



# SUMMIT CONSUMER RECEIVABLES FUND, L.P.

JANUARY 14, 2014

3-4Q13 INVESTOR MEETING AND  
INVESTOR ADVISORY BOARD (IAB) MEETING

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# AGENDA



- Welcome—1 min (EG)
- What's New at Summit – 5 min (EG)
- Economic Data – 5 min (EG)
- Financial Statement and Default Forecast Review – 10 min (DH)
- Portfolio Performance Review – 10 min (PC)
- SCRF Next Steps and Cash Forecast – 20 min (EG)
- Closing Remarks – 1 min (EG)
- Q&A – 20 min
- Optional: Two Investment Opportunities – 15 min (WC/EG)

# WHAT'S NEW AT SUMMIT



- 30-day LIBOR declined from 0.18% to 0.16% since our last meeting (Sep-13)
- Fortress Loan will be paid in full ahead of schedule on January 20, 2014, and we plan to resume redemptions before the end of 1Q2014
- Successfully closed two transactions in December, 2013 with a managed account investor, which is good for both the GP and the Fund's investors
  - Allows us to further defray O/H costs as SCRF continues to liquidate

# WHAT'S NEW AT SUMMIT, CONT.



- An SAI, LLC related entity has acquired a loan servicing platform
  - Allows us to more economically (and probably more effectively) service SCRF assets through their remaining life, improving returns
    - Preliminary estimates suggest we can reduce servicing from 2.1% to ~1.5%, a 29% reduction of one of our largest expenses for the Fund
    - In 2014 alone, that equates to an estimated savings of \$68,600

# WHAT'S NEW AT SUMMIT, CONT.



- Allows us the possibility of more economically originating new paper to take advantage of today's underwriting standards and pricing
  - Today's underwriting remains significantly tighter than at the peak of the market when SCRF bought the FCC bulk portfolio...
  - ...and pricing remains considerably better (discounts of 15 to 20% today versus nearly 0% in 2008)
- Allows us to offer new “forward flow” investment opportunities to our investors
  - Also, using vehicles with more predictable liquidity

