ACHIEVEMENT AWARDS FinanceAsia 2016

MOST INNOVATIVE DEAL

Astrea III's $510 million collateralised fund obligation

Arrangers: Credit Suisse and DBS

Securitisation is no longer a dirty word, but it is not a common one either.

In China, the tide has turned. China's residential mortgage-backed securitisation market has been developing for years. Chinese banks are adopting ABS structures and covered bonds for their offshore fundraising, slowly helping to develop recognition of the benefits of securitisation technology.

But throughout much of Asia, securitisation is either ignored or kept as vanilla as possible. One notable exception this year was in Singapore, when a fund ultimately owned by Temasek managed to securitise a pool of cash flows from private equity funds.

Astrea Capital, a subsidiary of Temasek's Azalea Asset Management, decided to reduce some of its exposure to 34 private equity funds it had invested in. But instead of simply withdrawing its money from the funds, Astrea decided instead to keep the exposure — but pass off the risk for the next few years.

It turned to Credit Suisse and DBS to help arrange a collateralised fund obligation, and ending up selling a mix of dollar and Singapore dollar-denominated notes. The top-tier tranches, a S$228 million 'A1' three year tranche note and a $170 million five year both came with a loan-to-value ratio (LTV) of 14.9%. They paid investors returns of 3.9% and 4.65%, respectively.

But the bookrunners were also able to find demand for two lower-ranked tranches, a $100m 'B' note with an LTV of 8.8%, and a $70m PIK note with an LTV of 6.1%. The overall orderbook was more than eight times oversubscribed.

Asia needs more deals like this. It may not be time for all the worst excesses of securitisation to make their return. But the response to Astrea's deal shows there is clear demand, and for those funds, banks and corporations with a need to shift assets off their balance sheets, a little more securitisation could be just the answer.