Commodity Trade Finance as an Investment

White Paper

February 2017
# TABLE OF CONTENTS

INTRODUCTION .................................................................................................................. 4

1. WHAT IS COMMODITY TRADE FINANCE? ................................................................. 4

   The size of the prize .................................................................................................................. 6

       Returns ............................................................................................................................... 6

       Market scope ...................................................................................................................... 7

2. Type of Lending Structures ............................................................................................. 7

   1 Pre-Export Finance (PXF) ............................................................................................. 8

   2 Export Prepayment Finance (EPP) ............................................................................... 9

   3 Warehouse (Inventory) Finance ................................................................................... 9

   4 "Repo" transactions ......................................................................................................... 10

   5 Borrowing Base (BBF) .................................................................................................. 11

   6 Trade Receivables Facility (TRF) ................................................................................. 12

   7 Commodity Trade Cycle Financing (CTCF) .................................................................. 13

3. Assessing the Risks ............................................................................................................ 15

   Sector Splits .......................................................................................................................... 17

4. Applying Mitigants ............................................................................................................. 17

   Security .................................................................................................................................. 17

   Haircuts ................................................................................................................................. 17

   Comfort ................................................................................................................................. 18

   Checks and Balances ........................................................................................................ 18

5. Conclusion .......................................................................................................................... 18
INTRODUCTION

‘Commodity Trade Finance’ is the provision of dedicated funding solutions in support of the movement of physical commodities being traded along the commodity supply chain.

It is very closely allied to Trade Finance, making use of established trade finance instruments (Letters of credit, standby LCs, bid and performance bonds) but is differentiated by the added value it brings of blending these instruments with overdrafts and/or term loans to provide bespoke transactional financing structures that address the commodity market’s need for working capital with the lender’s need for transparency and a line of sight to the source of repayment. Commodity trade finance (CTF) is therefore largely self-liquidating and short-term (aligned to the natural trade cycle).

Both Trade Finance and Commodity Trade Finance have come under the spotlight lately as an asset class for investment, where the relatively low risk, low volatility and appreciable and consistent returns justify their inclusion within a diversified portfolio (see ‘White Paper – Trade Finance as an Investment’, Bankingwise.com/Kimura). But whereas other Trade Finance propositions still have their basis in assessing historic balance sheets and looking to them for recourse, Commodity Trade Finance looks to the realtime dynamics of the factors that influence settlement and puts recourse on the sales proceeds of the transactions themselves. This cements its role as ‘specialised lending’.

Commodity Trade Finance though is little understood outside its niche of professional practitioners, in what has been until recent years a fairly closed activity. This paper therefore seeks to explain what Commodity Trade Finance is and draws attention to key highlights for those considering it as an investment.

1. WHAT IS COMMODITY TRADE FINANCE?

A definition of Commodity Trade Finance put forward to regulators is that it is ‘the provision of lending to one or more parties for a specific transaction or transactions along a physical commodity’s supply chain’.

The key assumption is that there is transparency of purpose for the borrowing with a line of sight on the transaction through to the source of repayment. It is often referred to as self-liquidating finance, meaning that the loan will be repaid from the cash flow generated through the natural evolution of the transaction itself rather than from the borrower’s general assets or any independent source. So typically a loan is granted to a borrower to purchase a commodity in order to process it or package it for delivery to a third party where
the proceeds from sale are sufficient to meet the borrower’s costs (including funding) and provide a profit.

Commodities are the basic raw materials which are traded as inputs for:
- food manufacture (eg. Sugar, edible oils, coffee, cocoa, grains), or
- industrial production (eg. iron ore, steel, copper, aluminium, cotton), or
- energy (eg. crude oil/oil products, coal, gas)

As such, they touch our daily lives from the coffee we may have in the morning, to the aluminium that makes our cars, the rubber that produces the tyres, the fuel that runs the engines to the steel our buildings and railways may be made from, right through to the fibres of the clothes we wear. There is little around us that doesn’t involve a commodity.

The commodity trade finance market recognizes these separate uses for commodities and the different fundamentals which drive each one, and accordingly is usually segmented into the following 3 key sectors:
- Agri-commodities (softs)
- Metals
- Oil & Energy

Lending can be to any one or all of the parties along the commodity value chain, subject to the perceived quality of the buyer whose settlement provides the source of repayment.

