



Siegfried Capital Update

Subject: Siegfried Has No Exposure to First Brands Group Bankruptcy

Date: 20 October 2025

Dear Investors and Partners,

First Brands Group, LLC (“FBG”), an Ohio-based U.S. auto-parts manufacturer specializing in aftermarket components such as brake systems, wiper blades, and spark plugs, filed for Chapter 11 bankruptcy protection on **28 September 2025** in the U.S. Bankruptcy Court for the Southern District of Texas.

We would like to reaffirm that **none of the Siegfried funds have any exposure to First Brands Group or its related entities**. That said, this event provides a useful case study to highlight what went wrong at FBG—and how Siegfried’s disciplined structure avoids such risks.

1. Structural Differences

FBG’s supply-chain finance model relied on **three financing methods**:

- **Receivables Factoring** – selling trade receivables to non-bank funders at a discount.
- **Reverse Factoring** – buyer-led programs enabling FBG to receive early payment based on large retailers’ credit strength.
- **Inventory and Multi-Tier Financing** – inventory-backed lending via affiliates such as *Carnaby Capital Holdings*.

By contrast, **Siegfried Funds follow a single, transparent strategy: traditional receivables factoring**—only after goods have been delivered and accepted by the buyers. We **do not** participate in reverse factoring, invoice financing, or inventory-backed structures.

FBG’s complex layering of instruments created opacity and made it difficult for lenders and auditors to detect duplicate pledging and risk concentration.

2. Scale and Counterparty Profile

FBG’s large-corporate status gave it bargaining power to **circumvent proper supervision**.

Siegfried, on the other hand, focuses on **small- to mid-sized sellers** whose average invoice size is around **USD 1 million**. Smaller sellers readily comply with the operational controls required by Siegfried and its commercial factoring partner, **VTeam**.

For instance, VTeam requires that buyers remit payments directly to Siegfried Funds. We are currently working to set up lockbox accounts for sellers, which only Siegfried Funds can control. This ensures funds never pass through the seller’s hands. Large corporations such as FBG would



typically refuse such arrangements—allowing proceeds to flow into their own accounts—creating opportunities for **double financing** or **misappropriation**.

Accordingly, sellers of FBG’s profile have **never qualified as counterparties** under Siegfried’s eligibility criteria, which explains our complete lack of exposure to the event.

3. Leverage Discipline

FBG’s failure was largely the result of **excessive leverage**.

As a large issuer, it could secure financing from multiple banks and private lenders simultaneously. By December 2024, FBG generated approximately **USD 5 billion in revenue** and **USD 1.1 billion in EBITDA**, yet reported a **net loss between USD 500 million and USD 1 billion**, with **total debt ranging from USD 10 billion to USD 50 billion**.

Siegfried’s counterparties are smaller firms that generally **lack access to traditional bank lending**, particularly in China, which keeps their **balance sheets modest** and **leverage contained**.

4. Avoiding Double Financing

Many assume reverse-factoring programs verified by buyers prevent duplicate financing. However, the collapses of **Greensill Capital** and now **First Brands** show that buyer verification alone is insufficient. Overreliance on large-buyer confirmation can create complacency in operational diligence.

Siegfried and VTeam adhere strictly to **traditional factoring protocols**, emphasizing granular verification of every trade flow. VTeam, working with the **People’s Bank of China (PBOC)**, is helping develop a **national registry for cross-border trade receivables** to mitigate double financing.

With nearly **30 years of experience** and a proprietary database of **over 4 million transaction records**, VTeam has identified numerous fraud patterns and embedded **22 patented risk-detection algorithms** into its IT infrastructure.

Additionally, repayment channels are tightly controlled:

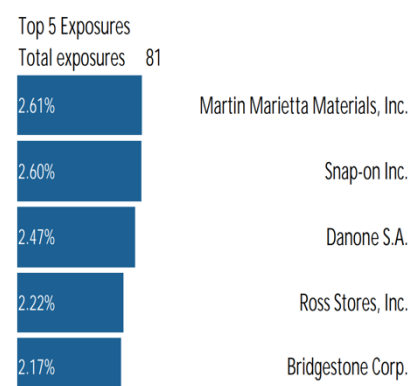
- VTeam requires that buyers remit payments directly to Siegfried Funds. We are currently working to set up lockbox accounts for sellers, which only Siegfried Funds can control.
- Certain buyers’ **ERP systems integrate with VTeam’s platform**, allowing real-time verification.
- Any deviations in transaction behavior are immediately flagged by both firms’ monitoring systems.



5. Diversification and Portfolio Defense

No system can eliminate all risk of fraud or double financing—human ingenuity always finds new paths. Siegfried’s **final line of defense** is **diversification**.

Our portfolios are structured to rely **solely on buyers’ creditworthiness**, not that of sellers. Even so, individual buyer exposures remain limited. For example, in **SCP5 (Cayman Fund)**, among **81 buyers**, the single largest exposure—**Martin Marietta Materials**—represents only **2.61%** of total portfolio value.



6. Ongoing Vigilance

We continue to **monitor the First Brands situation closely** and will ensure that no Siegfried portfolio has direct or indirect exposure to any entities in potential conflict. Our investment and risk teams remain focused on maintaining transparency, discipline, and capital preservation.

Always sincerely,

Dr. Silver Kung
Siegfried Capital
20 October 2025