

Hard asset put structure

Area of expertise: Private markets

Theme: Distressed asset opportunities



Overview

- DB specializes in lending against non vanilla collateral including hard assets. While lending against these assets provide an attractive risk reward profile, it is not capital efficient for DB to hold this type of collateral on its balance sheet
- DB is able to offer compelling, one-off, opportunities for investors interested in ownership of these assets. This is accomplished through the use of a “put” structure whereby an interested investor sells a put on the underlying asset at a discount to the market value. If the underlying borrower defaults on his loan at or before expiration, DB has the right to sell the asset to the investor at the strike price. If the borrower does not default the investor retains the premium paid by DB
- **Risk:** Deutsche exercises the option and the put seller has to pay strike price of the asset

Transaction explanation

- At initiation:
 - DB enters a transaction with a put writer. The put writer agrees to purchase a hard asset at a predetermined “strike” price should DB exercise the option. The strike price can vary between ~30-50% of the market value of the asset

Day 1



- At expiration:
 - DB will have the right to sell the asset to the put writer at the strike price

At exercise



Indicative option terms

Principal	\$25-250mm	Strike Price	30-50% asset value
Term	1-3 years	Premium	1-2% per annum





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