

# Orthogonal Trading - USDC01 Pool

Published: 6th September 2022



## August Pool Performance



The strategy of this Pool is to target industry-leading funds and proprietary trading desks. The focus is on mitigating risk by lending to market makers and arbitrage traders to avoid taking directional risk on the prices of crypto assets. Borrower creditworthiness is assessed based on how they manage leverage, liquidity risk, operational risk controls, management's level of experience, their balance sheet strength and financial performance. The Pool is open to USDC deposits.

## Market Commentary

Crypto lending markets picked up over the past month as lenders returned to test the waters, however trade volumes remain low and a sizable amount of liquidity remains on the sidelines. We are seeing signs of improved risk sentiment on the back of the merge, narrowing corporate credit spreads, and a falling VIX. However, a hawkish Fed still poses a large headwind for the sector as cheap money dries up, suppressing investors' ability and propensity to continue trading in size and ultimately lowers our borrower's opportunities for outsized returns in the interim. To this point, the swap market began pricing in a greater chance of a 75bps hike in September vs. prior expectations of a 50bp hike. Tellingly, implied terminal Fed funds rate during the next few quarters of expected rate hikes is now 3.95% vs. 3.3% at the beginning of the month.

However, given the risks outlined above, the lending opportunity in Maple pools remains as attractive as ever given the estimated 80% credit contraction at CeFi institutions and our current pricing power as one of the few crypto lenders actively extending credit at scale. While T-Bills and other short-term benchmark rates continue to increase on the back of the Fed's hawkish posturing, we expect to be able to provide a net spread over the Fed Funds rate of 600-800 bps on reinvested capital (inclusive of PD fees and not including MPL rewards).

Looking at the crypto sector specifically, undercollateralized rates remain particularly attractive, with a current unsecured lending spread of 573 bps above overcollateralized lending and prospective spreads >900 bps as loans reset in a tight credit market and low utilization depresses overcollateralized rates (see chart to right).

DeFi Lending Rates

Ethereum	Supply	Borrow	Net Spread	Utilization Rate	TVL	Market Weight
Compound	0.72%	2.13%	1.41%	36.94%	\$ 994,710,000.00	38.7%
AAVE	0.38%	1.32%	0.94%	29.57%	\$ 1,460,000,000.00	56.8%
Euler	1.33%	2.94%	1.61%	59.18%	\$ 103,280,000.00	4.0%
Iron Bank	4.17%	9.78%	5.61%	80.87%	\$ 11,852,667.20	0.5%
ETH Weighted Average	0.57%	1.74%	1.17%	33.85%	\$ 2,569,842,667.20	68.7%
Avalanche	Supply	Borrow	Net Spread	Utilization Rate	TVL	Market Weight
Benqi	1.84%	5.90%	4.06%	37.32%	\$ 72,862,009.71	8.8%
AAVE	0.76%	1.96%	1.20%	43.57%	\$ 753,080,000.00	90.6%
Trader Joe	1.86%	6.26%	4.40%	33.70%	\$ 5,134,562.00	0.6%
AVAX Weighted Average	0.86%	2.33%	1.47%	42.96%	\$ 831,076,571.71	22.2%
Solana	Supply	Borrow	Net Spread	Utilization Rate	TVL	Market Weight
Mango Markets	2.89%	5.75%	2.86%	50.31%	\$ 80,488,368.23	41.8%
Solend	2.97%	5.87%	2.90%	57.05%	\$ 112,220,834.00	58.2%
SOL Weighted Average	2.94%	5.82%	2.88%	54.23%	\$ 192,709,202.23	5.2%
Near	Supply	Borrow	Net Spread	Utilization Rate	TVL	Market Weight
Burrow	0.29%	1.85%	1.56%	19.15%	\$ 14,100,000.00	19.0%
Aurigami	2.82%	7.05%	4.23%	48.04%	\$ 11,335,252.00	15.3%
Bastion	0.04%	0.46%	0.42%	9.15%	\$ 48,748,480.08	65.7%
Near Weighted Average	0.08%	0.65%	0.57%	9.65%	\$ 74,183,732.08	2.0%
Binance Smart Chain	Supply	Borrow	Net Spread	Utilization Rate	TVL	Market Weight
Venus	1.67%	3.07%	1.40%	60.70%	\$ 73,240,000.00	100.0%
BNB Weighted Average	1.67%	3.07%	1.40%	60.70%	\$ 73,240,000.00	2.0%
Aggregate USDC DeFi Rate	0.77%	2.08%	1.32%	36.97%	\$ 3,741,052,173.22	
Ortho Maple Rates (Current - Expected)	6.50%	11.50%				
Maple Undercollateralized Credit Spread (Current - Expected)	573bps	942bps				