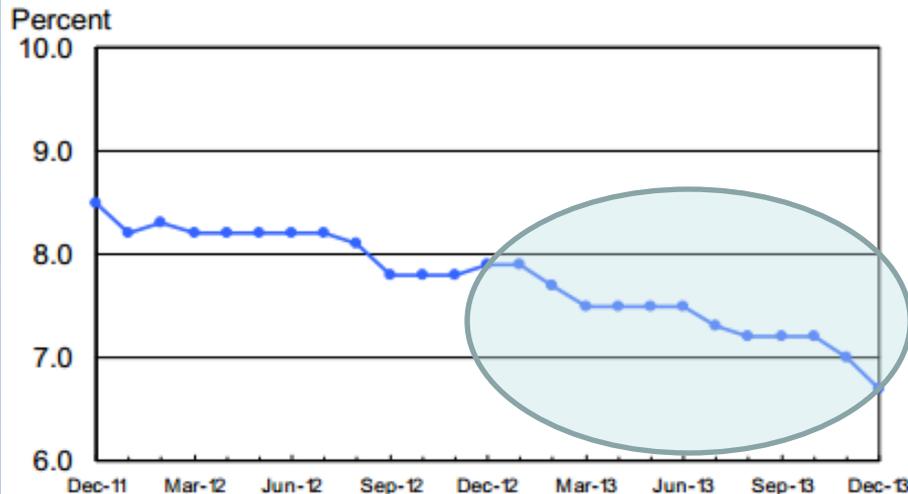
# ECONOMIC DATA



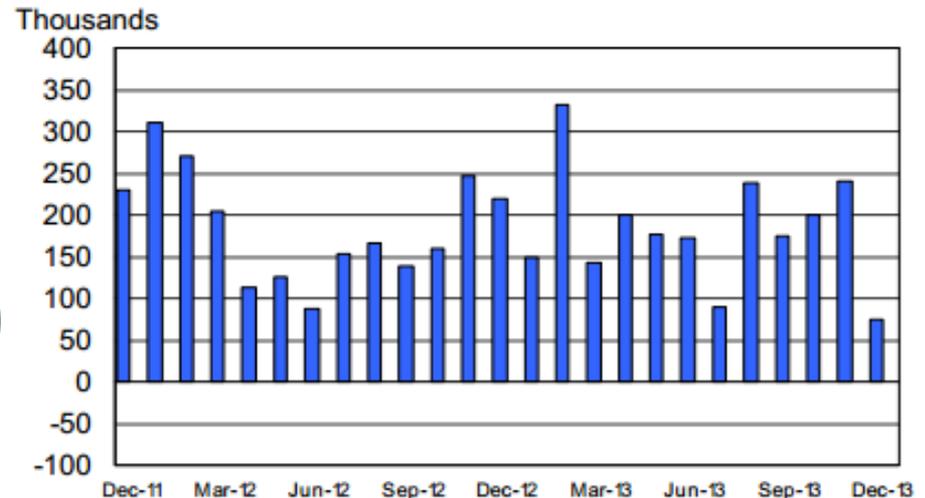
## Unemployment Statistics:

- As of December, 2013 the national UER is currently 6.7%
  - December Report: nonfarm payroll employment rose by 74,000 with job gains focused in retail trade and wholesale trade, down in information
  - The report was positive as unemployment continues to decline to its lowest level since October, 2008

**Chart 1. Unemployment rate, seasonally adjusted, December 2011 – December 2013**



**Chart 2. Nonfarm payroll employment over-the-month change, seasonally adjusted, December 2011 – December 2013**



# ECONOMIC DATA, CONT.



- Bureau of Economic Analysis report:
  - 1Q13 GDP Growth 1.1%
  - 2Q13 GDP Growth 2.5%
  - 3Q13 GDP Growth 4.1%



