

Securitization

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Structured Bonds in Indochina, a Cambodian Case Study: Investment-Grade Solutions, Baron Bond Global Bank DAFI™ Series (Revision 2)

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Foreward

The Institutional Insurance & Fixed Income Group (IIFG) provides comprehensive analysis on topics and strategies used with institutional insurance, fixed income and alternative investment programs. For this installment **KPMG Cambodia Ltd.** collaborates with **Baron Point Capital Management Ltd.** whose landmark securitization techniques were implemented in Thailand in the 2010s on **landmark** assignments, including where Baron Point led the working group at the Bank of Thailand, Financial Institution Controller, successfully petitioning for the inclusion of alternative investment return streams linked to securities offerings. During this time, Baron Point also acted as the exclusive provider for The Royal Bank of Scotland for derivatives linked alternative strategies.

Thus, leading us to today where Baron Point is currently utilizing structured bonds and their positive application in the Cambodian debt capital markets for a Cambodia Securities Exchange (CSX) listing.

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01 Executive Summary

This white paper introduces what could be a transformative fixed-income solution to Cambodia's nascent debt capital markets, delivering **a principal-protected, investment-grade structured bond tailored for Qualified Investors**. In a market constrained by a B+ sovereign rating, limited liquidity, and scarce long-dated investment options, **securitization** techniques can redefine debt capital markets investing for life insurance companies, pension plans, and banks. **With bonds collateralized by an expected explicit A2/A Moody's/S&P global rating, the programme pierces Cambodia's sovereign ceiling, offering potentially unmatched credit quality, predictable cash flows, global tradability, and high yield.**

Backed by a High Credit Rated Issuer (rated A2/P-1, A/A-1 by Moody's/S&P), the principal is 100% protected at maturity by a High Credit Rated Issuer, addressing the risk-averse mandates of Qualified Investors. **The structure is designed as a bankruptcy-remote Segregated Portfolio (SP) and the securitization technique isolates cash flows from local economic activity, delivering a sovereign-agnostic asset.** The programme in this white paper offers flexible 5–30-year maturities, aligning with long-term liability schedules. For tenors of 15-years or more, a coupon is priced [50 to 151] basis points better than ICE BofA Single-B US High Yield Index Effective Yield, paid as a bullet at maturity. The security is designed to deliver high yield returns without compromising the safety of the high investment-grade principal guarantee.

Appointing a Bondholder Representative, the equivalent of a Trustee in Indochina, pursuant to the regulatory framework under the Securities and Exchange Regulator of Cambodia (SERC) for regulatory compliance, the security example in this white paper marries key local and international market attributes to improve debt capital markets for a Cambodia Securities Exchange (CSX) listed bond.

Key securitization features include:

- **Investment-Grade Quality:** Expected A2/A Moody's/S&P explicit global investment-grade rating for this collateralization, far surpasses local ratings, capped by Cambodia's B+ global junk bond ceiling. This enables robust asset-liability matching at scale with a investment-grade security.
- **Principal Protection:** Secured by a High Credit Rated Issuer, ensuring capital preservation—critical for insurers, banks and pension plans so that the return **of** capital concern is addressed.
- **Yield Enhancement: DAFI™ Strategy** linkage boosts return, offering superior credit quality combined with a high yield return.
- **Liquidity Potential:** Marginability and repo capabilities promote liquidity in major financial centers, addressing Cambodia's illiquid secondary debt capital market limitations.
- **Regulatory Alignment:** SERC regulatory framework compliance and a CSX local listing, while reputable firms' involvement such as **KPMG, EY, Northern Trust, Moody's/S&P**, and other top-tier global banks and services providers, enhance transparency and reliability.

Securitization can empower Qualified Investors to meet regulatory requirements, match long-dated liabilities, and optimize portfolios with an investment grade, high-quality, globally recognized asset, setting a new benchmark for the fixed income markets in Cambodia.

02 Introduction and Market Context

Overview of Structured Bonds

Structured bonds are hybrid financial instruments that combine elements of traditional fixed-income securities, such as bills, notes and bonds, with securitized components to offer tailored risk-return profiles and additional maturity and liquidity options along the yield curve. **Unlike conventional bonds, which typically provide fixed interest payments and principal repayment that is tied to a company's operational cashflows and the business cycle and risk, structured bonds link returns to the performance of underlying assets, such as senior debt obligations from a global bank, or in a different structuring method, U.S. federally insured, Aa1/AA+-rated zero-coupon CDs. Either mode of guarantee incorporates investment-grade securities to provide principal repayment in the form of security at maturity, with an equity, bond and commodities strategy as linkage for coupon enhancement.** This flexibility makes structured bonds appealing to Qualified Investors seeking customized solutions that balance safety, the potential for liquidity in secondary markets, and possible enhanced returns, while also **allowing the structured bond to be tailored to specific maturities or credit profiles that may be completely lacking in the corporate or government bond and bond market, at any given point in time in the local debt capital markets.**

Structured bonds have gained prominence globally due to their ability to address diverse investment, liquidity, and maturity objectives: As of 2023, the global market for structured bonds reached approximately **US\$7 trillion** in outstanding value, reflecting their growing role within the financial landscape.¹ **Structured bonds can offer exposure to investment-grade principal protection and liquidity pools with tailored long-dated maturities to help a life insurance company deploy more**

¹ Structured Notes 101: Complete 2025 Investor's Guide

annuities and life insurance products by supporting the exact asset liability match the insurance company desires in its liability-driven strategy. Additionally, they can do the same for a pension plan needing to match its retirement liability profile against long-dated bond maturities, or a bank, looking to lengthen its maturities to match versus long-dated financial products, such as mortgages, or for excess liquidity at the bank, to capture higher yields.

KPMG Cambodia Ltd. have teamed on this assignment with **Baron Point Capital Management Ltd.**, a New York City specialist investment bank and financial group, whose expertise in structuring such products in Indochina is evidenced by their successful work in Thailand with the Central Bank of Thailand (BOT) and a **landmark** Baron Bond issuance (explicitly rated A3 by Moody's), underscoring their capability to deliver innovative solutions in Cambodia. The bonds discussed in this white paper are designed specifically for Cambodia, a market with no real market volume, or depth, and limited fixed income choices.

Securitizing based on bespoke needs, and market demand for long-dated maturities in Cambodia, the bonds are designed to be principal-protected pursuant to the regulations of both the Securities and Exchange Regulator of Cambodia (SERC), as well as through a listing on the Cambodia Securities Exchange (CSX). The bonds can offer annual coupons paid, or as a bullet at targeted legal maturities based on the needs of the qualified investor. Bespoke maturities can be targeted (5 to 30-year maturities available), with 100% principal protection secured and for 15-year maturities or higher, a partial defeasment of the coupon can be secured by a High Credit Rated Issuer.

The collateralization discussed in this white paper is expected to be explicitly rated A2/A Moody's/S&P, and the bespoke structure aligns with the needs of Qualified Investors, particularly life insurance companies, pension plans, and banks which require long-term, investment-grade maturities to match against their long-term liabilities.

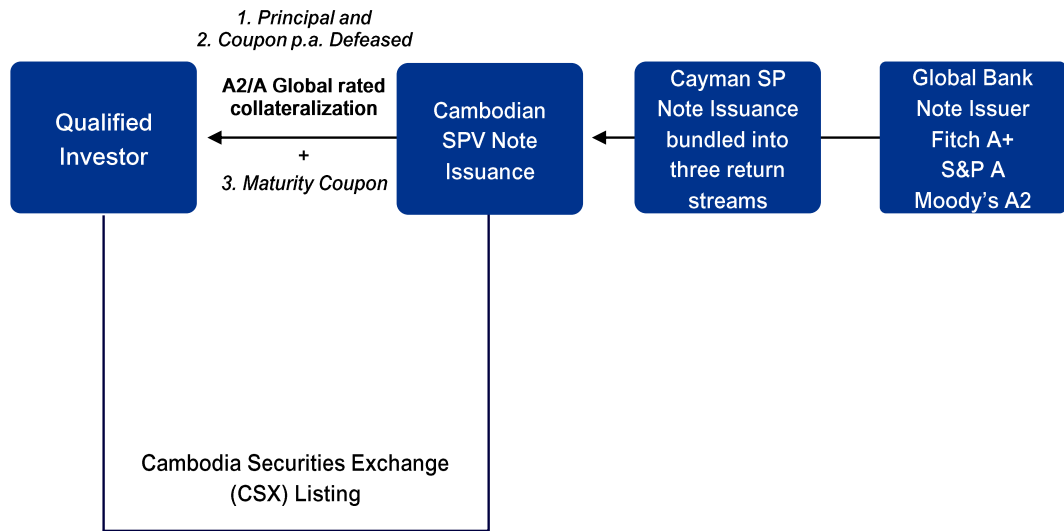
High yield is targeted with a coupon priced [50 to 151] basis points better than ICE BofA Single-B US High Yield Index Effective Yield, in a collateralization 12-notches better in quality, all while keeping capital safe in an investment-grade structure.

