
NEWS RELEASE

UOB Asset Management Launches Its First Asian Collateralised Bond Obligation (CBO)

Morgan Stanley Dean Witter structures US\$55 million Asian CBO

Singapore, 10 July 2000 - UOB Asset Management Ltd (UOBAM) today announces that it has launched its first Asian Collateralised Bond Obligation (CBO) with an underlying portfolio of Asian bonds. This places UOBAM as the first Singapore-based Collateral Manager of an Asian CBO issue, and the third in Asia. Morgan Stanley Dean Witter structured the US\$55 million Asian CBO which has a final maturity of 7.5 years.

The structure of the CBO comprises four different classes of financing - AAA Notes, AA Notes, Mezzanine Securities and Preference Shares. The Senior Notes have been rated by Moody's. The Notes have a legal final maturity of 7.5 years with an average life ranging from 2.5 to 7.5 years. Morgan Stanley Dean Witter arranged for the financing of the Notes, which are sold globally. The global nature of the financing also provides an opportunity for UOBAM to raise its profile among international investors as a premier manager of Asian fixed income assets.

CBOs provide the credit arbitrage for investors by financing a diversified pool of non-investment grade Asian US\$ denominated straight debt and convertible bonds with low-cost investment grade financing. The inclusion of Asian convertible bonds enhances the diversification and provides potential upside exposure to Asian equity markets. The Equity and Mezzanine investors retain this credit spread together with the potential for capital gains and returns exceeding 20% if the portfolio performs well. Unique features of the UOB Asian CBO include multiple tranche senior financing as well as the inclusion of a mezzanine layer to maximise the overall efficiency of the capital structure.

Mr Daniel Chan, Managing Director & Chief Investment Officer of UOBAM said, "UOBAM can leverage on its sound knowledge of the Asian fund management industry to manage this

uniquely structured CBO. This Asian CBO is the second in the series of UOBAM's CBO initiatives. The difference with this latest CBO is that the assets are in excess of 50% of Asian convertible bonds which provide the potential for capital gains as Asian economies recover from the recent crisis."

Mr Andrew Gale, Executive Director, Morgan Stanley Dean Witter, Singapore, said, "We are delighted to be able to structure this transaction which adds further depth to the development of Singapore as a first-class centre for investment management and the trading, distribution and structuring of fixed income products. We expect the market for Asian CBOs to develop rapidly. The total volume of CBOs in the international markets exceeds US\$200 billion and it is now a well-established asset class."

Morgan Stanley Dean Witter has now structured three out of five Asian CBOs.