



A Blueprint for the Private Debt Markets

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Insurance Coverage-Americas

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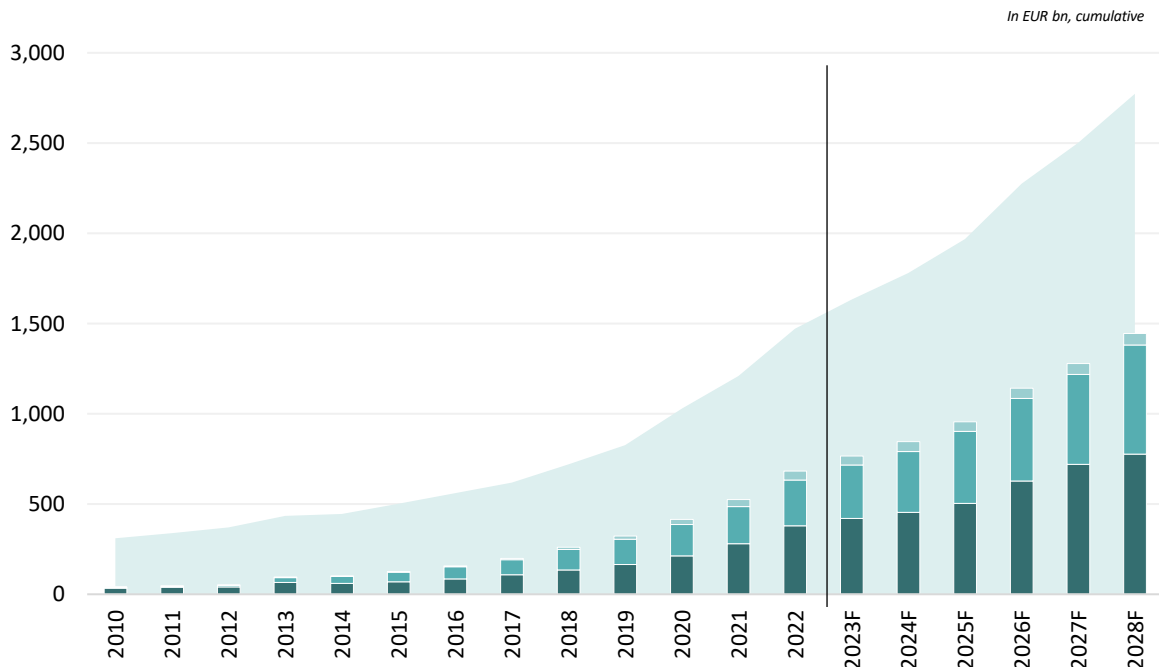
A “Golden Age” for Private Credit?

A compelling value proposition continues to exist in private lending



▲ Total Private Credit ■ Direct Lending Europe
■ Direct Lending Other ■ Direct Lending North America

Private Credit Year-over-Year Development



Source: Prequin-The Future of Alternatives 2028 Report (2024)

Note: Direct Lending Other includes APAC, diversified multi-regional and rest of the world | Past performance is not a reliable indicator of future returns | Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect.

Why Do Investors Look at Private Credit?

I

Yield

Compelling absolute and relative value per unit of risk

II

Income

Quarterly interest payments generate stable income-based return

III

Downside Protection

Near zero duration, first ranking seniority, comprehensive security equals, strong recovery

IV

Low Duration Risk

Accounting valuation prevents the volatility associated with mark-to-market volatility

V

Simplicity

Bank loans are one of the oldest and best understood financial instruments

VI

Socioeconomic Considerations

As lenders to the real economy investors are stakeholder in socioeconomic progress