By combining a fixed coupon paid at maturity with principal protection and high yield, this investment-grade fixed income asset, with superior potential liquidity in the secondary markets, improves on the typical default risk of B+, global junk bond—in the highly speculative category, the current Cambodia Sovereign rating. That is not to mention lower rated bonds with no explicit credit rating issued in the Cambodia debt capital markets. **The Baron Bond redefines investment standards with structured bonds employed to global modern finance standards.**

Repack Logic: The Mechanics of the Baron Bond

The concept of “**repackaging**” or as Wall Street call them “**repacks**” lies at the heart of the securitization structure of the Baron Bond. Repackaged securities (Repacks) involve an issuer, typically a Segregated Portfolio (SP), acquiring a financial asset (e.g., an investment-grade bill of exchange, certificate of deposit, note, or bond) and issuing a new security backed by that asset (the “Bond”, “Bonds”, or “Baron Bond”). This process enhances the original asset’s appeal by restructuring its terms, improving credit quality, adding protective features, and it also can be structured to offer high yield. The Baron Bonds, when issued as a Depository Receipt, may be listed on Euroclear and Clearstream based on the underlying purchase of collateralization, such as from a top Global Bank rated A2/A Moody’s/S&P or U.S. federally insured, Aa1/AA+-rated zero-coupon CDs (High Credit Rated Issuer), for the secured principal protection and annual coupon (if required), and a maturity coupon, paid as a bullet, providing the high yield through a Global Bank **security bundled** in the Baron Bond.

Figure 1: Repack transaction flow



Source: Indicative Securitization Provided by Baron Point Capital Management Ltd. For Illustrative Purposes, only. Any References to Terms & Conditions, And Any Third Parties Are Not a Representation of Any Party's Ability or Willingness to Transact.

The repack logic offers several advantages: First, it leverages the creditworthiness of a High Credit Rated Issuer, whose guarantee ensures investors recover their principal at maturity with an annual cashflow in the form of an annual coupon payout. This mirrors Baron Point's earlier approach in bond issuances in Indochina, where bills of exchange from medium High Investment-Grade credit-rated banks with a custodian (rated A3 by Moody's at the time) backed the explicitly rated bond issuances.

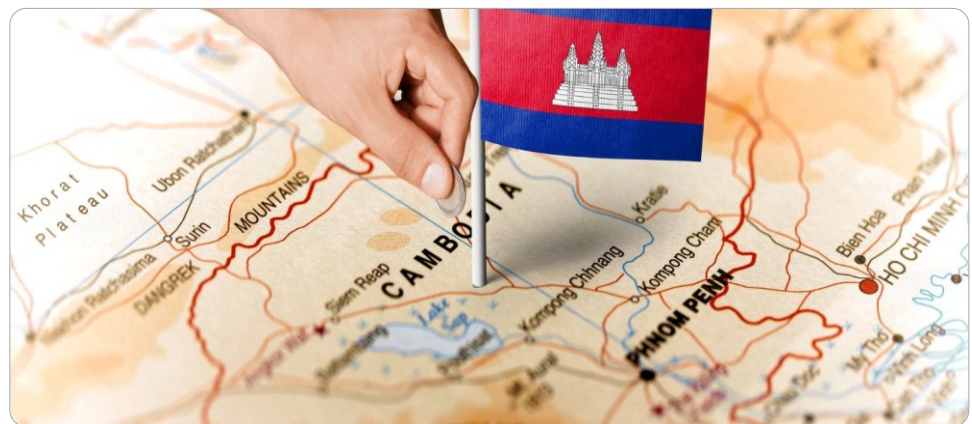
Second, repackaging allows for customization, enabling the issuer to tailor bond's terms (e.g., 5-,7-,10-,12-,15, 25-year, etc. tenor, with principal paid at maturity as a bullet) to meet the matching needs of Qualified Investors.

Third, the SP structure isolates risk, ensuring that the bond's cash flows are insulated from the issuer's financial health, a critical feature for **bankruptcy remoteness**.

Fourth, the effective high yield, in the case of the bond securitization outlined in this paper, a 15-year tenor, is priced [50 to 151] basis points better than ICE BofA Single-B US High Yield Index Effective Yield, in a collateralization 12-notches better in

quality, with the maturity coupon pricing dependant on the maturity match the qualified investor desires.

Moody’s methodology for rating Repacks, as applied to several Indochina structured bonds developed by Baron Point, emphasized the credit quality of the underlying collateralization (High Credit Rated Issuer’s collateralization in this case) and structural safeguards like **ring-fencing** and **bankruptcy remoteness**. By applying similar principles, a structured bond offering for the Cambodian market expects to achieve an explicit A2/A Moody’s/S&P global rating for its collateralization, thereby signaling low credit risk. **This Repack logic not only enhances investor confidence and the potential for liquidity in the global markets, but it also positions the bonds as outlined in this securitization effort as a superior alternative to current Cambodian fixed-income issuances, which often lack such robust features, protections, or an explicit investment-grade global rating for their collateral.**



Why Structured Bonds Matter in Cambodia?

Qualified Investors, such as life insurance companies, pension plans, banks and asset managers, are increasingly drawn to structured bonds due to their ability to deliver enhanced credit-rated quality collateralizations, predictable cash flows, capital preservation, and alignment with long-term liabilities. In Cambodia, where the debt capital markets are still developing, the appetite for high-quality, principal-protected, investments with competitive fixed rate returns are particularly strong. **Life insurance companies**

often face the challenge of matching long-duration liabilities (e.g., policy payouts over many years) with high quality assets that offer a stable return of capital and coupons at maturity. The current Baron Bonds focused on in this white paper offers a 15-year tenor, offering a coupon priced [50 to 151] basis points better than ICE BofA Single-B US High Yield Index Effective Yield, in a collateralization 12-notches better in quality, and therefore directly addresses this need. Hence, a reliable cashflow at maturity and a secured principal repayment on a bespoke maturity date as targeted by the insurance company, bank, or pension plan sponsor is provided by the Baron Bonds.

Cambodia is a country that has experienced robust economic growth averaging 5.8% GDP growth annually from 2000 to 2024, according to the World Bank. However, the investment landscape remains underdeveloped with very few debt capital market choices and no issuances explicitly rated investment-grade. Traditional fixed-income options, such as government bonds or corporate debt, often offer lower yields or lack the credit quality required by institutional mandates. **The bonds in this securitization effort fills this gap by offering a competitive coupon, in a collateralization 12-notches better in quality, delivering an investment-grade asset, with superior high yield returns.**

Further, the involvement of globally recognized service providers such as KPMG, EY, Northern Trust, Moody's/S&P and other top-tier global banks and service providers enhance the bonds and this securitization effort's merit. Qualified Investors prioritize investments with transparent structures and reputable backing, particularly in emerging markets where regulatory frameworks and local options for debt issuances are evolving. **A security developed pursuant to the Securities and Exchange Regulator of Cambodia (SERC) regulation further ensures compliance with the Cambodian authorities, providing additional comfort. While, when issued as a Depository Receipt, it has global tradeability on Euroclear and Clearstream (Deutsche Börse) promoting the potential for liquidity in many of the world's major financial centers.** Baron Point's track record, including their successful securitization of

landmark Indochina issued structured bonds, reinforces credibility and Baron Point's ability to deliver institutional-grade issuances in Cambodian debt capital markets.

Cambodia's Economic and Financial Context

Cambodia's economic trajectory provides a compelling backdrop for the bonds in this securitization effort. The country has transitioned from a post-conflict economy to one of Southeast Asia's fastest-growing markets, driven by tourism, garments, and construction. The Asian Development Bank projects GDP growth of 4.9% in 2025 and 5.0% in 2026, supported by foreign direct investment and regional trade integration. However, the financial sector remains nascent, with limited depth in capital markets. The Cambodia Securities Exchange (CSX), launched in 2011, has a mere 25 listed entities as of 2025, underscoring the scarcity of liquidity and no investment-grade debt options.

While the equity market is still developing, Cambodia's bond market is also trying to emerge. In 2025, the Royal Government of Cambodia plans to issue bonds worth US\$125 million to support public sector projects and maintain the national budget. The government aims to issue up to US\$1 billion in bonds over the next five years, primarily to fund infrastructure projects and stimulate economic growth. However, contrast this within the context of the bonds in this securitization effort, **which is issued in a mature market that has been in existence for almost four decades, with US\$7 trillion in structured finance products, resulting in a multitude of choices and deep global liquidity potential.**

This context amplifies the significance of the bonds in this securitization effort: **By introducing a principal-protected structured bond, Baron Point is addressing the institutional demand for investment-grade long-dated fixed income collateralization, in a market where debt offerings are relatively small, not often offered, and have almost no secondary market liquidity.** The Baron Bond's alignment with the life insurance industry is particularly timely, as **Cambodia's insurance sector is expanding rapidly, with gross premiums growing at a compound annual growth rate of 23.9% from 2015 to 2024 per**

industry reports. Structured bonds like in this securitization effort enable insurers to meet regulatory capital requirements with high-grade assets generating attractive yields.