# ECONOMIC DATA, CONT.

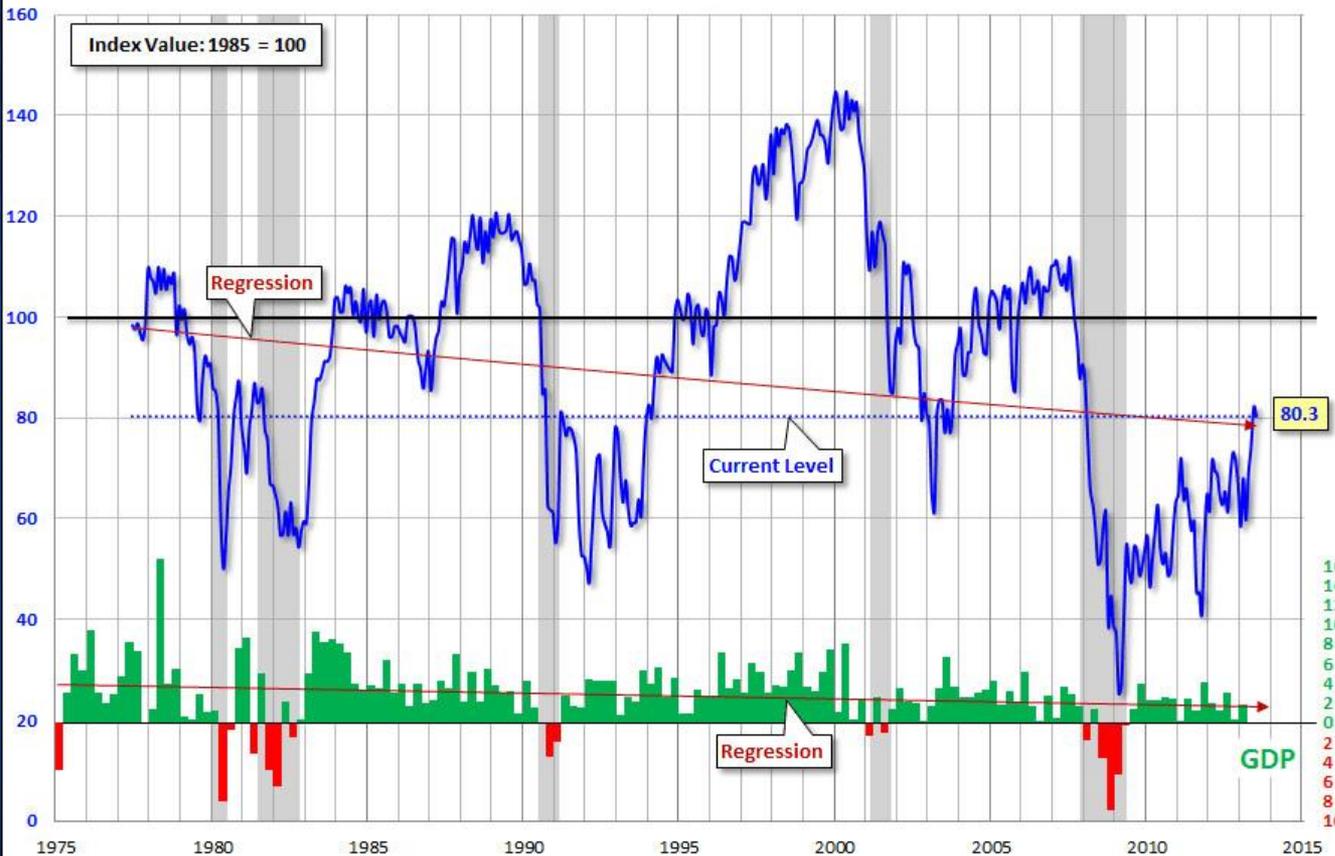


- Consumer Confidence Index:

- CCI now stands at 80.3, its highest level since pre-recession

Conference Board Consumer Confidence Index  
Recessions Highlighted in Gray, Real GDP Shown Below

dshort.com  
July 2013



Recessions	Months	Confidence Average
1980	6	69.8
1981-1982	16	65.5
1990-1991	8	71.5
2001	8	109.3
2007-2009	18	54.0
<b>Totals*</b>	<b>56</b>	<b>69.4</b>

\*The total average is for all 56 months

**Summit Consumer Receivables Fund, L.P. and Affiliates**  
**Consolidated Balance Sheet**  
**December 31, 2013**



**Assets**

Cash	\$ 128,167
Restricted Cash	405,174
Receivables From Servicing Companies	92,768
Prepaid Expenses	24,799
Investment in Consumer Debt Portfolios	12,771,607
Investment in SSPE, LLC	0
Investment in SSPE FCC, LLC	0
Fixed Assets, Net	0
Other Assets	7,953
<b>Total Assets</b>	<b><u>\$ 13,430,468</u></b>

**Liabilities & Partners' Capital**

**Liabilities**

Accounts Payable & Accrued Expenses	\$ 67,103
Loans Payable	533,759
<b>Total Liabilities</b>	<b><u>\$ 600,862</u></b>

**Partners' Capital**

Partners' Contributions/Distributions	\$ 9,380,202
Retained Earnings	2,755,067
Current Year Earnings	694,336
<b>Total Partners' Capital</b>	<b><u>\$ 12,829,606</u></b>

<b>Total Liabilities &amp; Partners' Capital</b>	<b><u>\$ 13,430,468</u></b>
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**Summit Consumer Receivables Fund, L.P. and Affiliates**  
**Consolidated Income Statement**  
**December 31, 2013**



	<u>For the Month</u>	<u>Year to Date</u>
<b><u>Revenue</u></b>		
Investment in Ordinary Income	\$ 14,155	\$ 200,332
Investment Interest Income	94,815	1,342,138
Allowance for Credit Losses	43,299	43,299
<b>Total Revenue</b>	<u>\$ 152,269</u>	<u>\$ 1,585,769</u>
<b><u>Expenses</u></b>		
Interest Expense	\$ 5,245	\$ 181,667
Office Expenses	57,080	190,298
Travel, Meal & Entertainment	0	2,040
Professional Fees	12,260	173,260
Payroll	28,700	344,167
Overhead Expense Allocation	0	0
<b>Total Expenses</b>	<u>\$ 103,285</u>	<u>\$ 891,433</u>
<b><u>Net Income</u></b>	<u>\$ 48,984</u>	<u>\$ 694,336</u>

# DEFAULT FORECAST UPDATE



We increased our loss reserve by \$2.0M in 2012

- That 2012 forecast projected defaults to decline at a more gradual and linear rate than our previous forecast as we have not yet experienced a “cliff” in defaults as was typically experienced prior to the recession for portfolios like ours
- Defaults are now coming in slightly below our projection, we will continue to monitor the performance
  - Through Dec-13, we are \$53K ahead of our projection
  - Through Feb-14, we expect to be about even to our forecast

