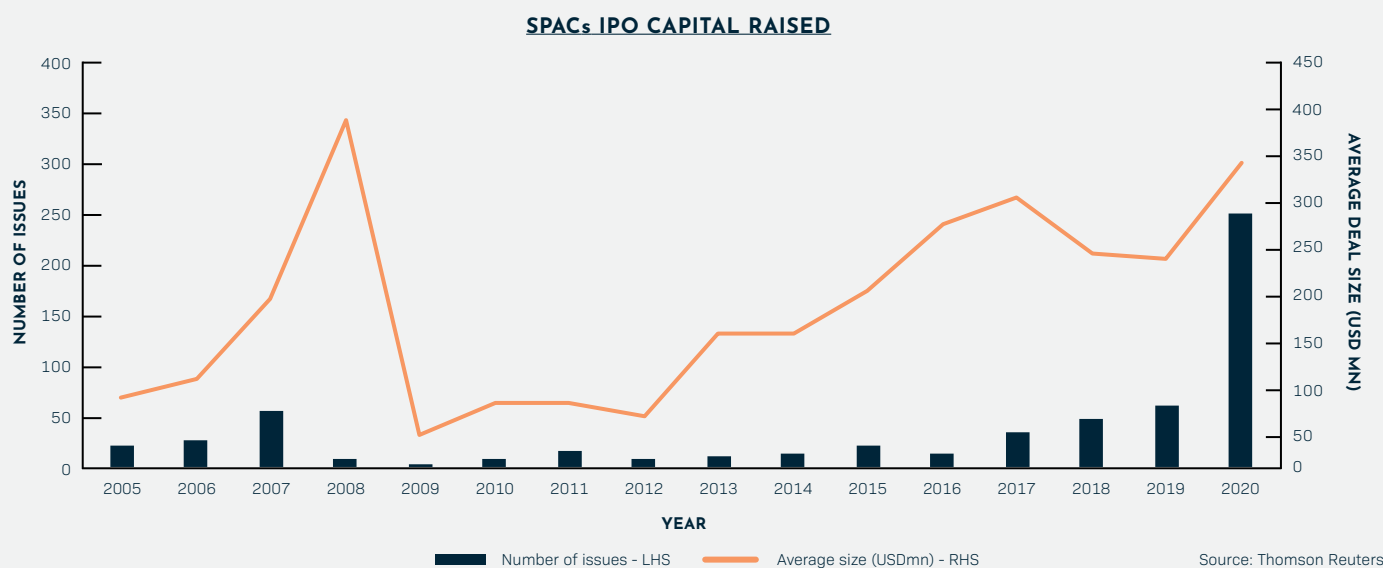


TACTICAL OPPORTUNITIES IN SHARE PLEDGING WITH ETFs & SPACs

EquitiesFirst's capabilities go beyond single-name share financing to include Special Purpose Acquisition Companies (SPACs) and Exchange-Traded Funds (ETFs)

BACKDROP



- Increasing demand for SPACs

According to Thomson Reuters, there has been increasing demand for SPACs over the past 4 years with the number of new issues (IPO capital raised) increasing more than four-fold from 59 in 2019 to 248 in 2020. The average deal size also increased from USD \$231mn to USD \$335mn during the same period.