Importance of Principal Protection in Cambodian Markets

Principal protection is a critical feature in emerging markets like Cambodia, where investors face heightened risks from the economic cycle, regulatory uncertainty, and limited if any market liquidity. By guaranteeing principal repayment through a High Credit Rated Issuer, the bond in this securitization effort mitigates concerns, offering a level of security rarely found in the local fixed income market, plus they are highly scalable and far more liquid than any local issuances could ever possibly expect to be. This feature is especially appealing to risk-averse Qualified Investors, who prioritize capital preservation with global tradability. The expected A2/A Moody's/S&P explicit global rating for its collateralization further reinforces the Baron Bond's safety, drawing parallels to the A3 global rating of the landmark Indochina structured bonds that Baron Point achieved, which relied on major banks creditworthiness to arrive at their explicit global ratings.

Additionally, the long-dated tenors of the bonds in this securitization effort align with global trends in liability-driven investing, where institutions seek long-duration assets to match future obligations. In Cambodia, where long-term investment maturities are scarce, and credit quality is low, rated B+ or **junk bond** at the highly speculative grade status, the bonds in this securitization effort's **investment-grade** structured bond provides a competitive edge, positioning it as a flagship product in the region's debt capital markets for conservative investors.

Innovative Approach to Investing in Emerging Markets

The bonds in this securitization effort are a potential game-changer for Cambodia: It brings high-quality long-dated maturities in a global-standard investment to a market that needs more liquid,

higher credit qualities, and in general much better debt capital market options. **By offering the Baron Bonds through a strong SP securitization, it isolates risks tied to Cambodia's economy, making it "sovereign-agnostic" meaning it doesn't depend on the financial health of Cambodia's economy.** Implement as alternative investment return stream, the DAFI™ Strategy, this adds potential extra return, aiming to beat U.S. high-yield bonds, all while keeping the credit quality at investment-grade and thus far superior to current Cambodian fixed-income securities.

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03 Repack Mechanics

Overview of Repackaging in Institutional Structures

Repackaging is a foundational technique in structured finance, enabling the transformation of standardized financial instruments into tailored securities that meet the nuanced demands of institutional portfolios. **Structured bonds allow for the consolidation of high-quality assets into bankruptcy-remote investment vehicles that isolate credit exposure, ensure structural transparency, and align with regulatory capital requirements.**

Repackaged fixed-income securitizations are designed to deliver long-duration stability, principal protection, and investment-grade credit quality maturity payouts tailored to the specific liability-driven needs of Qualified Investors.

These instruments are not intended to pursue speculative returns; instead, they prioritize return *of* capital, bespoke maturity scheduling, cashflow predictability during the life of the security and at maturity, and effective risk segmentation with transparency core requirements for life insurance companies, pension plans, and bank treasury departments (“Bondholders”) managing longer-term liabilities under their regulatory capital regime.

Baron Point strives to meticulously securitize the bonds in an effort to deliver principal-protection that prioritizes an investment-grade credit quality collateralization. Meaning the Baron Bonds are designed for Qualified Investors that seek securities with robust credit profiles, predictable annual cash flows, and at maturity, a high yield component to fulfil their long-term liability obligations under their regulatory mandate.

Redefining Fixed-Income Investing in Cambodia

The Cambodian government is planning a Cambodian government bond offering, capped at a B+ sovereign rating, targeted at US\$125 million in a 2025 issuance, with plans for US\$1 billion over five years to fund infrastructure. Prior and current government bonds issued in the markets lack an active secondary market for liquidity and there is a limited number of issuances suitable to match long-term liabilities. Corporate bonds, also junk-rated, or with no rating at all, are tied to single-issuer risks, offer limited maturities to choose from, and virtually no secondary market liquidity, with speculation of how strong the secures, if one exists, would actually be, if any, systematic financial crisis erupted.

In contrast, **the bonds in this securitization effort outshine Cambodia's current local options and address Cambodia's long-dated maturity liquidity gap with an investment-grade bond.**

Potential Game-Changer

The bonds in this securitization effort decisively outperform Cambodia's government and corporate bonds across every critical metric for Qualified Investors:

- **Expected Investment-Grade Rating in the collateralization:** Seeking an explicit A2/A global investment-grade rating from Moody's and S&P, piercing Cambodia's B+ junk bond rated ceiling.
- **Long-Term Maturity Alignment:** 5 – 30-year maturities make the bonds in this securitization effort ideal for matching long-duration insurance and pension plan liabilities.
- **Potential Global Liquidity:** Marginability and repo capabilities promote liquidity in major financial centers, addressing Cambodia's illiquid secondary debt capital market limitations.

- **Sovereign-Agnostic Structure:** Bankruptcy-remote SP, plus a High Credit Rated Issuer security insulates Baron Bonds from local economic and political risks.

In essence, the bonds in this securitization effort provide a sovereign-agnostic, globally compliant, and institutionally optimized fixed-income solution that fills a major gap in Cambodia’s fixed-income markets.

Figure 2: How Baron Bonds in this Securitization effort Outperform Traditional Options in Cambodia

Cambodian Government Bonds	Cambodian Corporate Bonds	Baron Bonds
Credit Rating		
B+ (junk bonds); reflects elevated sovereign credit risk and macroeconomic instability (as of this publication date)	B+ (junk bond); capped by the sovereign ceiling, signals elevated credit risk	Expected A2/A Moody’s/S&P explicit global investment-grade rating for its collateralization; pierces Cambodia’s sovereign ceiling
Maturity		
Very small issuances with even fewer long tenors; unsuitable for consistent long-dated liability matching	Very small issuances with few long tenors for proper asset-liability matching	Large issuances on-demand, 5–30 years; aligned with long-term institutional liability matching profiles
Liquidity		
No active secondary market; bonds are illiquid	Virtually no tradability; limits institutional liquidity	Marginability and repo capable in global financial centers
Risk Exposure		
Linked to government budget; payout uncertainty in times of crisis (e.g., Lehman Brothers and the 2008 Financial Crisis)	Single-issuer risk tied to the business cycle; secures a higher likelihood to fail in a systemic crisis	Bankruptcy-remote SP; secured by High Credit Rated Global Issuer; insulated from local economic shocks
Notional Market Size		
In 2024, securities worth US\$70 million issued. The 2025 issuance target is US\$125 million with US\$1 billion by 2030	As of May 2025, US\$368 million in capital raised in a limited amount of corporate issuances	Part of a US\$7 trillion global structured finance market; inaugural Baron Bonds of US\$1 billion is available for the Cambodian market, with US\$200 million in an inaugural shelf registration

Source: Indicative Securitization Provided by Baron Point Capital Management Ltd. For Illustrative Purposes, only. Any References to Terms & Conditions, And Any Third Parties Are Not a Representation of Any Party’s Ability or Willingness to Transact.

Securitizing the bonds in this structuring effort

The bonds in this securitization effort leverage repackaged securities (Repacks) to create high-credit quality, in a potentially liquid investment vehicle designed for Cambodia's institutional market. Repack transactions utilize a Segregated Portfolio (SP), and when issued as a Depository Receipt, it can be listed globally on Euroclear and Clearstream (Deutsche Börse). The Baron Bond's repackage financial assets from a High Credit Rated Issuer and then re-issues a new security financially engineered for superior credit quality, tailored to a bespoke maturity, in a structure designed to be tradable in the major global financial centers of the world. The Baron Bonds developed in this securitization effort repackages principal-protection from a High Credit Rated Issuer, subsequently packing it as a structured bond that offers an annual coupon paid, with a bullet at maturity targeted to boost effective returns by [50 to 151] basis points better than ICE BofA Single-B US High Yield Index Effective Yield, in a collateralization 12-notches better in quality.

The **bundling** of the Baron Bonds aligns with the priorities of Qualified Investors who benefit from an explicit investment-grade rated collateralization being placed on the books, at maturity schedules that complement the Qualified Investors' liability schedule, in an issuance that strives to ensure stability in compliance within the regulatory framework under the Cambodian authorities (SERC and CSX), while promoting a structure that is designed to be tradable in the global markets.

Step-by-Step Breakdown of the Repack Transaction

Baron Bonds orchestrate the Repack through a series of deliberate, transparent steps, prioritizing high-credit quality and a structure that promotes multiple maturity schedules to choose from, while ensuring structural integrity. The process integrates cash flows from the collateralization with mechanisms to enhance market accessibility, all the while maintaining a High Investment-Grade credit profile with a high yield component.

Key steps involved are:

1. SP Formation and Asset Acquisition

Baron Point Capital Management Ltd. establishes an SP, fully compliant under the Cayman Island authorities, and an SPV feeder under the Cambodian authorities. The SP acquires principal-protection in the form of a zero-coupon-like security issued by a **High Credit Rated Issuer**, which secures 100% principal repayment at maturity. This collateralization serves as the foundation, leveraging a global bank's or U.S. government's globally credit rated security, to secure the Baron Bonds.

2. Integration of Credit Enhancement Mechanisms

The Baron Bond Series incorporates credit enhancement features, including the principal protection, discussed above, from the High Credit Rated Issuer, and the SP's **ring-fenced structure**, to achieve a potential explicit investment-grade global rating. These mechanisms ensure that the Baron Bond maintains high-credit quality, providing a risk-based security enhancement on the investors balance sheet and at the regulator. This results in a secure investment option for risk-averse Qualified Investors looking to match assets and liabilities and grow their book of financial products, policyholders and plan participants.

3. Issuance of the Baron Bonds

The SP makes inquiries in High Credit Rated Issuer dealer markets and creates a shelf-registering a targeted collateralization amount of underlying securities and structures the Baron Bond with the features mandated by the Qualified Investor.

