



Indonesian Social Bond
2019

Executive summary:

The agriculture industry in Indonesia is a vital sector, providing a livelihood for millions of Indonesian families. Commodities such as rice, soybean, corn, cocoa and livestock make up the bulk of the total labour force which contributes approximately 15% of the countries GDP, making the industry a focus for poverty alleviation. Smallholder farmers, mainly focused on growing fruits, vegetables and cash crops, have little support structures to increase yield and income, due to financial and infrastructure hurdles plaguing their ecosystem.

Access to capital is one of the major difficulties faced by the smallholder farming community.

Due to:

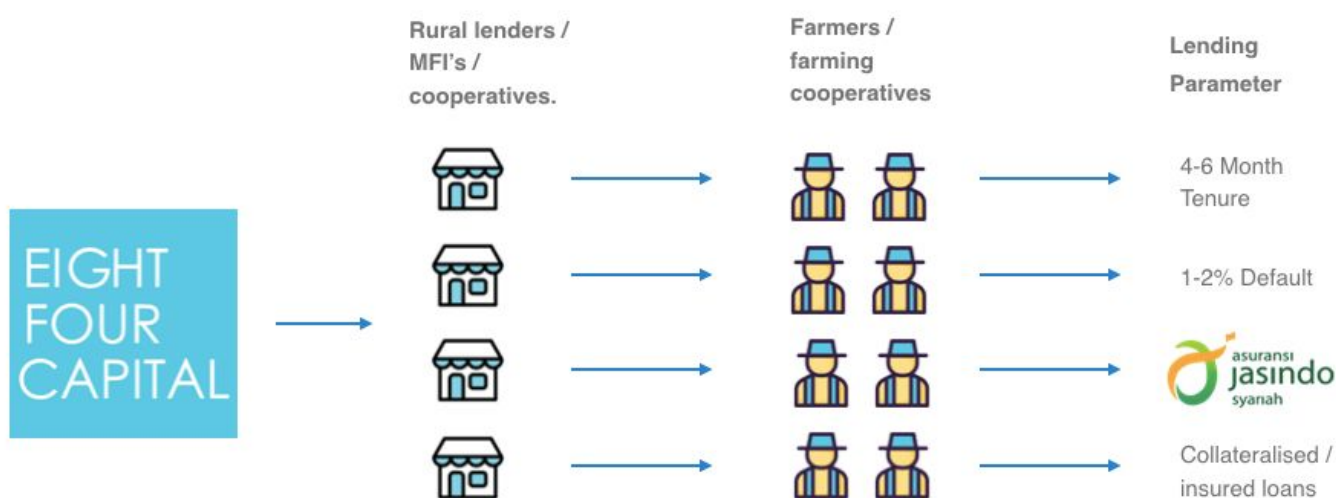
- Lack of collateral
- No recorded sales history
- Land not owned by the farmer themselves
- Unreachable rural network
- Limited land size (under desired yield)

Our *Indonesian Social Bond (InSo Bond)* is designed to provide critical working capital loans for smallholder farmers throughout Java, otherwise left out of the financial ecosystem.

Bond Mechanics:

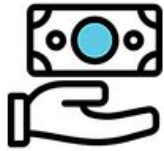
Our InSo Bond offer working capital loans for smallholder farmers with a post harvest payback schedule, meaning they only make repayments once they have sold their produce in the market, usually after 3-4 months. They will **not be** burdened or pressured into a repayment schedule before the harvest month due to cashflow restrictions.

Funds will be dispersed via **Microfinance Institutions** &/or **Farming corporations**, helping mitigate risk by lending to a wider pool of farmers offering a mixture of interest, crop variety and loan tenure.



Risk assessment:

Our partner organisations help us with due diligence, loan dispersal and an array of other operating activities, while our internal credit rating system allows us to reduce defaults and late payments to a reasonable level of 2% of our entire portfolio. 4 key metrics are used by Eight Four Capital to effectively identify the creditworthiness of each loan, either on an individual farmer basis, or as a pool of borrowers



Transaction History:
Allows us to evaluate past sales history of farmers, collectively.



Borrower Demographics:
Helps us understand our borrowers on a 'K-Y-C' basis.



Agronomic Survey:
Assesses the overall yield produced by a pool of farmers.



Third-party Associations:
Consists of partner organisations which help secure our loans,

Transaction History:

MFI's, Agri tech companies and farming corporations have a large diverse track record of transactions which compiled together allow us to rate the credit worthiness of each organisation. By devising a credit rating system based on the organisations transaction record, we identify a score based on all its borrowers combined.

Borrower demographics:

Farm location, age, family size and market vicinity offer different credit risks. Distributing our loans amongst a variety of borrowers across different demographics helps us derisk our portfolio.

Agronomic survey:

Difference in yield, crop cycles and harvest methods help us lend against a variety of crops & harvest seasons, offering a mixture of margins, loan tenures and interest payments.

Third party associations:

MFI's, Agri tech companies and farming corporations which actively engage with third party intermediaries to help farmers increase yield or secure a trade, help secure our loans. These third party intermediaries help with:

- Market data gathering
- Weather analysis
- Farm-to-market support

The ability for a farmer to secure a sale, either before or soon after harvest, greatly reduces our risk and protects the ability to repay the loan.

Financials:

The InSo Bond is worth SGD 50,000 (fifty thousand Singapore Dollars) with a tenure of 12 months from the loan origination date. With an average loan amount, per farmer, of SGD 2,000 held for 3 months (4 loan cycles), we aim to provide working capital loans to 100 farmers $((50,000/2,000) * 4)$ over the 12 month period.

An interest of 4% is guaranteed by Eight Four Capital Pte Ltd, regardless of the effective default rate over the 12 month period. Any and all defaults, late payment issues or non performing loans will be absorbed by Eight Four Capital Pte Ltd barring no risk to the bondholder

Reporting:

Members of Eight Four Capital conduct monthly visits to the farms, providing feedback and reports on the wellbeing of our borrowers. Photos & videos are frequently uploaded on our social media platform while more thorough reporting is provided for our bond holder.

Last note:

Our goal is to increase the livelihood of smallholder farmers in Indonesia through access to critical working capital loans. We have conducted thorough due diligence on our operating partners and deem them to be able to support us in our efforts to deploy & collect repayments.

Food security, rural development and farmer financing is our objective and with your help we can help farmers GROW!