This is illustrated in the Transaction Chain below.
The size of the prize

Returns

Investors should be careful to understand exactly what each fund means by its offered rates of return, as a “net 20% pa” target might be achievable in higher risk markets (eg. Africa) but only if earned interest is being capitalised and rolled into further successful deals throughout the year. Investments in Asia might achieve 4% to 5%* pa. (reduced due to there being a more established and liquid market), whilst a more geographically diversified fund might achieve somewhere in the region of 7% - 10% *pa.. *Figures extracted from established funds

For investors seeking to take regular income (eg. quarterly or semi-annually), the achievable return will be rather less, being more aligned to the margin being received at each short-term maturity, which is subject to a number of influences: the range of spreads is therefore broad, from 50 basis points per annum (bppa), ie. 0.5% pa, up to 500 bppa, ie. 5.0% pa or more.

Funds may target markets where local currency borrowing costs are relatively high in order to offer cheaper US$ funding which nonetheless affords an attractive spread (eg. local costs 10% but US$ 3mth LIBOR 1% + spread 5% = 6% overall borrowing cost – subject to local market restrictions).

Due to the nature of returns being tied to an agreed transaction margin or funding spread, Trade Finance loans offer relatively low volatility of income and, assuming funds invested can regularly be deployed, there is also a consistent flow.
Market scope

According to the World Trade Organisation’s 2016 report on ‘Trade Finance and SMEs’, “the market for trade finance, considered in its widest definition, is very large – certainly well above US$ 12 trillion annually”, of which bank intermediated short-term trade finance was said to be some US$ 6.5 - 8 trillion. Market estimates of the commodity trade finance component are between 30% to 40%, suggesting a commodity trade finance contribution of around US$ 3 trillion.

Notwithstanding, a trade finance gap is emerging, estimated by the Asian Development Bank to be $1.6 trillion pa globally and due in part to the mainstream banks’ distraction with the new capital requirements which will raise their minimum capital ratios from 8% to 15.5%, adding to costs and thereby putting pressure on returns.

Almost without exception, the traditional trade banks have had to cut back on staff or rein in their trade lending because of issues elsewhere in their portfolio of activities, not necessarily because of trade per se. This creates opportunity for others.

The SME space is a particular concern for the WTO whose report states, “without adequate trade finance, opportunities for growth and development are missed: businesses are deprived of the fuel they need to trade and expand. Small and medium sized enterprises (SMEs) face the greatest hurdles in accessing financing on affordable terms. This is of particular concern as SMEs are a leading driver of trade, employment and economic development”.

As a consequence, private funds and non-bank financial institutions are stepping in to fill the gap, targeting SMEs with structured or asset-backed lending.

2. Type of Lending Structures

An attractiveness of Commodity Trade Finance is its ability to add value for reward through lending in a variety of ways to any or all of the parties along a transaction chain, where doing so not only provides greater transparency but also improves risk profile.

Furthermore, the various structures can be tweaked to be fully or partially secured, giving both lender and borrower some flexibility: where the interest margin being charged will be lower for the more secured format, and vice versa.
The most common specialist commodity trade finance lending products are:

1. Pre-Export Financing
2. Export Prepayment Finance
3. Warehouse / Inventory Finance
4. "Repos"
5. Borrowing Base
6. Trade Receivables Facility
7. Commodity Trade Cycle Financing

Small and medium sized commodity traders and producers tend to be highly leveraged but demonstrate a strong performance capability to take up and deliver goods for sale to reliable end users. Lenders look to this performance capability and to the transparency of self-liquidating transactions where the lender can monitor and control the underlying commodity flow and its receivable.

These structured products are predicated upon the ability to properly manage, monitor and control risk.

Since most facilities are transactional and offered on an uncommitted discretionary bilateral basis, there tends to be few financial covenants or representations and warranties. Instead transaction specific mitigants are used for each product such as formal collaterals, Loan-to-Value lending ratios, top-up clauses, performance bonds, or insurance.

1. **Pre-Export Finance (PXF)**

A Pre-Export Finance Facility is a term loan made available to a Producer/Exporter located usually in an emerging market secured against the future export flows of a commodity to one or more Buyers (Off-takers) in a developed market. Loan amount is a % of a pre-arranged sales contract in advance of shipment. Loan-to-Value (LTV) varies according to the risk profile and is correlated to commodity price volatility for
matching periods to ensure assets cover the liability. Tenors usually short term (3 - 12 months) but can be medium term of 2 - 5 years (up to 7 years for highly liquid commodities with regular instalments). Quality of the pre-arranged buyer is important, since he is the source of repayment. Risks are mitigated by underlying control structures which may include collateral or supporting guarantees.