VII

Capital Efficiency

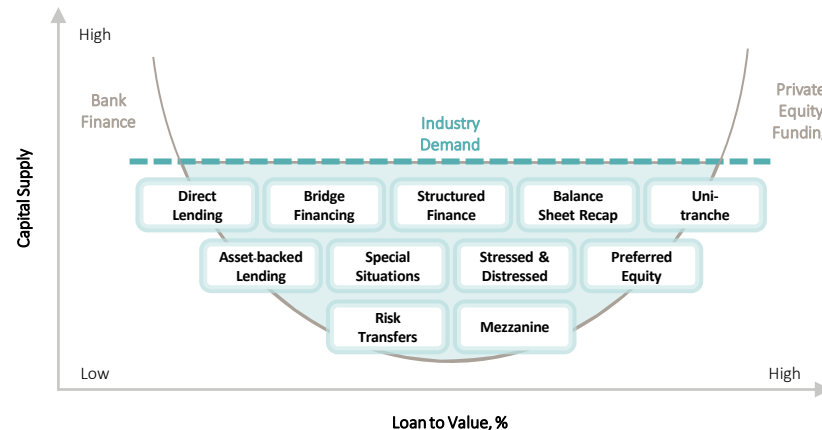
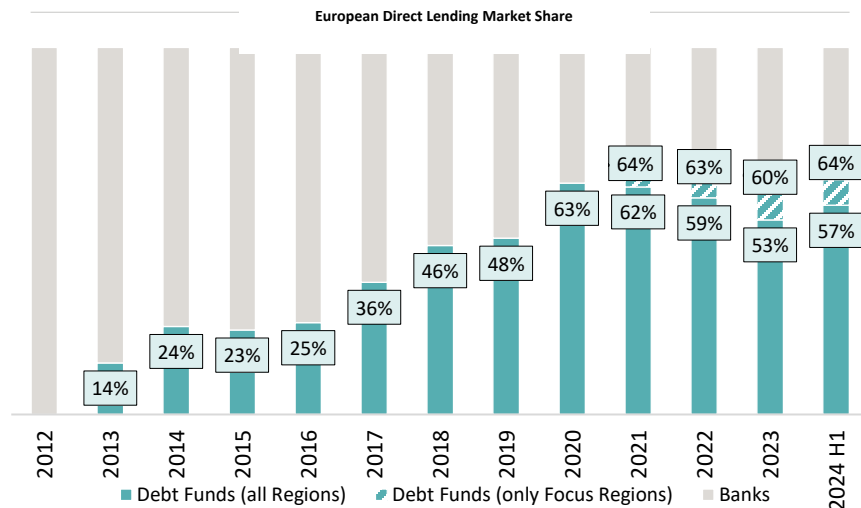
Direct Lending can offer attractive yield per unit of regulatory capital

Supply and Demand

Rapid growth and low LBO supply - mean questions are rightfully being asked

Competition has risen in the LBO Channel as
LBO volumes have weakened ...

Large and widening gap between
traditional capital sources ...

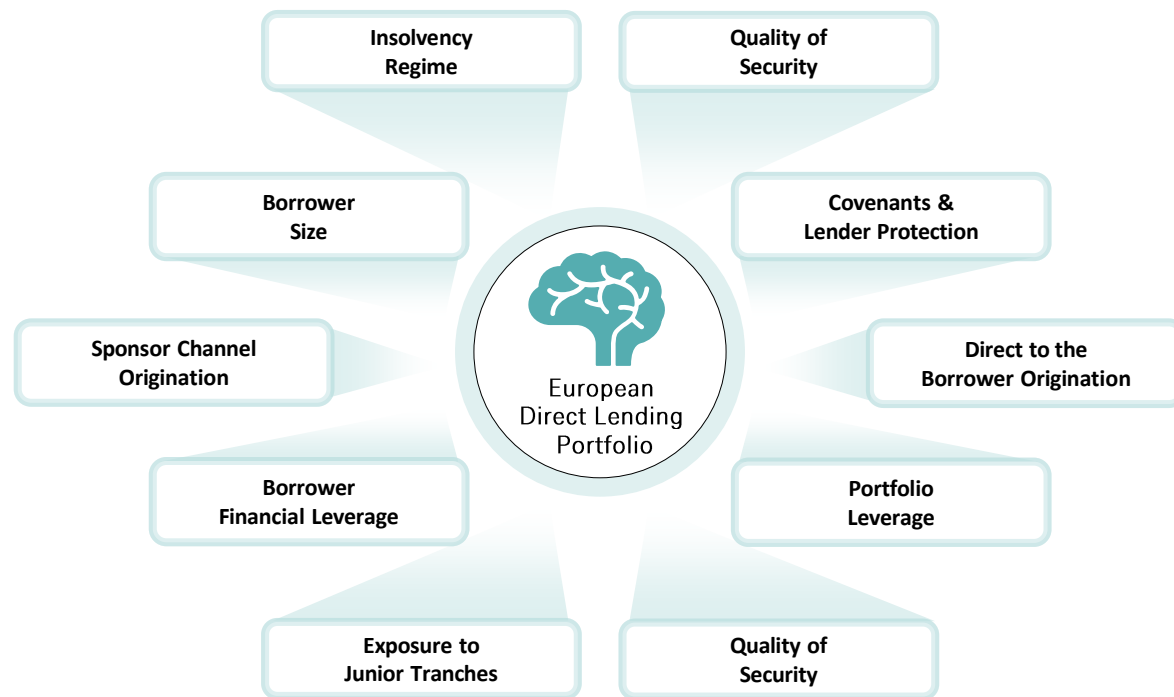


... but Basel IV and barriers to entry mean the reverse
is true in Direct to the Borrower lending

... a sweet spot to generate attractive
risk-adjusted returns

Positioning is critical

Crucial considerations



Source: DWS International GmbH, as of September 2024.