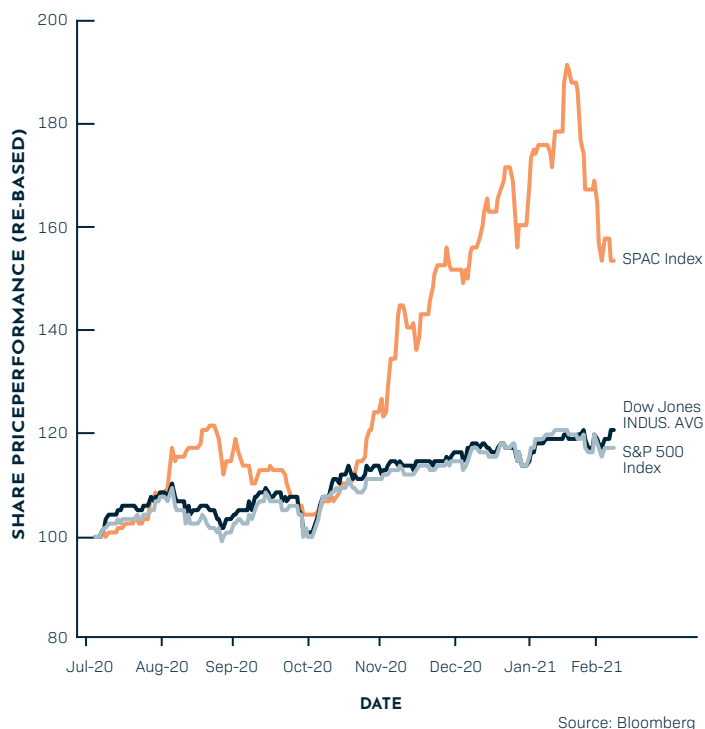
- SPACs outperformed under volatile market condition

SPACs outperformed the Dow Jones and S&P 500 Index by 33.4% and 36.9% respectively since July 2020.

- Compared with single stocks, ETFs tend to be less volatile, with higher liquidity and longer investment horizon; these attributes make this asset class a better fit in a share pledging transaction.

KEY TAKEAWAYS

- EquitiesFirst is known for specializing in single-name share financing. However, the firm's capabilities can be extended to a broader population of listed equity assets, including SPACs and ETFs.
- Our analysis demonstrates how EquitiesFirst's financing model has several advantages and use cases that suit the unique characteristics of these asset types.

PERFORMANCE COMPARISON (RE-BASED)

Bloomberg tracks all outstanding U.S. SPACs with a deal size over USD100mn. As of 9 March 2021, there were 490 of them with an average market cap of USD795mn and daily trading volume of USD32mn. While most of the SPACs are listed in the United States, SPACs also listed in Canada and France. Meanwhile, both Hong Kong and Singapore are considering the listing of SPACs.

A **SPAC Index*** was launched in July 2020 as a benchmark for the performance of a broad universe of SPACs. The SPAC Index has outperformed the Dow Jones and S&P 500 Indexes by 33.4% and 36.9%, respectively, since July 2020. However, the share price performance of SPACs has been volatile, with the SPAC Index retreating by around 20% (as of 9 March 2021) from its peak in February 2021.

Addressing this volatility is one use case where EquitiesFirst can add value. By employing the non-recourse feature of the EquitiesFirst financing facility, those investors would have locked-in 60-70% of the initial value. This would allow them to retain a significant margin of the upside in the shares while capping the downside.

EXCHANGE-TRADED FUNDS (ETFs)