4. Bankruptcy-remoteness

The Repack mechanism enhances credit stability through the SP's bankruptcy-remote structure, isolating cash flows from the SP's financial condition, ensuring uninterrupted payments at maturity to investors. **The bankruptcy-remote structure is therefore ring-fenced, ensuring that credit risks reside solely with the underlying asset and not the structuring or issuing SP.** Backed by the principal guarantee of a High Credit Rated Issuer collateralization, this framework delivers high-creditworthiness and scale with the potential for liquidity in the secondary markets to

support Qualified Investors’ needs for bespoke long-dated maturities. As a high-quality issuance on demand, Baron Bonds establish a securitization that shall become the standard for long-dated maturity offerings in Cambodia.

This issuance framework enables Cambodian Qualified Investors to access offshore credit quality within a local bond issuance and regulatory perimeter, simplifying internal compliance, onboarding, and monitoring processes while structuring maturities to match liabilities, on-demand.

5. Post funding, global tradability potential for DRs

When issued as a Depository Receipt (DR), Baron Bonds can globally list on Euroclear and Clearstream (Deutsche Börse), promoting global tradability in major financial centers.

Figure 3: Risk segmentation and mitigation

Layer	Exposure	Risk Mitigation
Underlying Asset	Credit & maturity risk	Investment-grade collateralization; in-line with maturities that match the liabilities of the qualified investor
SP	Issuer risk	Legally ring-fenced; governed under U.S. Cayman, SERC, CSX regulatory regimes
Baron Bonds	Liquidity	Marginability and repo capabilities promote liquidity in major financial centers, addressing Cambodia’s illiquid secondary debt capital market limitations
Derivative Overlay (synthetic only)	Market risk exposure	Downside capped; principal and base annual coupon secured by investment-grade collateralization

Source: Indicative Securitization Provided by Baron Point Capital Management Ltd. For Illustrative Purposes, only. Any References to Terms & Conditions, And Any Third Parties Are Not a Representation of Any Parties’ Ability or Willingness to Transact.

6. Liquidity and Cash Flow Distribution

Marginability and repo capabilities promote liquidity in major financial centers, and cash flows from the collateralization are channeled through the SP and SPV structure and credited to the investor as coupon payments that are paid per annum, and for the maturity coupon and principal as a bullet at maturity, ensuring reliability and consistency over the long-term. At maturity, the

custodian also repays the principal, reinforcing capital preservation.

7. Risk Isolation

Baron Bonds isolates the transaction from any SP or SPV balance sheet risks, ensuring that cash flows are paid per annum and as a bullet at maturity. Therefore, the Issuance remains unaffected by external financial conditions.

The risk segmentation mitigation discussed above, aligns with the asset-liability matching needs of Cambodian life insurance companies, pension plans, and banks which often seek capital-efficient structures to meet their policyholder, plan sponsor, financial products obligations while reducing exposure to the highly speculative sovereign and issuer-specific risks of the current Cambodian debt capital markets.

Focus Box: Summarizing the Strategic Benefits

The Repack mechanics of the Baron Bonds in this securitization effort are tailored to meet the specific needs of Cambodian life insurance companies, pension plans, banks, and asset managers emphasizing:

1) Investment-Grade Credit Quality Collateralization.

High-grade global credit quality promotes stability and liability matching against long-dated financial products, policyholder and/or retirement plan obligations. There may also be a balance sheet benefit under risk-based capital requirements given the Bondholder is using an Investment-Grade collateralization as the asset to match its liability.

2) Bespoke maturities on-demand.

The maturities issued in the Baron Bond security are based on specific qualified investor needs to match specific long-dated maturity schedules. In the case of a life insurance company or pension plan, they benefit from the flexible tailoring in the 5 to 30-year maturity range. This tenor lock-in is customized to align with the specific liability maturity schedules needed, on-demand.

For banks, the same applies. The bonds can be structured to address long-dated financial products, such as mortgages, as well as excess shorter-term liquidity, where banks can be constrained by a lack of quality loans to be made, while operating in a high-growth economy where their deposits are growing fast.

3) High Yield.

Priced at [50 to 151] basis points better than ICE BofA Single-B US High Yield Index Effective Yield, in a collateralization 12-notches better in quality in this securitization effort, the investment can be highly attractive, providing predictable cashflows, with maturities that match liability payouts, enabling proactive liability-driven investment portfolio management for the specific needs of Cambodian Qualified Investors.

Moreover, Bondholder's returns can be further enhanced through repurchase agreements (Repos) programs, post listing, which can grow returns on the bonds in this securitization even further.

Structural Safeguards and Credit Rating Rationale

The Baron Bonds embed robust structural safeguards to ensure the programme's investment-grade credit collateralization profile, aligning with the methodologies of leading rating agencies such as Moody's and S&P for repackaged securities. The SP's bankruptcy-remote structure isolates cash flows from the SP financial condition, ensuring cashflow payments at maturity to investors, a critical consideration for risk-averse institutions. The principal guarantee from a High Credit Rated Issuer underpins the anticipated investment-grade global rating, reflecting the high-credit quality of the underlying collateralization.

Rating agency methodologies emphasize the creditworthiness of the collateralization and structural protections such as ring-fencing. These criteria are satisfied through the SP structure, supporting Baron Bond's investment-grade status. Baron Bonds seek to deliver the credit stability and scale that Cambodian institutions desire for their long-dated maturity matching.

Alignment with Global Standards and Local Dynamics

The Baron Bond securitization effort adhere to global financial standards and in a Depository Receipt format, can be listed on Euroclear and Clearstream (Deutsche Börse) while Baron Bonds are offered pursuant to the SERC regulations and listed on the CSX for compliance under the local authorities. The bonds address Cambodia's lack of long-dated investment-grade collateralization maturities at scale, with a best of breed high yield fixed-income security under the local and global authorities. Better credit quality on balance sheets of the qualified investor, and in the case of insurance companies and pension plans, more policyholders and plan participants are covered by superior asset-liability matching.

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04 Credit Rating Logic

Overview of Credit Rating Importance in Structured Finance

Credit ratings anchor institutional investment decisions by delivering a standardized measure of credit risk for regulatory compliance and balance sheet management. In the context of structured finance, ratings are particularly critical, as they evaluate the creditworthiness of new instruments like the Baron Bonds, which combines principal protection with high yield. For Cambodian Qualified Investors—such as life insurance companies, pension plans, banks, and asset managers—credit ratings are a key determinant of an asset’s eligibility to match long-term liabilities while meeting stringent regulatory capital requirements. A high-credit rating signals stability, reduces perceived risk, and enhances marketability, especially in an emerging market like Cambodia, where investors prioritize capital preservation amidst a highly limited amount of debt capital market choices, extremely limited liquidity, and the potential for exposure to the local economic cycle.

Expecting an Explicit A2/A Moody’s/S&P Global Rating for the Collateralization

The Baron Bonds are expected to achieve an A2/A Moody’s/S&P explicit global rating for the collateralization. A significant achievement that reflects its robust structural safeguards and high-quality collateralization. This expected explicit global rating assigned directly to the Baron Bond’s collateralization rather than implied, emerges from a direct evaluation of the Baron Bond’s structure and risk mitigation.

The programme leverages a High Credit Rated Issuer (rated A2/P-1 by Moody’s or A/A-1 by S&P), such as a top global bank or via exposure to Aa1/AA+ U.S. Federally Insured CDs, to guarantee 100% principal repayment at maturity. A bankruptcy-remote Segregated Portfolio (SP) isolates the Baron Bonds from Cambodia’s sovereign risk, piercing the sovereign ceiling,

delivering investment-grade quality that surpasses local market constraints.

The expected explicit global investment-grade rating on the collateralization underscores Baron Bond's ability to deliver high credit quality, far surpassing the constraints of Cambodia's local market, which is capped by a sovereign rating of B+ junk bond status. By achieving this expected explicit global rating, the collateralization offers Cambodian Qualified Investors access to a superior, globally recognized high quality, fixed-income asset.

Explicit vs. Implied Ratings: Piercing the Sovereign Ceiling

A key differentiator of the Baron Bonds in this securitization is that the collateralization effort *expects an explicit investment-grade global rating*, which contrasts sharply with the junk ratings, or third-party “guaranteed” fixed-income securities that are priced as junk bonds in Cambodia, presently. Moody's and S&P assign this global investment-grade rating directly to the collateralization after rigorously evaluating its structure, the collaterals, and the risk mitigation mechanisms employed by the Baron Bonds. In contrast, a security that maintains a third-party guarantee, or an implied rating is not the result of a direct assessment of an issuer's financial health, it relies on the perception of an issuer's probability of default and a guarantor to rescue the defaulting company's bonds (See the case of Lehman Brothers and the 2008 Financial Crisis).

With a Cambodian sovereign rating of B+ (junk bond status), the credit environment is already established as a highly speculative credit risk. Therefore, a Baron Bond expected A2/A Moody's/S&P explicit global rating for its collateralization, backed by the High Credit Rated Issuer, and the SP structure, form the basis which surpasses Cambodia's sovereign ceiling and single-issuer risks, by far, and ranks the bonds as an investment-grade credit exposure on the balance sheet of the qualified investor.