# PORTFOLIO REVIEW 3-4Q13

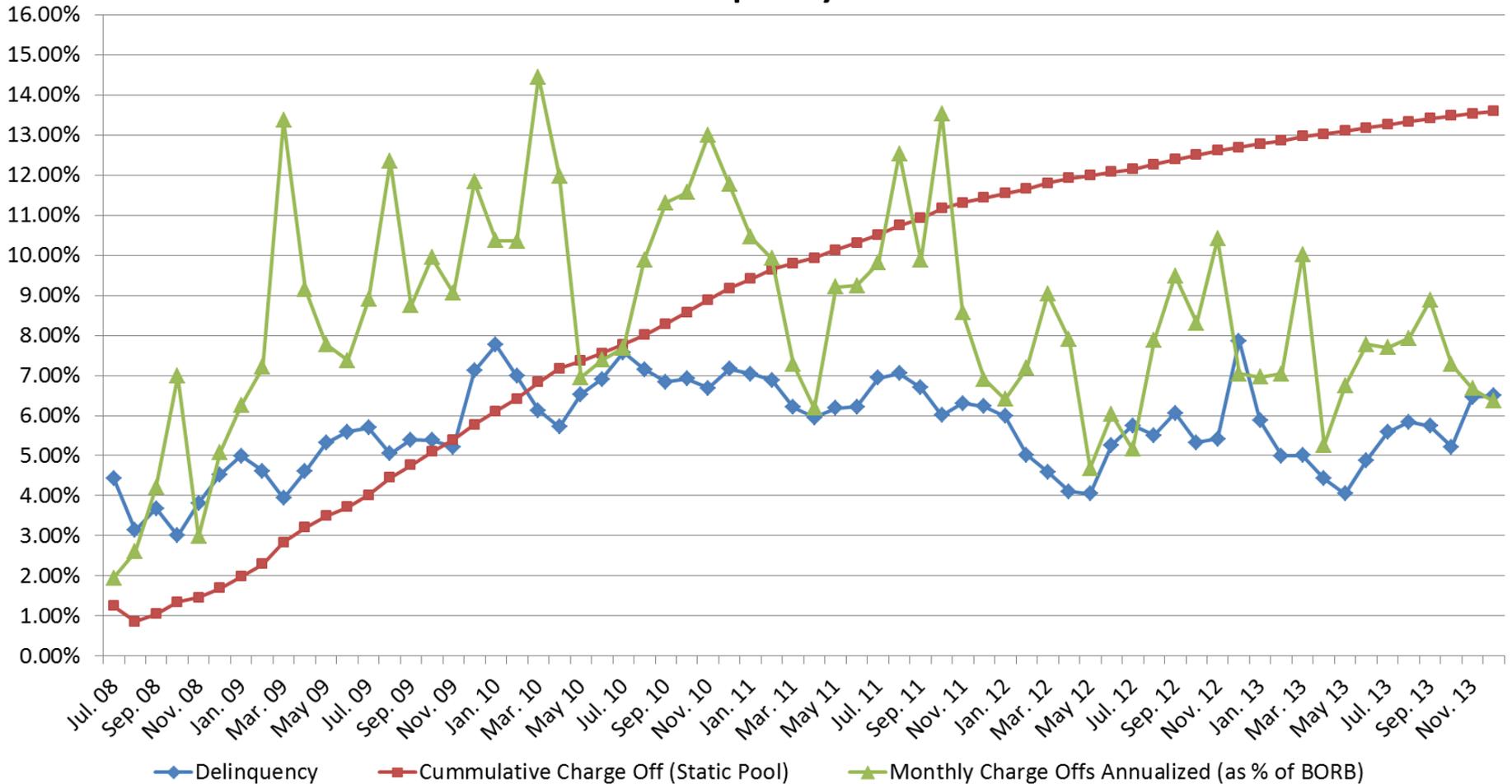


- Asset Performance Data presented as of 12/31/13
- 93.5% of fund assets are current on a principal balance basis
- There are 2,307 individual consumer loans with a principal balance of \$13,351,912
- Cumulative delinquency of all fund assets on a static pool basis:
  - Cumulative delinquency at 30+ days past due is 6.5%
  - Change from Dec-12: -1.4% (from 7.9%)
- Cumulative default rate of all Fund assets on a static pool basis is 13.6%
  - 2013 Default Rate: 5.9%
  - 2012 Default Rate: 6.0%
  - 2011 Default Rate: 7.4%
  - Calculated as a % of Beginning Outstanding Receivable Balance (BORB)