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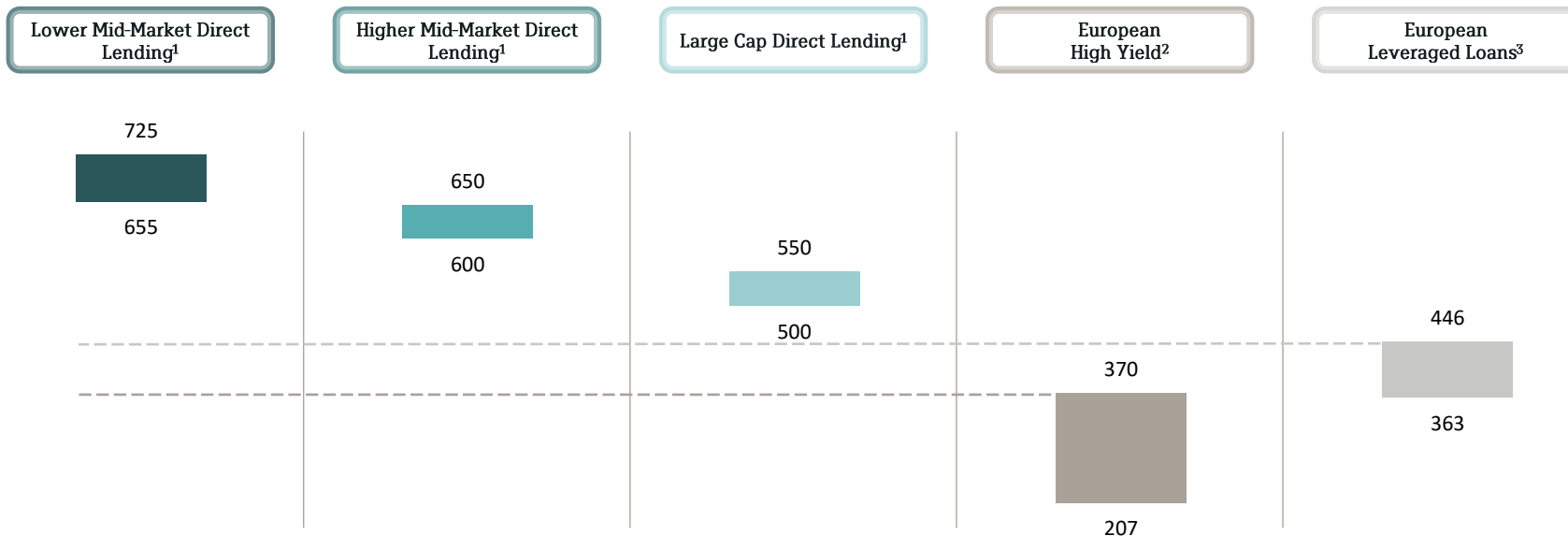
Potentially Attractive Relative Value exists

Borrower Size plays an important role



Spreads incl. OID/Discounts across Segments, Markets

In bps



Note: (1) European Mid-Market Direct Lending based on proprietary observation, including potential OID on a 5-year conversion basis | (2) Refers to ICE BofA Single-B Euro High Yield Index (Range Maximum) and ICE BofA BB Euro High Yield Index (Range Minimum) and based on option adjusted spreads (OAS-Swap) | (3) Refers to European Leveraged Loan Index B-Loans (Range Maximum) and European Leveraged Loan Index BB-Loans (Range Minimum) and based on spread-to-maturity | Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect. Source: ICE Index Platform, Pitchbook LCD 2024

