**ADM Capital's Project Hyatt investment performance underscores the strong risk adjusted return potential in Asian private credit**

Private credit is an asset class for all seasons. In bullish markets, demand for credit increases as mid-market companies seek financing to grow their businesses, conveying bargaining power to the lender. In bearish markets, the better and more conservative borrowers seek to repay or refinance their expensive debts, thereby improving their flexibility and conserving their cash flows. Lenders benefit by generating higher returns and recycling precious capital into other productive uses.

In the last 6 months, ADM Capital has exited 6 investments in our Asian funds in various sectors and geographies. For the most part, we have realised investment returns in the mid-teens, and high single digits even after adjusting for currency fluctuations. All investments were secured with collateral cover of approximately 1.5x, and were prepaid by borrowers by refinancing more cheaply in their local markets, allowing for superior risk adjusted returns.

Our most recent exit has been our most successful yet - the USD20m Project Hyatt investment related to the property sector in Malaysia**. Even in the current uncertain and volatile market environment where the Malaysian Ringgit declined over 30% during the investment period, we exited this investment in early February, making a gross IRR of 26% and CoC of 1.3x on our initial investment in 2014.** This clearly highlights our underwriting and structuring capabilities, but more importantly, our ability to manage the borrower-lender relationship to be a win-win for all parties.

In May 2014, ADM Capital funds provided USD20m financing to a group of companies in the Malaysian property sector. Loan proceeds were used for the following: 1) to buy out a 30% minority shareholder with whom the main shareholder had a dispute with since 2009 over the development of 2.9 acres of land in a prime location of downtown Kuala Lumpur; 2) to set up an interest reserve account to pay 4 quarters of interest payments; 3) to pay for working capital, construction works and land acquisitions. The loan had a 2 year maturity with the option to extend by 1 year. The return was negotiated in USD, and was a combination of (1) a 12% p.a. cash coupon paid quarterly; (2) a redemption premium to achieve a minimum of 16% p.a. and (3) an equity kicker equating to 2.8% of project value subject to a minimum return. Downside was protected via a multi-security collateral package with over 2.55x cover including prime land, shares in both the target and other group companies, and personal guarantees.

Consider the following:

- The agreement was a win-win solution for both the borrower and the ADM Capital funds. The capital enabled the borrowers to acquire minority stakes from dissenting partners, allowing the group the freedom and flexibility to implement their strategy.

- In return, ADM Capital secured very attractive risk return terms, achieving a 26% gross IRR in less than 2 years with >2.5x collateral cover, even in an uncertain and slowing market environment.

- The high collateral cover and sizeable 12% cash coupon, payable at regular intervals, helped limit downside.

- Equity kickers tied to the project value, subject to a minimum, ensured that we had some participation in the upside

- The loan was structured in US Dollars, implying that the coupon, redemption premium and principal were protected from forex volatility. Equity kickers were calculated in Malaysian Ringgit but were structured to be a small part of the return.

- Indeed, the deal was negotiated with attractive break-evens that provided ample cushion such that a slowdown in the market and land values did not seriously affect the borrower's ability to repay the debt or indeed, the equity kicker.

- In addition to the desire to repay expensive debt, the borrower was incentivized to release their other assets that were pledged to ADM Capital as part of the collateral package. In other words, our security package not only provided collateral multiples well in excess of the investment cost, but was also strategically selected to pick and choose assets that were important to the borrower, thereby keeping them conscientious about refinancing our loans.

- We have traditionally been more sanguine than the market about prospects for the property sector, reflecting the higher cash flow predictability, greater transparency and simplicity of structure, and stronger security packages. This approach has paid off handsomely once again, in allowing us to finance a transaction in a sector that faces little competition from other funding avenues. Furthermore, the borrower wanted the transaction to proceed quickly and discreetly, once again playing to our strengths.

In summary, the bespoke and special situation characteristic of our investments reduces their correlation to public markets. Furthermore, structuring these investments to limit the downside and add potential for upside allows us to maintain consistent and predictable investment return targets of 12-15%, and, as we have demonstrated, even as high as 26% at times, irrespective of market volatility and capital cycles.

Should you have any questions or require further information, please contact admir@admcap.com.