Baron Bond's ability to pierce the sovereign ceiling is a critical advantage in Cambodia, where the lack of investment-grade options, depth of market, and available maturities along the yield-curve constrains institutional portfolios ability to grow.

Local securities often rely on implied ratings, which are subject to the sovereign's credit risk and lack the rigor of an explicit evaluation. Moreover, **some local securities may carry securities from third-party credit-enhancement providers, but these are often proven out to be unreliable in systematically stressed market conditions (i.e., Lehman Brothers and the 2008 U.S. financial crisis) where payouts may be delayed, litigated, or withheld.** The expected explicit global rating of the Baron Bond issuance's collateralization, backed by High Credit Rated Issuer, ensures greater reliability and investor confidence, positioning it as a superior alternative for risk-averse institutions seeking to grow their insurance or retirement plan sponsor book.

The Baron Bond's explicit global rating ensures greater reliability, positioning it as a superior choice for risk-averse Cambodian institutions seeking globally aligned, explicitly rated, investment-grade assets.

Local vs. Global Ratings

For Cambodian Qualified Investors navigating a nascent debt capital market, the distinction between local and global credit ratings is pivotal when assessing fixed-income securities like the bonds in this securitization effort. **Local rating scales, such as AAA(Kh) from credit agencies, evaluate credit quality within Cambodia's constrained financial ecosystem, while global ratings from Moody's and S&P offer a universal globally recognized benchmark of credit risk, recognized and applicable in the global debt capital markets**

Limitations of Local Ratings

Local ratings like AAA(Kh) assess creditworthiness relative to Cambodia's domestic market, but in current issuances in Cambodia, are inherently capped by the country's sovereign rating of B+ (junk bond status). This ceiling reflects elevated

economic and political risks, limiting the credit quality of locally rated government and corporate bonds. Domestic rating agencies often employ less rigorous methodologies, lacking the transparency and depth of global counterparts, and local ratings are rarely recognized or usable outside Cambodia. The absence of an active secondary market further hampers liquidity, rendering securities that are *only* locally rated illiquid and less appealing for institutions seeking a tradable asset in the global debt capital markets. This also exacerbates risk-based capital marks to meet needs under the regulator's capital requirements.

Strengths of Global Ratings

Global ratings from Moody's and S&P are grounded in robust, transparent methodologies that evaluate credit risk across global markets and asset classes. These credit rating agencies assess securities like the bonds by analyzing the collateralization quality, structural safeguards, and risk mitigation mechanisms, such as the bankruptcy-remote Segregated Portfolio (SP) and High Credit Rated Issuer collateralization (issued by a globally rated A2/P-1 or A/A-1 by Moody's/S&P). **Global ratings can pierce sovereign ceilings, enabling the bonds to achieve an expected A2/A Moody's/S&P explicit global rating for its collateralization. This surpasses Cambodia's B+ constraint by 12-notches.** This global credibility enhances marketability, supports tradability in major financial centres, and aligns with the stringent mandates of risk-averse Qualified Investors.

In Cambodia's debt capital markets, where investment-grade, long-dated, and liquid securities are scarce or not available, the bonds in this securitization effort **establishes investment-grade fixed-income investing in Cambodia. By leveraging global ratings to deliver a sovereign-agnostic, high-quality asset, the bonds empower Qualified Investors to better meet regulatory capital requirements, match long-dated liabilities, and optimize portfolios with unparalleled liability-driven flexibility, establishing a new benchmark for Cambodia Qualified Investors.**

Figure 4: Baron Bond's Global Rating Advantage over Local Alternatives

Aspect	Local Ratings (AAA(Kh))	Global Ratings (Moody's/S&P)	Baron Bonds
Global Credibility	Capped by a B+ sovereign junk bond rating, AAA(Kh) with no globally rated collateralization, limits any global acceptance.	Universally and globally recognized, piercing sovereign ceilings with rigorous assessments.	Delivers unmatched investment-grade global rating via a High Credit Rated Issuer collateralization, promoting trust and confidence, globally.
Liquidity	Illiquid, with virtually no secondary market, hindering portfolio liquidity.	Marginable and repo capable, and in DR form, promotes transparency and global tradability via Euroclear/Clearstream listings.	Globally tradable in DR form. Marginability and repo capabilities promote liquidity in major financial centers, addressing Cambodia's illiquid secondary debt capital market limitations
Risk Mitigation	Exposed to Cambodia's economic cycle and sovereign risks.	Isolate investments from local risks with sovereign-agnostic structures.	Sovereign-agnostic SP and a High Credit Rated Issuer collateralization ensure stable cash flows and full principal protection on return of capital from a A2/A Moody's/S&P global
Rigorous Methodology	Over simplified, lacking depth for complex structures, reducing reliability.	Sophisticated models and stress-tests validate credit quality.	Moody's/S&P validates robust credit quality and security
Superior Credit Quality	Junk bond status at the sovereign limits liability matching and regulatory capital requirement options.	Delivers investment-grade stability for institutional mandates.	An investment-grade collateralization enables insurers and pension plans to match long-dated liabilities with high-quality assets.
Regulatory Alignment	Local debt capital market options complicate global viability and standards.	Meets global and local standards, enhancing trust.	U.S., Cayman and SERC framework and a CSX local listing ensures regulatory compliance under the authorities.
Yield and Safety	Risky, low relative yield at the highly speculative default exposure range for credit investments.	Balance higher yields with investment-grade principal protection and coupon secures.	For 15-year tenor, coupon priced [50 to 151] basis points better than ICE BofA Single-B US High Yield Index Effective Yield, with a 100% investment-grade guarantee, surpassing local yield and credit options.

Source: Baron Point Capital Management Ltd.

Structural Safeguards Supporting the Investment-Grade Rating

The expected A2/A Moody's/S&P explicit global rating of the issuance's collateralization underpins a series of other structural safeguards designed to ensure credit stability and alignment with the methodologies of leading rating agencies like Moody's and S&P. These safeguards focus on isolating risk, enhancing credit quality, and ensuring predictable cash flows at maturity, which are essential for Cambodian Qualified Investors managing long-term liabilities.

1. High Credit Rated Issuer's Secured Principal Protection: The issuance is backed by **principal-protected collateralization issued by a High Credit Rated Issuer**, such as a top global bank or via U.S. Federally Insured CDs. This guarantee ensures 100% principal repayment at maturity, mitigating credit and maturity risk. The High Credit Rated Issuer's global rating (A2/P-1 by Moody's or A/A-1 by S&P) forms the foundation of Baron Bond's credit quality, directly contributing to its investment-grade status.

2. Bankruptcy-Remote SP Structure: The SP, which facilitates the Repack transaction, is structured to be **bankruptcy-remote**, isolating cash flows from the SP's financial condition or other external risks. This **ring-fenced structure** ensures that Baron Bond's cash flows, comprising annual coupons paid and principal repayment, plus the maturity coupons paid as a bullet at maturity are unaffected by the SP's financial health, a critical feature for maintaining credit stability.

3. Credit Enhancement Mechanisms: The issuance incorporates additional credit enhancement features, such as a **partial defeasance of the coupon** for maturities of 15 years or longer, secured by U.S. Federally Insured Paper or a top global bank. This defeasement further reduces risk, ensuring that a portion of the coupon is secured by a high-quality collateralization, enhancing the overall credit profile of the Baron Bonds.

4. Regulatory Compliance and Market Accessibility: Baron Bonds are pursuant to SERC regulations and listed on the CSX to ensure compliance with local regulations and listing requirements, providing comfort to the Cambodian authorities and investors. Additionally, when listed in Depository Receipt form, potential liquidity is derived from global listings on **Euroclear** and **Clearstream** (Deutsche Börse), making the Baron Bonds structure tradable in major financial centers such as New York, London, Singapore, Hong Kong and Luxembourg. Global listings enhance market accessibility while maintaining regulatory alignment, locally and globally, factors that rating agencies consider when assessing the Baron Bond's creditworthiness.

Moody's and S&P methodologies for rating repackaged securities emphasize the credit quality of the underlying collateralization and the robustness of structural protections. The Baron Bond issuance seeks to satisfy these criteria through its High Credit Rated Issuer collateralization, SP ring-fencing, credit enhancement, and high yield maturity coupon features, ensuring an investment-grade global rating that reflects low credit risk and high reliability.

Alignment with S&P and Moody's Methodologies

S&P and Moody's evaluate Equity-Linked Notes (ELNs) and repackaged securities (Repacks), focusing on single- and multi-name ELNs (S&P) and single-tranche Repacks (Moody's). Both agencies assess credit risk through quantitative and qualitative factors, where repayment hinges on underlying asset performance. The Baron Bond structure was developed to align with these methodologies, as detailed on the next page.