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Geographic Balance

Direct lending volumes have been concentrated in the UK and France



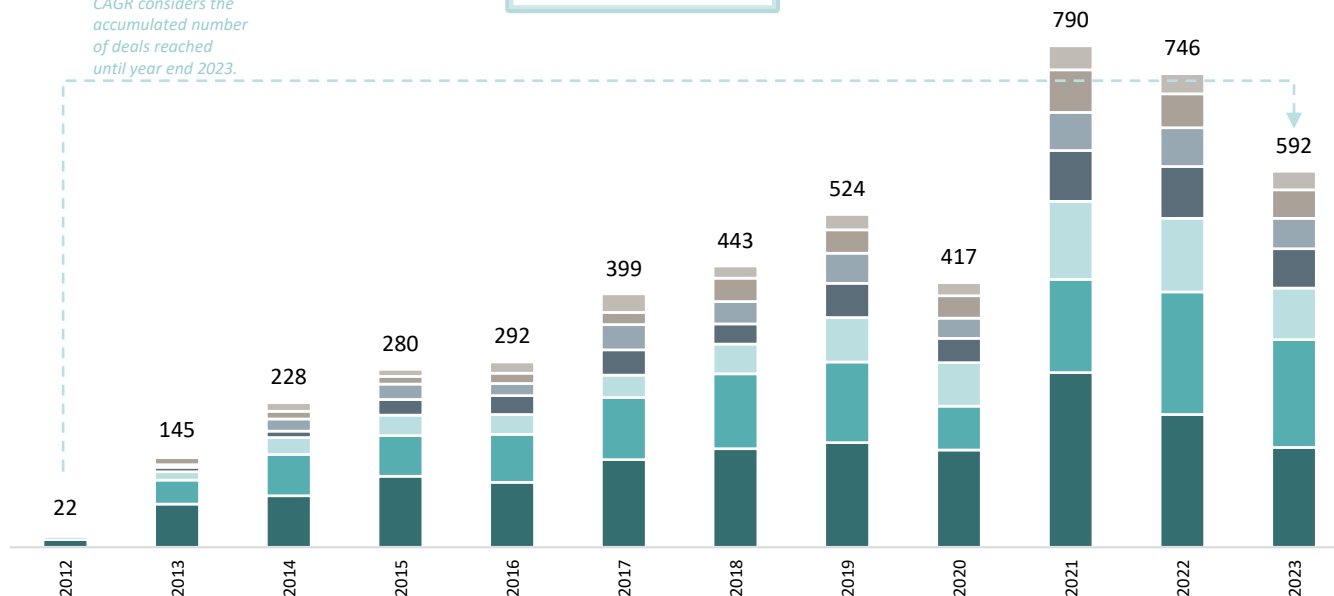
Direct Lending Deals by Country

Key Messages

In # of Deals

63.4% CAGR

CAGR considers the accumulated number of deals reached until year end 2023.



Concentration leads to Weakness

Diversification is Key

Exposure to Great Economies

Source: Deloitte, as of Sept. 2024

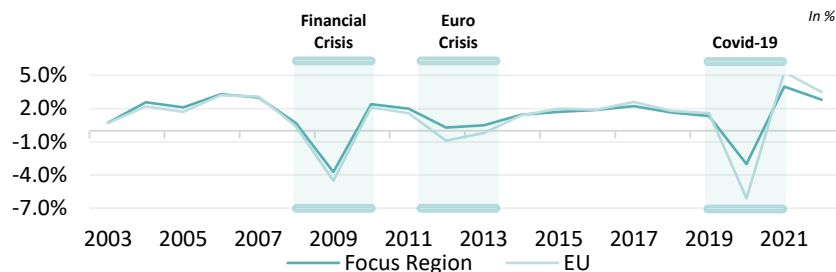
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Sourcing in the Benelux, DACH and Nordics

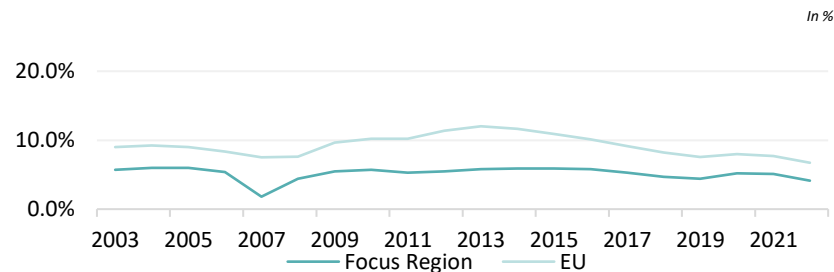
Focus on strong and resilient regions with an abundance of investment opportunities



GDP Growth



Unemployment Rate



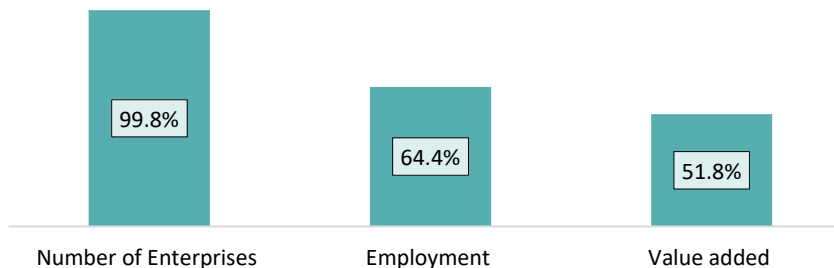
Rank Global Innovation Index¹

High-income economies

- 1 Switzerland
- 2 United States
- 3 Sweden
- 4 United Kingdom
- 5 Netherlands
- 6 Republic of Korea
- 7 Singapore
- 8 Germany
- 9 Finland
- 10 Denmark