Lenders may make use of traditional trade tools to deliver under PXF, such as issuance of a ‘Red Clause’ (no proof of inventory needed) or Green Clause (proof of inventory needed) Letter of Credit (LC).

2 Export Prepayment Finance (EPP)

An extension of PXF is EPP. An Export Prepayment Facility is a limited recourse term loan facility afforded to the OECD Buyer of a commodity to allow it to make a contractual prepayment to its Supplier that will be repaid from the proceeds of the future commodity deliveries. Facility tenors are directly linked to the duration of the commercial contract and generally shorter than for PXF although medium term facilities are feasible. EPP can also be structured with a Red/Green Clause LC.

Pre-Export Finance (PXF) / Export Prepayment Finance (EPP)

Supplier is Borrower with Buyer receivable as primary source of repayment

Steps:
1. Agreed offtake contract for determinable value with Buyer ('Off-taker')
2. Advances made via Red or Green Clause LC (% adv. negotiable usu. 70 – 80%)
3. Risk transfers to Buyer at point of delivery (e.g. FOB) for presentation of docs and reimbursement by Buyer into Escrow a/c
4. Escrow a/c proceeds raked through to service debt / surplus to supplier

EPP differs from PXF in that the Buyer is the borrower of record and downstreams an advanced payment to the Supplier. Buyer then reimburses bank when taking up and paying for documents presented under LC.

Covenants/Mitigants

LTV cap; copy export contract; rep. that export licences are enabled; top-up clause; perf. Bond / insurance

3 Warehouse (Inventory) Finance

A facility provided to an importer or exporter of commodities that are stored in the name of the lender in an acceptable warehouse or in the name of the Borrower with the lender’s security interest notified to the Warehouse keeper. The commodities held in store form the collateral for such loans and are usually ‘exchange-traded’ or have very visible and liquid markets.
Undertaken against Warehouse Receipts (not a title document) or Warrants (a negotiable bearer instrument which notionally conveys title to the goods and are typically issued on behalf of official institutions such as the London Metal Exchange – ‘LME’) these provide market transparency and efficiency.

Warehouse financings are common and protection for lenders is very much in the rigour around monitoring and control (M&C) and the use of an acceptable independent warehouse keeper via a Collateral Management Agreement (CMA). Usual lending haircuts against stock value would be maintained via daily valuations and margins or collateral top-up/loan reduction. The CMA provider would be vetted and would have to demonstrate appropriate Professional Indemnity cover. Normal insurance for goods in warehouse would have to be evidenced and be in a form acceptable to the lender.

Repayment typically comes from pre-arranged export proceeds of the commodity or from sales to local buyers against existing sales contracts. Lending for speculative purposes is not recommended unless backed by an appropriate price hedge. Loan to value varies 70% - 80% of market or sales.

Covenants/Mitigants

Recourse is usually to the commodities so adequate insurance with loss payee is required; LTV cap; top-up clause; negative pledge (subject to circumstances); maintenance of price hedge/tri-partite agreement where applicable

4. "Repo" transactions

A variation of Warehouse Finance where a customer sells a commodity to the lender and simultaneously agrees to buy it back at a fixed or determinable future date for a pre-arranged price or against a determinable formula. The lender then has title over
the commodity for the period of the facility and only exchanges the commodity for cash at maturity. The lender will charge the carry costs incurred (interest, storage and insurance costs) during the period it has ownership of the goods, usually expressed as a margin over the acquisition price but alternatively as a handling fee. A repo can be structured where the lender retains control of the commodity (to improve the credit position) or where the client retains physical control though the lender has title (for more creditworthy clients). The risks are moderate and centre on the re-saleability of the collateral and the exposure to market price fluctuations (mitigated by appropriate ‘haircuts’).

Loan to value may be up to 90% depending on tenor and contango.

‘Repo’ Transactions

Steps:
1. Repo terms agreed (tenor, amount, storage, insurance)
2. Purchase and sale prices determined (either fixed or by formula)
3. Goods ‘delivered up’ to bank via Warrant, Receipt or Holding Certificate (NB. Storage may be independent or segregated under customer’s control)
4. Lender pays purchase monies to customer
5. At agreed date or within agreed period, customer buys goods back for cash
6. Lender delivers up goods back to customer

Covenants/Mitigants
Varies according to commodity, tenor and quality of client.

Recourse is usually to the commodity in the event that the repo party fails to take up the goods at expiry. Usual mitigants will therefore protect the value of the commodity and its route to disposal.