Figure 5: Alignment with S&P and Moody's Ratings

Assessment	S&P Ratings	Moody's Ratings	Baron Bond Alignment
Asset-Level Risk	Weakest-link principle based on lowest-rated risk-presenting entity (RPE) (e.g., Issuer Default Rating)	Expected loss via asset/guarantor rating; weighted average expected loss cap rate (WACL) at 3 notches above weakest	Single high-rated collateralization (A2/A Moody's/S&P global rating) avoids rating caps and ensures high baseline rating
Swap Counterparty Risk	Swap counterparty treated as RPE; rating capped if not de-linked	Assumes unwind if unhedged; loss = liquidation proceeds + adjusted termination	No swap dependency; principal secured by High Credit Rated Issuer
Credit Default Swap (CDS) Overlays	CDS counterparties are RPEs; default triggers termination, caps rating	CDS-related losses assessed; termination payment may cap rating unless subordinated	No CDS used; cash-only structure avoids synthetic risks
Country Ceilings	Rating capped at issuance currency's Country Ceiling unless Forex mitigants apply	Forex risk adjusted in loss severity; no hard ceiling	Forex risks avoided through structure; global rating not capped by Cambodia's B+ sovereign ceiling
Other Structural Risks	One-notch downgrade if restructuring = credit event	Declines to rate if prepayment/termination risks are not clearly defined	Clean bullet maturity, no optionality, no early prepayment exposure
Sovereign Linkage	Sovereign risk via RPE; up to 2-notch uplift if mitigated	Indirectly reflected in asset/counterparty rating; uplift possible if mitigants	Bankruptcy-remote SP + offshore collateralization ensure sovereign-agnostic structure and full global rating separation

Source: S&P Ratings, Moody's Ratings, and Baron Point Capital Management Ltd.

Asset-Level Risk Assessment

- S&P's Approach:** S&P assigns ELN ratings using the weakest-link principle, focusing on the lowest-rated risk-presenting entity (RPE), such as the High Credit Rated Issuer in the Baron Bond. S&P applies the RPE's Issuer Default Rating (IDR) but may use derivative counterparty or deposit ratings if more reflective of risk. **The Baron Bond A2/A Moody's/S&P globally rated collateralization ensures a high baseline global rating, mitigating weaker-link risks.**

- **Moody's Approach:** Moody's determines expected loss for repack assets like the Baron Bond's collateralization, using the High Credit Rated Issuer's global rating in cash structures without swaps. For exchangeable securities, Moody's caps ratings at three notches above the lowest-rated reference class. **The Baron Bond's single high-quality collateralization avoids such caps, aligning with Moody's Idealized Expected Loss table.**

Swap Counterparty Risk

- **S&P's Approach:** S&P treats swap counterparties as RPEs unless de-linked per its Counterparty Rating Criteria. A counterparty's default, like missing payments, triggers early termination, potentially capping the rating at the counterparty's level. **Baron Bonds avoid this risk by not relying on swaps for principal repayment, focusing instead on the High Credit Rated Issuer's collateralization for its guarantee.**
- **Moody's Approach:** Moody's calculates expected loss from a counterparty default, assuming an unwind if unhedged. Moody's analyzes liquidation proceeds adjusted for currency fluctuations and termination payments, factoring in collateral and recovery rates (e.g., 50% collateral coverage reduces loss in a US\$100 million Repack). **Baron Bond's structure minimizes swap dependency, aligning with Moody's low-loss expectations.**

CDS Overlays

- **S&P's Approach:** S&P identifies Credit Default Swap (CDS) counterparties as RPEs in synthetic ELNs. A default triggers termination, prioritizing mark-to-market payments to Bondholders, and caps ratings unless de-linked. **Baron Bonds are a cash structure, avoiding CDS overlays, ensuring its global rating reflects the High Credit Rated Issuer's collateralization as the credit quality.**
- **Moody's Approach:** Moody's observes that synthetic repack losses stem from defaults in underlying assets, investments,

or CDS counterparties. Termination payments rank senior unless subordinated, potentially capping ratings per Moody's corporate synthetic CDO methodology. **Baron Bonds' cash structure avoids these risks, supporting its expected A2/A Moody's/S&P explicit global rating for its collateralization.**

Country Ceilings

- **S&P's Approach:** S&P caps ELN ratings at the Country Ceiling of a bonds currency in CCS structures. For example, if a jurisdiction has a 'B+' ceiling, S&P limits a higher-rated ELN unless robust exchange-rate mechanisms mitigate conversion risks. **Baron Bonds prevent this constraint by securitizing and settling in USD, avoiding cross-currency swaps entirely, and leveraging a High Credit Rated Issuer's collateralization (globally rated A2/A Moody's/S&P) issued from a stable jurisdiction like the U.S. or Europe.** This ensures the global rating reflects the collateralization's credit quality, not Cambodia's B+ ceiling, allowing the Baron Bond to achieve its expected A2/A Moody's/S&P explicit global rating without Forex-related caps.
- **Moody's Approach:** Moody's addresses currency mismatch in swap termination scenarios, adjusting loss severity for unhedged exposures through foreign exchange rate movements, with no explicit Country Ceiling cap. **Baron Bonds mitigate this risk by issuing in USD and using collateralization from a High Credit Rated Issuer, eliminating currency mismatch concerns. The SP's bankruptcy-remote structure further insulates cash flows from local Forex volatility, ensuring Baron Bond's global rating aligns with the High Credit Rated Issuer's quality, free from Cambodia's sovereign constraints.** This further supports the bond's investment-grade approach for Qualified Investors.

Methodology for Sovereign Linkage

- **S&P's Approach:** S&P links sovereign risk to ELN ratings through the RPE's rating, which reflects sovereign constraints. For unrated obligations, S&P allows a two-notch uplift from the RPE's IDR if sovereign risk mitigation exists, but caps ratings at Country Ceilings in foreign-exchange scenarios unless mitigants apply. **Baron Bonds transcend this linkage by using a High Credit Rated Issuer (globally rated A2/A Moody's/S&P) as the RPE, whose credit quality is independent of Cambodia's B+ sovereign rating. The SP's bankruptcy-remote structure and USD denomination further eliminate sovereign risk exposure, ensuring Baron Bond's expected A2/A Moody's/S&P explicit global rating for its collateralization reflects the High Credit Rated Issuer's global standing, not local constraints, thus delivering a sovereign-agnostic asset for Cambodian investors.**
- **Moody's Approach:** It incorporates sovereign risk through asset or counterparty ratings in Repacks, assessing transfer and convertibility risks via the CDS counterparty or asset's jurisdiction. For unrated obligations, Moody's permits an uplift if regulatory oversight or strategic incentives mitigate sovereign risk, applying no fixed cap. **Baron Bonds address this by anchoring its collateralization with a High Credit Rated Issuer from a stable jurisdiction, bypassing Cambodia's sovereign risks entirely. The SP structure and its local CSX listing, with a global listing possible on Euroclear and Clearstream for DRs, ensure convertibility and transferability, while Baron Bonds are regulated under the SERC and the CSX, meeting local compliance. This allows Baron Bonds to achieve an expected A2/A Moody's/S&P explicit global rating for its collateralization, piercing Cambodia's sovereign ceiling and meeting institutional demands for high-quality, long-dated assets.**

Alignment with Institutional Needs and Regulatory Standards

Baron Bonds' expected A2/A Moody's/S&P explicit global rating for its collateralization meets Cambodian institutional needs for organic investment-grade paper issued in Cambodia, by a Cambodian issuer. General insurers match long-term assets to long-dated policy liabilities, enabling policy expansion while holding SERC compliant Baron Bonds for compliance. Pension plans secure retirement payout liabilities with an asset in the form of principal protection and match these long maturities to the long-dated liability, meeting a liability-driven investment mandate. Banks, facing deposit growth from Cambodia's high GDP expansion, can seek additional yield on their books by extending maturities and capturing higher yields, this can be enhanced further via repurchase agreements (Repos). Baron Bond's engagements with firms like KPMG, EY, Moody's/S&P and top-tier global banks and service providers enhance market confidence and transparency, aligning with global debt capital market standards.

Sovereign-Agnostic Design

Baron Bonds' sovereign-agnostic design achieves an expected investment-grade global rating and is *independent of Cambodia's B+ rating (junk bond status)*. The SP isolates the transaction from local risks, and the High Credit Rated Issuer's collateralization anchors credit quality.

