

**CUTWATER TARGETS SYNTHETIC CDO MANAGER MANDATES**

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--*Olivia Thetgyi*

**Cutwater Asset Management**, the asset management subsidiary of **MBIA**, plans to take over management mandates of bespoke synthetic collateralized debt obligations by the first half of this year. "Because the income strip is shrinking, there's a little more pressure on [the managers] to begin to consider other opportunities," said **Clifford Corso**, Cutwater's cio, referring to the dearth of new deals and the aging of existing ones.

The Armonk, N.Y.-headquartered asset manager has been in discussions with smaller hedge funds and credit funds to take over their CDOs, as well as with the insurance companies and banks who are the controlling noteholders and have the power to change managers, Corso said. He declined to name the deals the company is considering.

Through the acquisition of manager mandates, Cutwater has doubled its management of cash CDOs backed by residential mortgages-backed securities to 12 over the past several months. But the bespoke market is less commoditized than the RMBS CDO market and thus takes different skills and systems to enter, Corso said. "If you look at RMBS CDOs, they're like snowflakes – they look the same from afar but each has its different shape," he said.

Cutwater was made independent from its parent company this week as part of a broader strategy announced a couple of years ago. The move creates transparency around each business model, Corso said. Cutwater has \$43 billion in fixed-income assets under management, including \$4 billion in CDOs it manages.