5. Borrowing Base (BBF)

Borrowing Base Facilities are a key source of revolving working capital finance. Increasingly popular as a means of leveraging assets in the normal course of business, a Borrowing Base is a dynamic collateral comprising moveable physical stocks and/or receivables with an applicable ‘haircut’ or security margin versus asset
values (typically 20% – 25% by only lending 80% - 75%). They vary in profile according to the level of haircuts and valuation methodology, and independent monitoring and control (M&C) versus client’s own certified M&C. BBFs are common in certain jurisdictions where the legal framework is supportive. Structures vary according to the borrower and jurisdiction and, in some cases, the assets may be owned through a Special Purpose Vehicle (“SPV”).

BBFs are frequently medium term and are typical of commodity lending, notably in Europe and the US, for Metal and Agricultural sectors where commodities are stocked in identifiable warehouses / silos and where receivables are the main payment instrument. BBFs are frequently multi jurisdictions and multi commodities.

Loan to value will vary according to asset mix and tenor but be typically 70% - 80% of market or sales.

Covenants/Mitigants
Usual to see a mixture of financial covenants and collateral mitigants, to include:
- Min TNW; max. gearing; max. financial indebtedness to net operating cash flow;
- Max LTV per asset class; net borrowing base (deduction trade payables + intra-group receivables) min value

6. **Trade Receivables Facility (TRF)**

Not to be confused with wholesale Receivables financing. The major difference is that under TRF the lender actually takes recourse to the receivable to liquidate a
financing at the other end of the chain. It is an integral part of a transactionally self-liquidating financing and needs to be monitored and controlled separately to the wholesale pot because the lender’s recourse depends on it.

There are several forms of this type of finance, from simple discounting or factoring to complex securitisation. TRF receivables may also form one of the classes of working capital assets that support a Borrowing Base (see above). Purchasing of trade receivables usually implies the giving of value for a receivable without recourse to the seller. Arrangements to fund trade receivables which are independently guaranteed or credit-enhanced (e.g. by bank guarantee, standby L/C or credit insurance) are popular forms of trade receivables facilitation amongst exporters.

Loan to value is dependent upon underlying product for which TRF provides settlement.

### Trade Receivables Facility (TRF)

**Purpose**
To ensure that client receivables upon which the lender relies for settlement of outstanding are properly ring-fenced, monitored and controlled

**Key Issues**
- Risk assessment as normal for receivable
- Access to dedicated counterparty limits will facilitate

**Steps:**
1. Each receivable to be approved
2. Receivable to be logged and monitored by a dedicated mid-office
3. Mid-office to oversee client’s daily position
4. Any delays with receipts can then be promptly addressed or additional collaterals or repayment called for

**Covenants/Mitigants**
Financial covenants not applicable as risk is on 3rd parties.
Mitigants may involve assigned credit risk insurance.

7. **Commodity Trade Cycle Financing (CTCF)**

This is conceptually a structured working capital facility. It provides an umbrella under which commodity traders can achieve trade-cycle financing through the combination by the lender of several product disciplines (e.g. LCs, loans/overdraft, prepayment finance, inventory finance and receivables finance) to facilitate an end-to-end financing solution for the client.
Usually uncommitted, any drawing remains always at the lender’s discretion to allow it to proceed. This affords a protection for the lender not readily available under normal corporate lending and is typically monitored and controlled on a daily basis by a specialist mid-office.

The CTCF would typically have an aggregate limit within which there are various sub-limits

- **Aggregate Limit**: USD 50M
  - **USD 10M** available for overdraft or short-term loans
  - **USD 25M** available for issue of Documentary LCs
  - **USD 5M** available for receipt of documents in Trust
  - **USD 10M** available for issue of Performance Bonds/SBLCs

The purpose of the CTCF is to build transparent, transactional, self-liquidating, structures, as much as possible collateralised. The composition of the CTCF is case-by-case according to the needs of the customer. For example, overdrafts may be secured or unsecured. This is an increasingly popular offering.

Loan to value will be as for underlying product being applied.