A Benchmark for Credit Quality in Cambodia

Baron Bonds' expected A2/A Moody's/S&P explicit global rating for its collateralization sets a new benchmark for Cambodia's debt capital markets. By utilizing a High Credit Rated Issuer's collateralization issued by a bankruptcy-remote SP, and a local listing, Baron Bonds deliver a sovereign-agnostic, investment-grade asset with high yield. Its alignment with S&P and Moody's methodologies ensures low credit risk, enabling Cambodian institutions to match liabilities, comply with regulations, and better manage balance sheet exposure in a market where **such attributes simply did not exist prior to Baron Bonds.**

05 Securitizing with Mode 1 or Mode 2 Structures

Defining Mode 1 and Mode 2 Structures

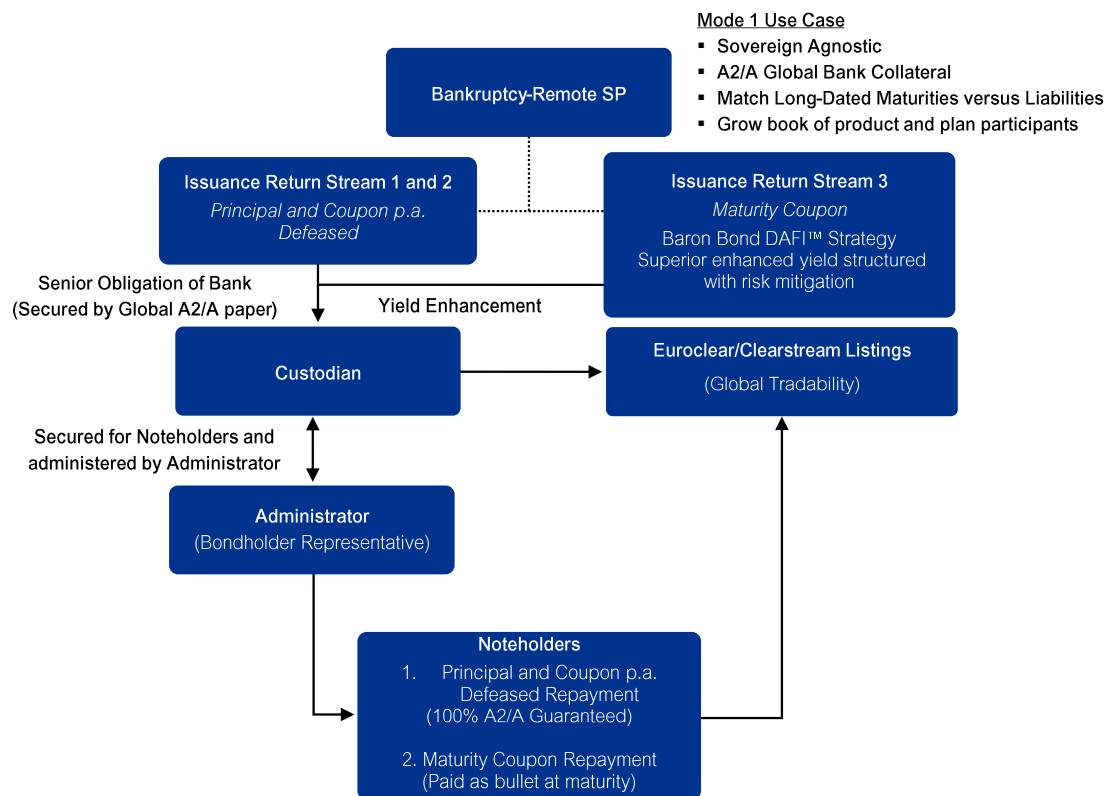
The bonds in the Baron Bond securitization effort can employ one of two distinct structures Mode 1 and Mode 2 to deliver a principal-protected, investment-grade asset, with high yield for Cambodian Qualified Investors. Mode 1 ensures capital preservation and a coupon through a high-rated global bank security, while Mode 2 uses U.S. Federally Insured CDs as zero-coupon bonds and a ring-fenced derivative for the yield enhancement to achieve the same outcome of balancing safety of the principal protection and the yield optimization.

Both Mode 1 and Mode 2 anchor the bonds in this securitization effort, relying on a principal-protected security from a High Credit Rated Issuer. The investment-grade collateralization secures 100% principal repayment at maturity, mitigating credit and maturity risks.

This investment-grade collateralization is then secured at the Custodian (currently Northern Trust, Aa2/Moody's) with a security agent (the "Security Agent") perfecting the security interests in favor of the Bondholders. The collateralization generates stable cash flows at maturity to fund the principal protection (as discussed above) and, for maturities of 15 years or longer, a defeased portion of the per annum coupon. **This structure ensures predictable cash flows and capital preservation, addressing the core needs of risk-averse Cambodian institutions like life insurance companies and pension plans, who prioritize stability, dependable cashflows, and return *of* capital at the maturity date.**

Mode 1 Structure: Principal Protection and Yield Enhancement via Global Bank Note

Figure 6: Mode 1 Global Bank Structure



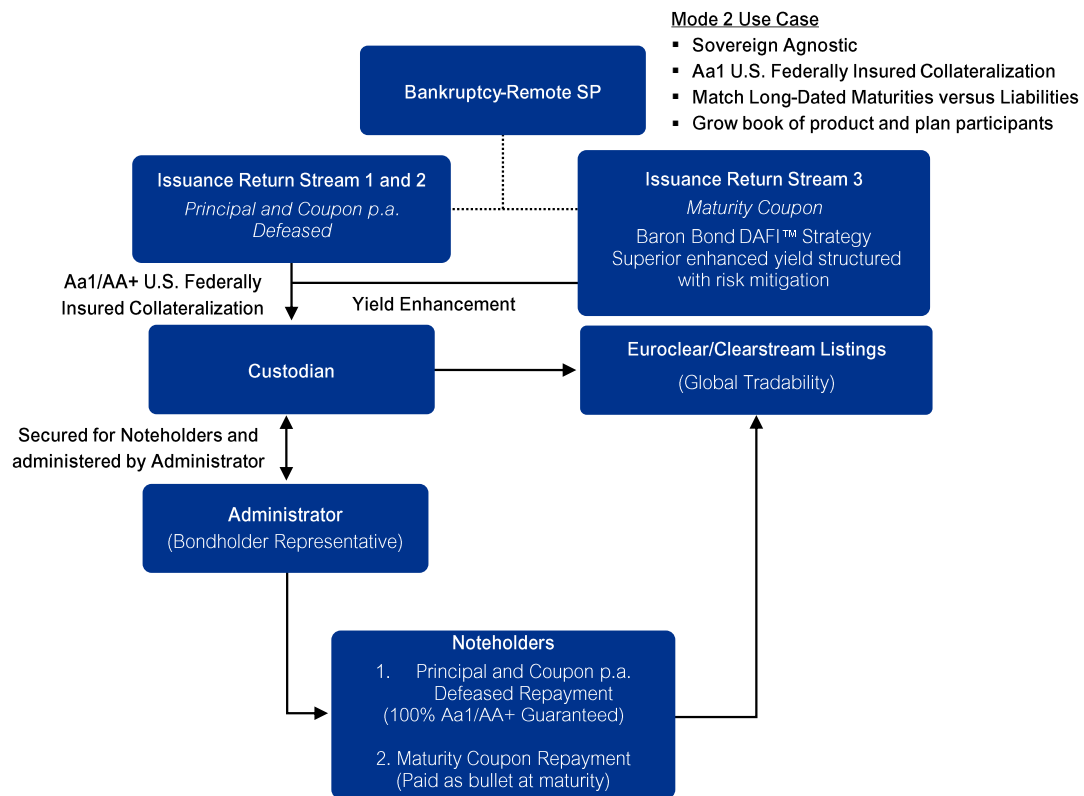
Source: Indicative securitizing provided by Baron Point Capital Management Ltd. for illustrative purposes, only. Any references to terms and conditions, and any third parties are not a representation of any parties' ability or willingness to transact.

Mode 1 anchors the Baron Bond with a senior obligation rated A2/P-1 and/or A/A-1 (Moody's/S&P). This secures 100% principal repayment at maturity, mitigating credit and maturity risks. Secured for the Bondholders at the Aa2 rated Custodian, it ensures stable cash flows and, for maturities of 15 years or longer, a defeased per annum coupon is paid annually, with the principal and maturity coupon paid as a bullet at maturity. The security is linked in a risk-mitigated structure with a Global Bank security tied to the Baron Bond Global Bank DAFI™ Strategy. **The securitization delivers capital preservation, critical for life insurance companies, pension plans and banks, while achieving an expected A2/A**

Moody's/S&P explicit global credit rating for its collateralization, piercing the sovereign B+ ceiling.

Mode 2 Structure: Principal Protection and High Yield via U.S. Federally Insured Paper and a Global Bank Security for coupon enhancement

Figure 7: Mode 2 NCUA Structure



Source: Indicative securitizing provided by Baron Point Capital Management Ltd. for illustrative purposes, only. Any references to terms and conditions, and any third parties are not a representation of any parties' ability or willingness to transact.

Mode 2 enhances returns using a collateralization of National Credit Union Administration (NCUA), an American government-backed insurer of credit unions in the United States, federally insured Aa1/AA+ rated zero-coupon CDs, secured at the Aa2 Custodian securing the Bondholder. The security is linked in a risk-mitigated structure with a Global Bank security tied to the Baron Bond Global Bank DAFI™ Strategy for yield enhancement.

This bond delivers an enhanced coupon priced [50 to 151] basis points better than ICE BofA Single-B US High Yield Index Effective Yield, in a collateralization 12-notches better in quality, paid as a bullet at maturity for 10-year+ issuances, with 1-year coupon defeasance ensuring stability.

Mode 2 delivers capital preservation, critical for risk-averse institutions, while achieving an expected explicit Aa1/AA+ global credit rating for its collateralization, piercing local sovereign ceilings.

Strategic Benefits of Mode 1 and Mode 2

The options of Mode 1 or Mode 2 structures deliver tailored solutions for Qualified Investors. Mode 1 employs a senior obligation rated A2/P-1 and/or A/A-1 (Moody's/S&P), secured at the Aa2 Custodian for the Bondholder, underpinned by a bankruptcy-remote SP, to insulate the Bond from local business risks and sovereign constraints, delivering a sovereign-agnostic structure with exceptional credit stability. The Baron Bond series in this white paper is tied to the DAFI™ Strategy, achieving an enhanced coupon priced [50 to 151] basis points better than ICE BofA Single-B US High Yield Index Effective Yield, in a collateralization 12-notches better in quality, addressing the need for superior yields while preserving Investment-Grade safety.