# PORTFOLIO REVIEW, CONT.



## Total Portfolio - Delinquency and Default Rates



# 3-4Q13 RECAP AND PROJECTED PERFORMANCE MOVING FORWARD



- 2013 Recap
  - Outperformed revised forecast from 2012
  - Q4 trended downwards each month
- 2014 and forward
  - Q1 is trending higher
  - Short term favorable for end of Q1 & forward
  - Upcoming spike shows instability still in future performance and forecasting
  - Will now have ability to initiate additional creative collection strategies

# PORTFOLIO PERFORMANCE



- SCRF, L.P. consolidated return statistics through Dec-13:
  - 6.7% total return since inception
  - 1.0% annualized return since inception
  - 2012 return: -8.0% vs. 2011 return: 4.4%
  - 2013 return: 3.6%
- SCRF, L.P. non-side pocket return statistics through Dec-13:
  - 52.6% total return since inception
  - 6.4% annualized return since inception
  - 2012 return: -0.7% vs. 2011 return: 3.6%
  - 2013 return: 0.3%

# SCRF NEXT STEPS



- We researched ways of how to resume redemptions once the Fortress loan has been paid off
- Based on the lack of investor desire to reinvest in SCRF, we have decided to declare the Fund in liquidation per the Fund docs, requiring pro-rata redemptions
- A number of factors brought us to the conclusion that this was the best approach:
  - We believe that it results in the most equitable treatment of our investors in the largest number of potential future scenarios
  - Although the GP would love to grow SCRF again, at this time over 92% of our investor \$ have requested redemptions and re-growing the Fund will not likely be an option for some time, if ever

# SCRF NEXT STEPS, CONT.



- Although we liked the “First Requested First Out” with a holdback approach, there are a number of scenarios in which attempting to equalize the economics for investors moving forward using a holdback could be problematic, such as:
  - A class-action lawsuit from consumer obligors
  - Adverse economic events
  - Worsening pricing on consumer receivable portfolios later if we decide to sell, result in a loss larger than our chosen holdback
- Research has shown that the most common approach for other Funds which owned illiquid assets and liquidated in the years following the recession was to use pro-rata redemption
- Additionally, although the economy has continued to stabilize, recent spikes in delinquency and default projections for the next few months takes away our confidence that our loss reserve will cover future defaults; and at the same time we could end up over reserved for the long haul...

# SCRF NEXT STEPS, CONT.



- There is a reason that our Fund documents specify that we switch to pro-rata redemption in a liquidation—no matter what economic events transpire in the future, everyone is treated equitably
- It is also simple to administer and frees us from the potential of estimation errors; each investor simply gets their percent ownership of the Fund multiplied by the cash flow paid out on each distribution date
- Perhaps most importantly, after reviewing our alternatives our research and calculations have shown us that it will probably make sense at some point in the next 3 to 6 years to sell the remaining SCRF portfolio (more on this in our cash forecast)
- In the end, there is no alternative that is perfect for every investor – but we believe this one is the best choice now, and gives us the most flexibility for the future as well

# CASH FORECAST



- Redemptions will resume by March, 2014
- We will send a redemption forecast to you shortly with an estimate of what your monthly redemption amounts are likely to be based on your % ownership

<u>2014 Estimated Cash Forecast</u>	<u>02/28/14</u>	<u>03/31/14</u>	<u>04/30/14</u>	<u>05/31/14</u>	<u>06/30/14</u>	<u>07/31/14</u>	<u>08/31/14</u>	<u>09/30/14</u>	<u>10/31/14</u>	<u>11/30/14</u>	<u>12/31/14</u>	<u>TOTAL</u>
Cash collections	464,573	457,112	449,044	441,198	434,606	424,726	415,006	405,926	396,934	388,803	380,872	4,658,800
Expenses	(94,250)	(92,407)	(91,828)	(91,259)	(90,725)	(83,663)	(79,613)	(79,090)	(78,574)	(78,055)	(81,842)	(941,305)
Net cash	370,323	364,705	357,216	349,939	343,881	341,063	335,393	326,835	318,360	310,748	299,030	3,717,495

