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## **Primus looks to single-tranche risk**

Triple-A rated dedicated protection seller **Primus Financial Products** is to expand its business into single-tranche synthetic CDOs within the next few months. Until now, Primus has concentrated on selling protection on single-name default swaps, building and managing a book that exceeds \$6 billion and references more than 330 investment-grade entities.

"We are moving to the single-tranche business and will be looking to complete the first deal by the end of the first quarter," says **Hilmar Schaumann**, Primus's chief

trading and investment officer. The move into single-tranche protection selling is a logical step for Primus, now that it has established itself as one of the best-known counterparties in the single-name default swaps business.

"It will give us more flexibility to be opportunistic," says Schaumann, "and is a natural extension for utilisation of our existing infrastructure. The risks will be similar to those we have built up in the single-name portfolio, involving relatively high-quality names where we feel comfortable with the credits on an individual basis. It will not be a

statistical-based approach." Primus's single-name portfolio has an average weighted rating of mid single-A.

As well as introducing single-tranche CDOs to its own portfolio, Primus has its eye on third-party CDO management. "That is a possibility for this year," says Schaumann, who confirms that Primus has received enquiries from interested parties.

But tight spreads on single names have reduced the yield available to pay managers of synthetic CDOs. As a result, there have been fewer of these deals than many had expected.

**EUAN HAGGER**