

Big names join queue for toxic asset auction

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Many of the biggest names in US asset management - BlackRock, Pimco, Goldman Sachs, MELLON

Mellon and T Rowe Price among others - are lined up to bid for the contract to manage the toxic assets that will go into Hank Paulson's Troubled Asset Relief Program.

But details of the US Treasury's \$700bn fund being set up to buy residential and commercial mortgage-related assets from ailing banks remain vague.

The Treasury so far says simply that the assets will be managed by private asset managers and it will have discretion to sell the assets or hold them to maturity: "Cash received from liquidating assets, including additional returns, will be returned to the Treasury's general fund for the benefit of American taxpayers."

But asset managers say that the Treasury has been sounding them out on how the assets might be priced, what fees it might have to pay to outsource the management of distressed assets and whether to give the management contract to one or several groups.

They widely expect more information by the end of the week and the mandate will be put out to competitive tender.

Bill Gross, the chief investment officer of Pimco, has indicated that Pimco would be interested in managing some of the pool.

T Rowe Price said that it would be interested in "looking at the opportunity" to manage some of the money as well.

BlackRock, which has established itself as a lead manager of illiquid mortgage assets, is expected to bid. The Federal Reserve hired it to manage \$29bn of similar assets of Bear Stearns.

Private equity and distress hedge fund managers, such as Lonestar, are also likely to join the list.

Charlie Jacklin, the president of Mellon Capital Management, said: "The pricing is key. Prices have fallen precipitously . . . and markets have become illiquid. You can't trade this stuff."

He said the Treasury could address this problem by starting to trade the securities and asking dealers to start making bids.

Kjersten Hatch, a principal at Madison Capital Management, which manages illiquid assets, said: "This is probably one of the most tainted areas of the market at a time when so much is already for sale at such low prices."

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