- Based on 11/30/13 Investor Statements, ~25-28% of your capital account balance will be redeemed by the end of 2014

# CASH FORECAST, CONT.



- Based on 11/30/13 Investor Statements:
  - ~51% will be redeemed by the end of 2015
  - ~68% will be redeemed by the end of 2016
  - ~80% will be redeemed by the end of 2017
  - ~87% will be redeemed by the end of 2018

<u>Cash Collections and Portfolio Amortization</u>	<u>2015 TOTAL</u>	<u>2016 TOTAL</u>	<u>2017 TOTAL</u>	<u>2018 TOTAL</u>
Cash collections	3,688,204	2,604,750	1,846,842	1,186,551
Expenses	(564,166)	(302,695)	(224,585)	(173,391)
<b>Net cash</b>	<b>3,124,038</b>	<b>2,302,055</b>	<b>1,622,257</b>	<b>1,013,161</b>
Total % Captl Acct Balance Redeemed	51%	68%	80%	87%
Beginning Principal Balance	9,257,246	6,310,505	4,258,959	2,799,360

# CLOSING REMARKS



- We are very pleased that our efforts have paid off – our line of credit provider is about to be repaid in full a month ahead of our previous forecasts
- As always, we will continue to look for ways to maximize SCRF investor returns as time goes on
- If you can think of any additional options for how we move forward or suggestions for ways we can improve our communication with you, please let us know!

# Q&A





# An Investment Opportunity: Forward Flow Consumer Receivables

Wayne Crane

# INVESTOR OPPORTUNITY



- Amerifirst Home Improvement  
<http://www.trustamerifirst.com/>
  - In business for over forty years
- Flow Financing
- Home Improvement Financing
- Prime Consumer Financing
  - Up to 14.9% coupons
  - Up to ten year terms
  - Unsecured

# INVESTOR OPPORTUNITY, CONT.



- Subordinated Debt
  - Fixed Rate of Interest for a period of time
    - E.g., 6%, 3 year term, interest paid quarterly
  - Principal paid back at maturity
- Multi-Series
  - Portfolio purchases on a timed basis
  - Closes and Liquidates each series
  - Earnings dependent upon performance of purchased assets for each series
- A meeting sometime in 1Q14



An Investment Opportunity:  
Summit VIXEK Long/Short Equity  
Funds

Eric Gangloff

# SUMMIT-VIXEK LONG/SHORT EQUITY FUND



	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	SINCE INCEPTION To: 12/31/2013
SV-I Return	5.44%	1.14%	-0.79%	2.22%	2.21%	-2.71%	5.52%	-2.27%	0.59%	4.99%	2.82%	0.90%	21.50%
SV-I Alpha	0.39%	0.03%	-4.39%	0.41%	0.13%	-1.21%	0.58%	0.86%	-2.39%	0.53%	0.01%	-1.46%	-8.10%
L/S HF Return	3.54%	0.12%	1.38%	1.26%	1.19%	-0.63%	1.95%	-1.11%	2.64%	2.54%	1.85%	N/A	15.64%
L/S HF Alpha	-1.50%	-0.99%	-2.22%	-0.55%	-0.89%	0.87%	-3.00%	2.02%	-0.33%	-1.92%	-0.95%		-13.96%
SV-II Return	9.35%	3.00%	-0.74%	6.74%	10.21%	-9.93%	13.19%	-2.28%	-0.36%	4.88%	5.44%	5.68%	52.57%
SV-II Alpha	4.31%	1.89%	-4.34%	4.94%	8.13%	-8.43%	8.24%	0.85%	-3.34%	0.42%	2.63%	3.33%	22.97%

- Fundamental hypothesis: markets move based on the actions of large, “whale” investors (institutional/HFs), VIXEK measures this
- VIXEK reading developed by Atul Minocha: Long, or Cash
- In partnership with E. Gangloff, enhanced to indicate whether to invest -2X, -1X, cash, 1X, 2X, or 3X the S&P 500 index
- Nearly zero correlation to stock/bond markets
- Back-tested return/alpha...outperformance over past 16 years

# VIXEK L-S (+IX/-IX) Model ETF Model Performance 1998 thru 2013



# VIXEK L-S (+3X/-2X) Model ETF Model Performance 1998 thru 2013

