



2-Day Investing in Distressed Securities

Course Description: This workshop teaches participants how to analyze and evaluate distressed securities. Whether from a defensive point of view where one currently owns a distressed security or from an offensive point of view where one is trying to capitalize on dislocated prices, the skills and techniques taught in this course are invaluable. Given the vast amount of distressed asset backed securities the course uses those assets as a theme.

COURSE INFORMATION

Requirements

A basic to intermediate knowledge of Excel, and a basic understanding of finance. Participants will need a laptop computer with Microsoft Excel, and a CD-ROM drive.

Pricing

The fee for the 2-day training is \$2,500 per person. Payments can be made directly to Enstruct, or with credit card on our website, www.enstructcorp.com. Group rates are available for two or more employees from the same company.

Logistics

Enstruct is dedicated to being the premier organization for professional finance training, and therefore restricts class size to 20 professionals. Participants will be registered in the order that they submit course fees. Such fees will cease to be refundable four weeks prior to the training. Registered participants who cancel after the four-week deadline may apply their payment to a future Enstruct course. If registration becomes full, additional interested parties will be placed on a wait list. Participants on the wait list will receive a full refund if space does not become available.

EXPERIENCE: *Founded by former investment banker and financial author Keith Allman, and now composed of three other trainers and support staff, Enstruct is run by people who know how to build financial models. Given this depth of knowledge, courses and materials are designed from a practitioner's point of view. You will not find yourself sitting in an Enstruct course and thinking, "How do I use what the instructor is saying?"*

ACCREDITATION:

Enstruct is committed to being the premier quantitative training institution and is going through multiple accreditation processes. Already we Enstruct is registered with the CFA Institute as an Approved Provider of continuing education programs. Our Structured Finance Analytics with VBA is eligible for 26 CE credit hours as granted by CFA Institute. If you are a CFA Institute member, CE credit for your participation in this program will be automatically recorded in your CE Diary.



AGENDA

Day One

Qualitative Overview of Distressed ABS

- I. Introduction
 - a. Structured transactions: ABS & CDOs
 - b. Overview of the course
 - c. How the course is organized
- II. Overview of ABS/RMBS
 - a. Issuance trends and market size
 - b. Types of ABS assets
 - c. Which issuers and servicers are still standing
 - d. Opportunities to exploit mispricing due to market dislocation
- III. Changed Landscape in the US Mortgage Market
 - a. Non-Agency RMBS sectors: Prime, Alt-A and Subprime
 - i. Scope of opportunities
 - ii. Vintage and rating performance
 - iii. Prepayments, default and severities
 - iv. Outlook for the future
 - b. Framework to evaluate opportunities in these sectors based on
 - i. Credit collateral attributes
 - ii. Structural features
 - iii. Market technicals
 - c. Key variable in analyzing a deal performance: Loan servicing
 - i. Overview of servicing operations
 - ii. Key loss mitigation initiatives: Loan modifications and rate reset strategies
 - iii. Exit strategies for loans in foreclosure and REO
 - d. Bringing it all together: Building assumptions set to analyze a security
- IV. Deteriorating Fundamentals in Other Consumer ABS Sectors
 - a. Understanding credit risk in non-housing ABS sectors (cards, auto, student loans)
 - b. Performance of the sector in different economic cycles
 - c. Evaluating differences and robustness of deal structures
- V. Distressed Valuation and Trading Strategy
 - a. Breakeven and sensitivity analysis
 - b. Understanding cliff risk
 - c. Using the appropriate discount rates to price IO streams/PO value
 - d. Financing: levered v/s unlevered trades
- VI. Benchmarking/Hedging via Credit Indices

Day Two

Quantitative Methods for Analyzing Distressed ABS

- I. Introduction to Structured Securities Modeling
 - a. Differences between corporate finance and structured finance models
 - b. Asset analysis and calibration techniques
 - c. Liabilities and understanding debt characteristics and the cash flow waterfall
- II. Understanding a Portfolio of Assets
 - a. Creating data stratification reports for collateral characteristicsExercise: Using a Data Stratification Tool
 - b. Interpreting data stratification reports for distressed pools
- III. Distressed Asset Analysis: Transitions
 - a. Determining the possible payment states of an assetExercise: Payment status determination
 - b. Creating static loss curvesExercise: Historical default analysis
 - c. Transition matrices creation and interpretationExercise: Building and calibrating a transition matrix
- IV. Recovery and It's Importance for Distressed Assets
 - a. A timeline of the recovery process
 - b. Determining recovery rates and lagsExercise: recovery rate and lag calculations
 - c. Integrating recovery based on geographic location into a model
 - d. Assessing pools of non-performing loans
- V. Liability Modeling and the Cash Flow Waterfall
 - a. Properly calculating what is due and what can be paid.
 - b. Senior tranches vs. mezzanine tranches
 - c. Payment priorities within and between classes of debtExercise: Sequential and pro rata payment
 - d. Distressed debt and triggersExercise: Modeling a step down trigger
 - e. Determining distressed yield and breakeven analysis
- VI. Using a Model for Strategic Plays in Distressed Debt
 - a. Trigger Bets
 - b. Intrinsic valuation versus market pricing
 - c. Recovery assessment versus distressed pool pricing

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