Commodity Trade Cycle Financing (CTCF)

---

**Purpose**

To enable credit challenged customers to have working capital access along the transaction chain predicated on self-liquidating financings

**Key Issues**

- Aggregate limit divided into sub-limits
- Requires dedicated mid-office to monitor and control dynamic exposure
- All drawings at the discretion of the lender
- Cash drawings allowable to facilitate getting goods to point of sale (e.g. Freight payments)

---

Covenants/Mitigants

Covenants not applicable as CTF is uncommitted and drawings remain at the discretion of the lender. However usual pari passu clausings and negative pledge taken + transactional mitigants case by case.
3. Assessing the Risks

Although the average default rate for Trade Finance of 0.02% is widely referenced by both trade finance funds and commodity trade finance funds alike as being applicable, we believe that is a distortion of reality when it comes to rating trade loans: the 0.02% average default rate actually refers to the rate across all the trade instruments and benefits from the low rate applicable to export LC confirmations (0.01%) which are effectively bank risk. The data is extracted by the ICC\(^3\) and cited in its Trade Register Report 2016, with a caveat about its applicability – since by its own admission it does not gather data yet on receivables financing or borrowing bases or ownership based finance, all of which feature more widely in a commodity trade finance offering.

For a more relevant average default rate, we look instead to a 2015 review conducted by a core of commodity trade finance banks whose data was pooled and anonymised by the Global Credit Data Consortium: Included in the commodity finance data set was a broad representation of the sector proposition, providing for the first time a meaningful independent analysis:

- transactional trade finance lines (including letters of credit, guarantees, margin call facilities, storage facilities)
- receivables finance
- borrowing base finance
- ownership-based finance (structured inventories, repos, etc)

Over the 2008 – 1H2015 review period, average default rate was 0.81% notwithstanding the downturn years of 2008 and 2009 which saw 1.32% and a peak default rate of 1.85% respectively. All other years recorded <1%.

To put these numbers in perspective, S&P’s\(^{ii}\) US corporate default rate jumped to 3.3% in February 2016, with expectations that the default rate will rise to 3.9% by December 2016. This compares to 2.8% in December 2015 and 1.6% in December 2014. Moody’s global speculative-grade default rate rose to 3.4% at the end of 2015.

So commodity trade finance still enjoys a relatively low average default rate, albeit not as low as some would suggest.

How is such a low rate achieved?

Risk Management is the key differentiator of a CTF offering versus traditional corporate lending and vanilla trade finance. The risks for those engaged in dynamic commodity flows lie less in the historic balance sheets of traders, producers and processors and more in the day-to-day performance of the markets themselves. Understanding and managing such risks through proven structures is the forte of CTF practitioners supported by appropriate capability in transaction management and risk oversight.

Effective risk management then becomes the enabler of consistent and sustainable revenues. It protects investment and it provides a transparency that affords opportunity for additional ‘touch points’ in delivering value. Outright loss is rare in commodity trade financings: the 2015 ICC Trade Register Report cited recovery rates across collateralised transactions alone (stripping out bank guarantees) for trade finance products as 71%. This same pattern is reflected in the 2016 Report. CTF falls within this ‘collateralised transactions’ category.
Commodity trade financings take various forms, from unsecured to partially secured or fully secured transactions. In any scenario though, transactional risk in CTF can be broken down into 3 main components:

- **Performance risk**
  The risk that a seller (usually the Exporter) will have the means and capacity to deliver up a commodity for sale in accordance with contract terms

- **Logistics risk**
  The risk that the commodity will be safely conveyed to the point of sale at which the buyer becomes obliged to take up and pay

- **Payment risk**
  The risk that the buyer will take up and pay for the commodity in accordance with contract terms

CTF products are variable in their delivery structure and hence in their risk profile for any given transaction: eg. their tenors may vary and some commodities may be strategic in one market but not in another. Even the same trade product for a different commodity or tenor will have a different risk profile.

A transactional risk analysis will drill down into the following aspects:

- **Counterparty**: reputation, professionalism, management experience, risk management capability

- **Commodity**: nature, supply/demand trend, permanence/substitution
• **Market**: liquidity, volatility, regulations, transparency, trends
• **Price**: volatility, hedgeability, trend
• **Legal**: evidence of title, effective recourse
• **Transactional**: ability to self-liquidate, security, counterparty relationships
• **Operational**: execution capacity, ability to monitor and control
• **Fraud**: anticipate the potential and plug any evident gaps

**Sector Splits**
When considering underlying risk in commodity trade finance, it is usual to consider the underlying ‘fundamentals’ of the relevant sector. The sectors applied are those generally in use in the marketplace and they are differentiated by their influences (“fundamentals”) which provide the following generalisations:

- **Metals** – price driven mostly by Industrial Demand factors
- **Oil & Energy** – price mostly driven by Strategic and Industrial Demand
- **Softs** (Agri-Commodities) – price driven mostly by Supply factors

*A caveat is the application of Agri-Commodities for Biofuels, where sugar molasses and certain grains are being diverted from the food chain. Their price is additionally being influenced by the push or pull of industrial demand*

**4. Applying Mitigants**

There are various mitigants open to the commodity trade finance lender, the choice of which will depend on the degree to which full control or full security is required versus allowing the borrower some transactional flexibility: a borrower with a strong commercial incentive and good track record may be allowed to take goods ‘in trust’ to enable sale with collection of proceeds through the lender or an agreed independent collection agent; a new or unproven borrower is likely to cede control more tightly to the lender.