Share of EU-27 SMEs²

In %



Note: The data for the focus region are the cumulative figures from the individual countries in the regions (DACH, Benelux, Nordics), Bloomberg as of May 2023 | (1) Global Innovation Index Database, WIPO, 2022 | (2) Annual report on European SMEs (non-financial businesses) European Commission 2022, value added is measured at factor costs and is equal to gross income from operating activities after adjusting for operating subsidies and indirect taxes

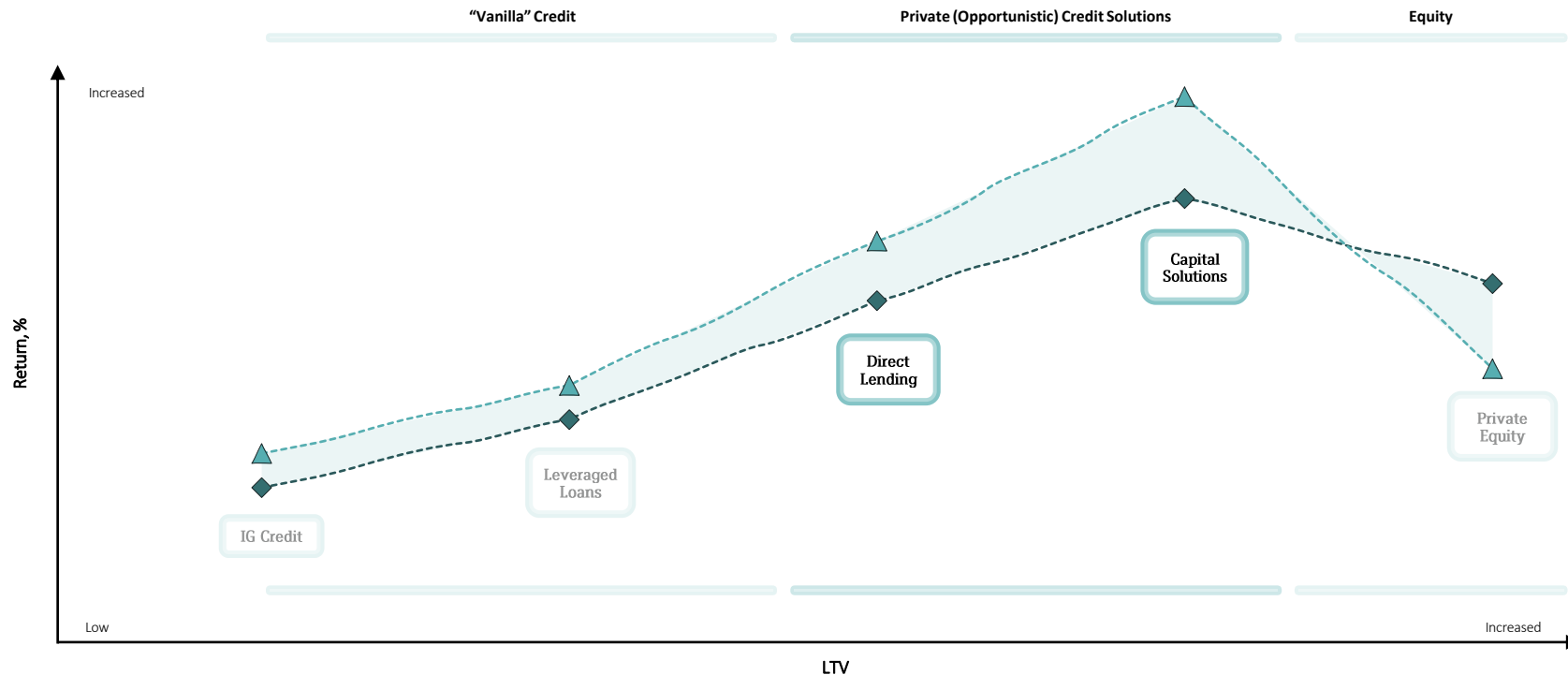
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Two "Sweet Spots"

Private Credit and Capital Solutions potentially represent stand-out relative and absolute value



▲ Expected Returns
◆ Historical Returns



For illustrative purposes only. Source: DWS Alternatives Global Limited, as of September 2024

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