

MARCH 2008

## PORTFOLIOS MANAGED BY CIBC GLOBAL ASSET MANAGEMENT SHIELDED FROM ABCP ISSUES

Earlier this year the bond rating agency, DBRS, downgraded two Bank of Montreal (BMO) asset-backed commercial paper trusts, Apex Trust and Sitka Trust, and subsequently put them "under review with negative implications" warning that creditors were in a position to force them into receivership. BMO has already written down \$210-million in relation to Apex and Sitka and has warned that it will take a further \$495-million write-down if there is no restructuring.

This has raised concerns about how the previously pristine market for ABCP sponsored by the big banks is faring, and is leading some investors to question whether they want to have any bank sponsored ABCP in their portfolios.

"Many of the ABCP programs in the news, including Apex Trust and Sitka Trust, contain structured financial assets. We do not own Apex or Sitka, or any other trusts with structured financial assets," says Steven Dubrovsky, First Vice-President - Global Fixed Income and Money Market. "CIBC Global Asset Management has invested in six other high quality BMO ABCP programs."

CIBC Global Asset Management strives to be very diligent in its credit scrutiny, and to that end Amanda McPherson, Vice-President on the global fixed income team, is responsible for the credit analysis of the investment grade holdings in all domestic bond and money market portfolios, and is the chair of the firm's stringent credit monitoring meetings.

"The bank sponsored ABCP programs we purchase have global style liquidity – with back up lines of credit," she says. "They are all rated R-1 (High), the highest quality. If a bank should have any problems funding any ABCP maturities, then the line of credit with the liquidity provider would be accessed to fund any maturities that could not be rolled over."

The market for bank-sponsored ABCPs in Canada includes about 29 trusts with close to \$80-billion of notes outstanding. Of that total, according to DBRS, BMO accounts for about \$22.5-billion, making it the largest player in Canada. According to DBRS, about 6%, or about \$4.8-billion, of all Canadian ABCP issuers don't have global-style liquidity.

"The ABCP programs in the portfolios we manage benefit from stable, diversified and strong asset types and remain attractive investments for our clients' portfolios," says Steven Dubrovsky.