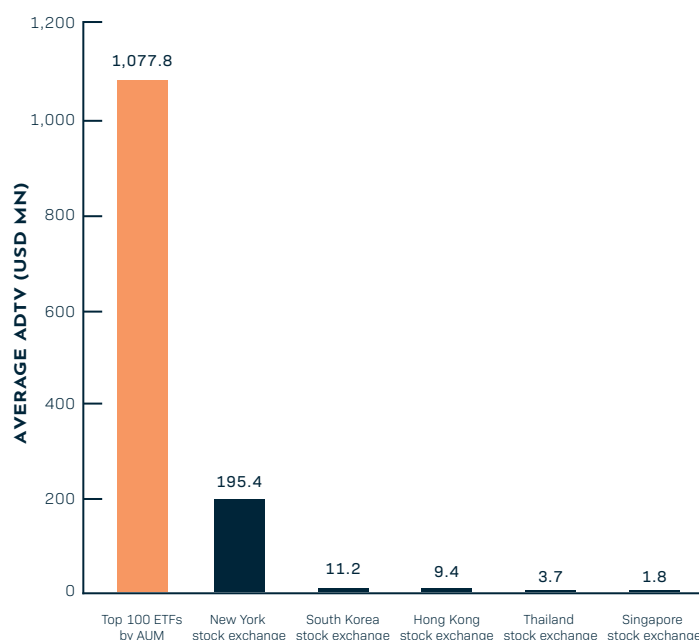
Investment Horizon

The average holding period for ETFs is measured in years, not weeks or months, which makes them suitable for an EquitiesFirst medium-term financing facility with an average tenor of 3 years. According to BlackRock, almost 80% of ETF investors view them as long-term investments with an average holding period of nearly 6 years.

Liquidity

ETFs have greater liquidity compared to other types of funds and some ETFs can be highly liquid investment products. This enables effective risk management and enhances their return profile for EquitiesFirst. This benefit is passed through to borrowers in the form of lower fees and higher loan-to-value ratios.

30-DAY AVERAGE DAILY TRADING VOLUME COMPARISON (USD MN)



Source: Bloomberg (as of 9 March 2021)

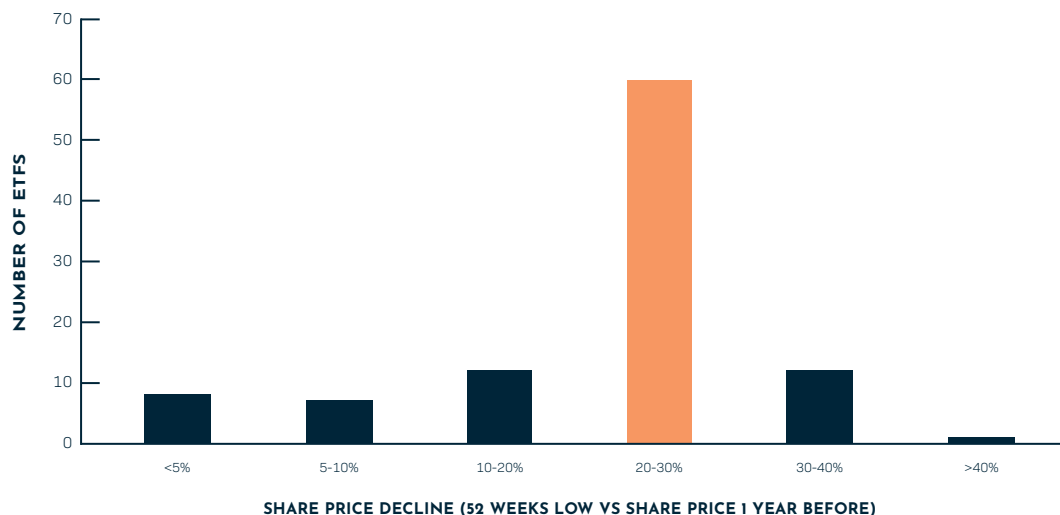
* IPOX SPAC Index

Margin Calls

The EquitiesFirst product has a differentiated margin call framework with a threshold set at 80% of the loan obligation. Compared to a traditional margin loan, this feature permits a much higher degree of volatility in the underlying asset price before requiring a top-up or “margin call”.

We analysed the share price movement of the top 100 ETFs by AUM and found that none would have triggered a margin call in the last 52 weeks if the shares were used for an EquitiesFirst loan transaction.

SHARE PRICE MOVEMENT OF TOP 100 ETFs BY AUM



Source: Bloomberg (as of 9 March 2021)

Pricing

The below chart shows the average annual return of the top 100 ETFs by AUM since 2002 (the year EquitiesFirst was founded) has been 11%. Assuming a borrowing rate of 3-4%, the value appreciation in the shares would have been approximately 3 times the cost to borrow against them.

SHARE PRICE MOVEMENT OF TOP 100 ETFs BY AUM (RE-BASED)



Source: Bloomberg (as of 9 March 2021)

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