Mode 2 employs collateralized NCUA U.S. federally insured Aa1/AA+-rated zero-coupon CDs, secured at the Aa2 Custodian for the Bondholder, underpinned by a bankruptcy-remote SP, to insulate the Bond from local sovereign constraints, delivering a sovereign-agnostic structure with exceptional credit stability. The Baron Bond series outlined in this white paper, as indicated above, is tied to the DAFI™ Strategy, achieving an enhanced coupon priced [50 to 151] basis points better than ICE BofA Single-B US High Yield Index Effective Yield, in a collateralization 12-notches better in quality, addressing the need for superior yields while preserving **High Investment-Grade** safety.

Both modes address the needs of institutions for reliable Investment-Grade rated return **of** capital, superior high yield, and

bespoke tenor-linked maturities, and the comply with the local SERC and CSX regulatory frameworks, while if in DR form, can be globally listed on Euroclear and Clearstream (Deutsche Börse) enhancing tradability in major financial centres, a critical feature for insurers, pension plans, and banks requiring tradable, Investment-Grade, long-dated fixed income assets.

Both the Global Bank and NCUA Baron Bonds in this securitization effort, with its dual-mode options, stands as a flagship Investment-Grade debt capital markets security, redefining investment-grade fixed-income investing in Cambodia.

Overview of Mode 1 and 2 Capital Allocations

Figure 8: Mode 1 Global Bank Repack Capital Allocation

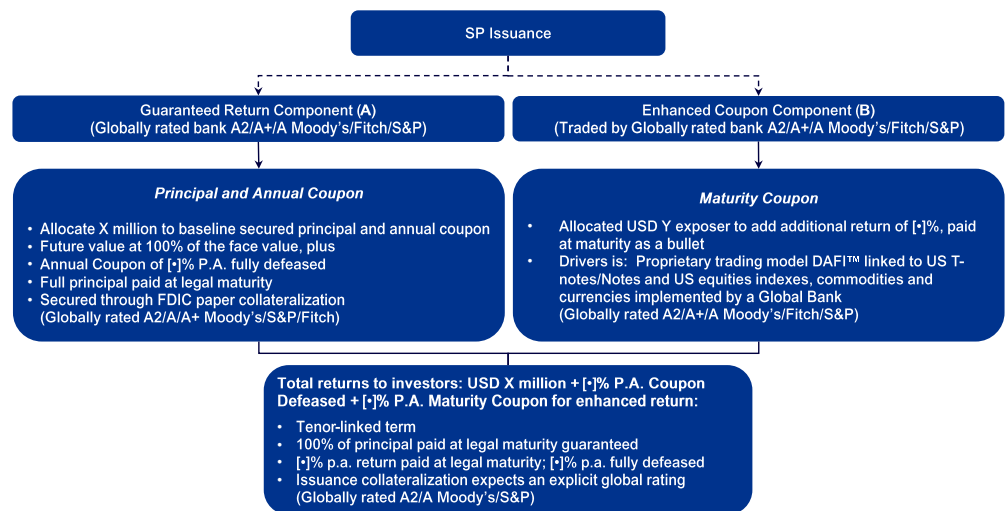
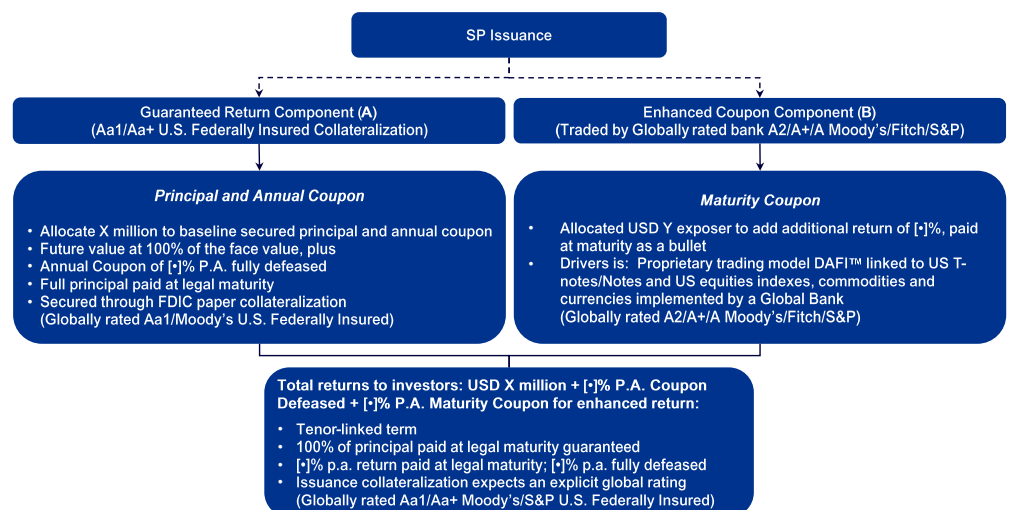


Figure 9: Mode 2 NCUA Repack Capital Allocation



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06 Conclusions and Key Takeaways

The bonds in this securitization effort redefines fixed-income investing in Cambodia, delivering an investment-grade principal-protected, structured bond with attractive yields addressing the critical needs of Qualified Investors in a market constrained by a junk bond in the highly speculative category sovereign rating with no investment-grade local options available, not to mention that the Cambodian debt capital markets completely lack depth and a variety of long-dated maturity options.

With an expected A2/A Moody's/S&P explicit global rating for its collateralization from Moody's and S&P, Baron Bonds in this securitization effort transcend the local markets limitation, offering a sovereign-agnostic, high-quality asset, with potential high yield, empowering life insurance companies, pension plans, banks, and asset managers to achieve regulatory compliance, match long-term liabilities, and enhance portfolio performance. By leveraging global debt capital market standards and Baron Point's proven Wall Street securitization talent and expertise, the bonds in this securitization effort sets another landmark benchmark in Indochina.

Key Takeaways

- **Unmatched Credit Quality:** The expected A2/A Moody's/S&P explicit investment-grade global rating, backed by a High Credit Rated Issuer collateralization (A2/P-1 or A/A-1 by Moody's/S&P), pierces Cambodia's B+ junk bond sovereign ceiling, far surpassing local AAA(Kh) with no global rating linkage. This enables insurers to grow policy writing and pension plans to secure more retiree obligations with a stable, investment-grade asset.
- **Principal Protection and Risk Mitigation:** A bankruptcy-remote SP and High Credit Rated Issuer collateralization (A2/P-1 or A/A-1 by Moody's/S&P) ensure 100% principal repayment and stable cash flows, insulating investors from

Cambodia's economic cycles and sovereign risks, unlike local securities exposed to single-issuer or systemic risks.

- **Enhanced Returns:** The DAFI™ Strategy linkage delivers a coupon priced [50 to 151] basis points better than ICE BofA Single-B US High Yield Index Effective Yield, in a collateralization 12-notches better in quality, paid as a bullet at maturity, offering matching or better yields compared to far riskier high yield bonds.
- **Liquidity Potential:** Marginability and repo capabilities promote liquidity in major financial centers, addressing Cambodia's illiquid secondary debt capital market limitations.
- **Regulatory and Structural Integrity:** Issued pursuant to the SERC regulatory framework and listed on the CSX, the Cambodian regulator, while reputable firms' involvement such as KPMG, EY, Northern Trust, and global banks and service providers, and alignment with Moody's/S&P methodologies enhance transparency and investor confidence, critical for risk-averse investors.
- **Tailored for Institutional Needs:** Flexible 5–30-year maturities align with long-dated liability schedules, supporting liability-driven investment strategies for insurers and pension plans, while offering banks a high-quality asset to match long-dated mortgage products, and to capture yield on deposits in a high-growth economy.

Strategic Implications

The bonds in this securitization effort fills a critical gap in Cambodia's debt capital markets, with the Baron Bond's long-dated, investment-grade, and high yield status. Its sovereign-agnostic design, robust structural safeguards, and global market integration position it as a flagship solution, outperforming government and corporate bonds capped at junk bond, highly speculative category, status currently available in Cambodia. **By delivering a scalable fixed income debt alternative, Baron Bonds meet immediate institutional demand and pave the way**

for deeper, more liquid debt capital markets for Cambodian Qualified Investors.

Cambodian Qualified Investors are encouraged to employ Baron Bonds and this securitization effort to strengthen their balance sheets, meet regulatory mandates, and unlock growth opportunities. **General insurers can match long-term policy liabilities, pension plans can secure retiree payouts, and banks can match more mortgage business and optimize excess liquidity with a high-quality investment-grade asset.**

Backed by Baron Point's track record and global-standard for securitization, Baron Bonds establish a new paradigm for investment-grade fixed-income investing, empowering institutions to navigate Cambodia's market with confidence at scale.

Please contact **James Ashley Roberts** ACA, CPA, Partner, Head of Deal Advisory Services, KPMG Cambodia Ltd. on his mobile at **+855 8 133 3324** or at email jamesroberts1@kpmg.com.kh, now, for more information on Baron Bonds.

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07 Disclosure Appendix

Disclosure Appendix

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