\*As of 8/29/2022

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### Pool Update

We've embraced the quiet period by strengthening our risk process to include a formalized 'Orthogonal Credit Rating', to complement our checklist-based due diligence process and offer a numerical input to drive our credit spread premiums used to extend rates to borrowers. We have also been active on the hiring front, expanding our dedicated credit team and opened a twitter account [@OrthoCredit](#). As of this month, our credit team now consists of 4 credit and trading professionals with over 50+ collective years of experience working at some of the largest global credit funds, investment banks, and institutional trading firms.

Finally, we continue to work through our due diligence funnel of market neutral borrower types, having added one new high quality lending relationship to our existing universe of 26 high quality borrowers (Portofino).

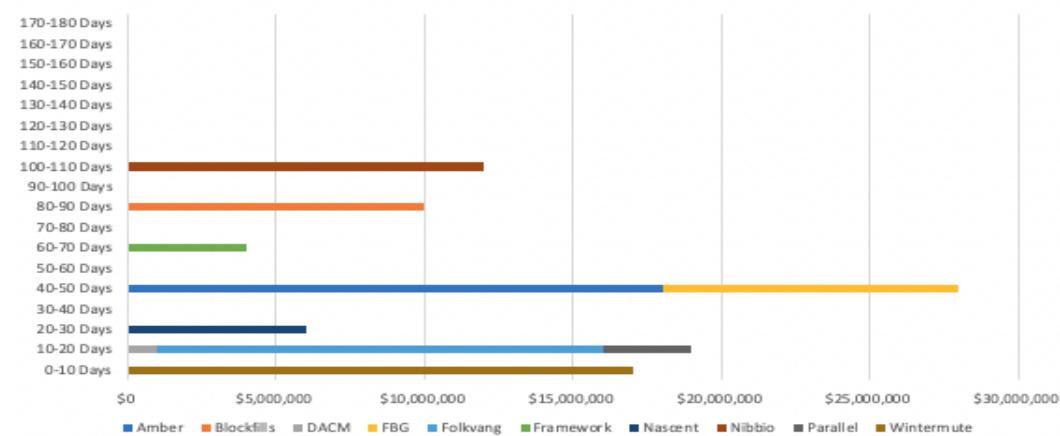
### Liquidity and Loan Maturations

To the right you can see the current loan maturation as of August 31st, with maturities from Wintermute, Parallel, Nascent DACM and Folkvang expected over the next month. Cooldown demand has stabilized, allowing us to recycle capital at materially higher rates. Compared to 2 months ago, we expect to be able to reprice loans 300-500 bps higher.

Maple Lending vs. Crypto Risk Free Yields



Loan Maturation Ladder



**\$512MM**

total value of loans originated since pool inception

**\$96MM**

total value of loans outstanding spread across **10 Loans**

**9.75%**

Average gross USDC yield since pool inception, with **\$16,039,877** in interest paid to lenders