Among the options available are:

**Security**
Taking of full or partial security (‘collateral’) via a formal pledge of existing assets (eg. the underlying commodity) and/or via assignment of the proceeds of sale. Both are usual in transactional financings.

**Haircuts**
To accommodate market risk in transactional financings it is normal to apply ‘haircuts’ for loan to valuations (ie. lending up to only 80% of the asset value provides a 20% haircut). Exceptions may arise where a profitable fixed price sale is arranged within a short (<90 days)
timeframe. The level of haircut depends on the tenor of the financing relative to market price trends for the underlying commodity eg. a 20% haircut would be viable for a 90 days transaction where the underlying price trend shows volatility over 90 days of <20%. Other mitigants would be considered such as any inherent hedge (contango) or fixed price sale. These haircuts are not product specific but commodity specific and would be applied across the loan portfolio as a ‘rule of thumb’, where any higher LTV would have to be justified by the nature of the transaction and supporting metrics. Lower LTVs would also be applied where dynamic market experience dictates.

Outright loss from financing a failed trade seldom happens: usually, only a price loss is taken upon re-negotiation or forced sale and insurance is usually available to mitigate many of the potential defaults. Fraud is the biggest threat, and though seldom covered by insurance, can nonetheless be prevented and mitigated by seasoned techniques.

Comfort
Further support might also be obtained in the form of personal or corporate guarantees or bank issued performance bonds. Often these are seen as little more than comfort that the parties are serious about fulfilling the transaction, which would already have been assessed for its commercial viability and integrity. Taking these additional comforts means that the parties themselves have something to lose and are therefore more incentivised to perform.

Checks and Balances
The best mitigant of all is ‘to trust but verify’: there is no substitute for performing the right due diligence ahead of lending, and then to continue to monitor the transaction as it unfolds. Effective transaction management teams track vessels, monitor daily price fluctuations, scan market news and the financial press, and maintain an ear to the ground on what’s happening that might affect outstanding transactions. It can make the difference between success and failure.

5. Conclusion

Commodity Trade Finance is a versatile proposition. It is also relatively low risk due to its transparency, self-liquidating nature and high recovery rates.

In addition, CTF affords opportunity for returns that can be scaled according to risk appetite, with flexibility for tenors, sectors and geographies.

Yields are uncorrelated with stocks and bonds, making a CTF portfolio a sensible addition to a diversified investment portfolio.
About Bankingwise Limited

Bankingwise is a niche business and management consultancy delivering tailored advice, support and training to the Financial Services and Corporate sectors.

About Kimura Capital LLP

Kimura Capital, LLP is an asset management firm headquartered in London with an additional representative office in New York. Kimura provides an alternative to bank funding in commodity trade finance for Small-Medium Sized Enterprises (SMEs). Kimura’s sector focus is Energy, Base Metals, Softs and Agriculture with sub sector exposure to petrochemicals, alloys, concentrates, polymers and fertilizers and will consider transactions globally. Kimura adopts a stringent client on-boarding process. Due diligence is at the centre of the company’s operational mandate; a thorough review process is conducted on each new counterparty and every transaction.
Disclaimer

This paper is intended as general information for anyone considering Commodity Trade Finance funds as an investment. It does not constitute an offer or recommendation to apply for any particular fund or funds and neither Bankingwise Limited nor Kimura Capital LLP hold themselves out as soliciting for any specific investments. The information herein is to help inform opinion and to suggest to potential investors what they should be taking into account when considering Commodity Trade Finance as an investment. Counterparties to Commodity Trade Finance transactions may not themselves be of investment grade and there is a risk of loss of part or all of the investments through default on repayment despite best efforts in selecting creditworthy transactions. Potential investors should note that their funds may be invested in unregulated and more volatile markets where there is likely to be less information publicly available. Potential investors are encouraged to read the terms and conditions contained in a relevant Offering Memorandum before any investment is made and to seek guidance from a regulated adviser when required.