**156 days**

average loan tenor since pool inception

**1.53%**

losses incurred shown as a percentage of loans originated

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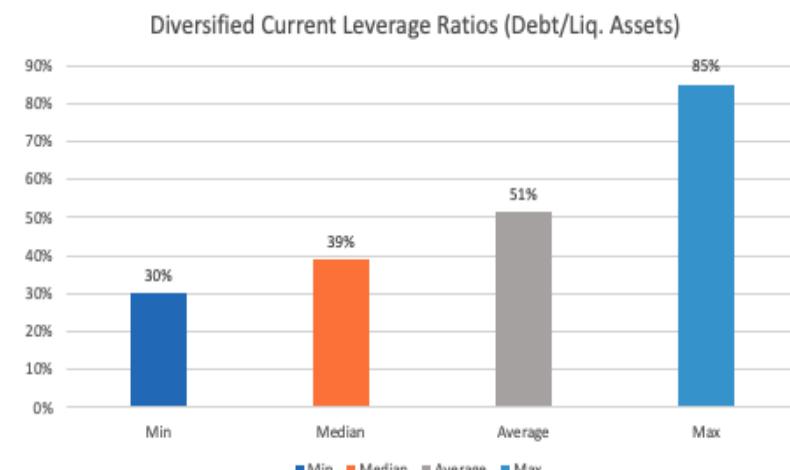
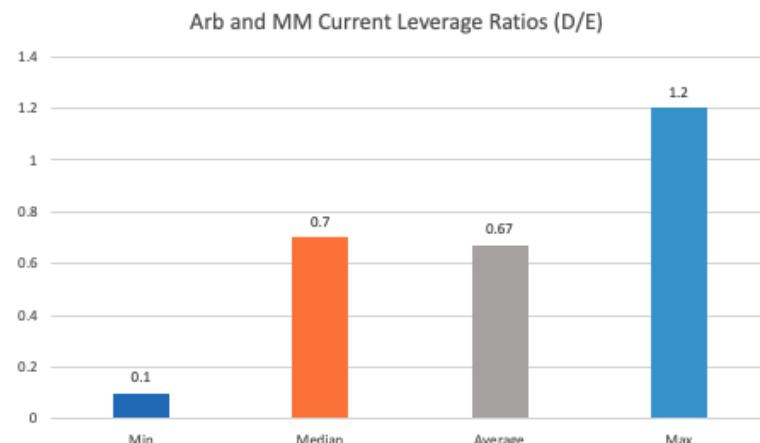
## August Pool Performance



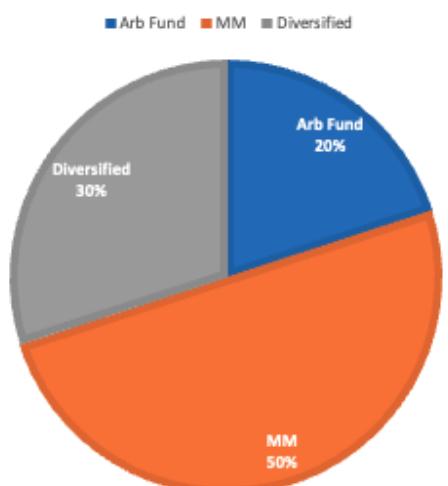
### Loans issued this month

Issue date	Company	Loan amount	Term	Interest rate
8/24/22	Blockfills (Reliz Ltd)	\$10,000,000	90 Days	11.0%

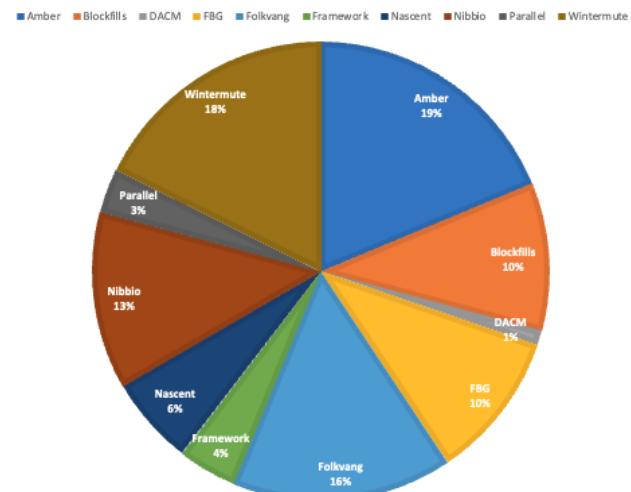
### Pool Deep Dive



### TYPE OF BORROWER CONCENTRATION



### CURRENT BORROWER CONCENTRATIONS



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