

More UBS Holders Oppose Plan To Sell Shrs To New Investors

By Anita Greil
Of DOW JONES NEWSWIRES
667 words
16 January 2008
05:29
Dow Jones International News
English
(c) 2008 Dow Jones & Company, Inc.

ZURICH (Dow Jones)--In another sign that pressure on UBS AG (UBS) is mounting to defend its decision to exclude current shareholders from a planned capital increase, a big Swiss pension fund is asking the bank to let shareholders vote on a capital increase by way of a rights issue.

UBS, probably the most-hard hit among European banks by the U.S. residential mortgage crisis, said last month it plans to sell a 9% stake to the Government of Singapore Investment Corp., or GIC, as part of a broader move to strengthen capital.

GIC committed to investing CHF11 billion (\$10.1 billion), while an undisclosed strategic investor in the Middle East is pledged to contribute CHF2 billion.

UBS plans to issue convertible notes for these investments, which will pay a coupon of 9%. This is subject to approval from shareholders at an extraordinary general meeting Feb. 27.

But opposition from existing shareholders to the deal is increasing.

"As shareholders, we believe in UBS, and so far have always borne the risk that comes with this investment," Herbert Braendli, president of Profond, a big Swiss pension fund, told Dow Jones Newswires. "That's why we want to continue to fully participate in UBS - which we consider to have excellent prospects in the future - without dilution of our holding in favor of new shareholders."

In a letter to UBS, made available to Dow Jones Newswires, Profond is requesting that UBS let shareholders vote on a capital increase through a rights issue at the upcoming shareholder meeting. This way of raising new capital would allow existing shareholders to subscribe to new UBS shares, and thus avoid the dilution of their current holdings that they would suffer if the sale to the two new investors went ahead.

The sale of new shares to new investors is a "cloak-and-dagger operation, which comes at the expense of existing shareholders, who didn't get information in time, and would now be excluded from a possible capital increase," Braendli said.

Profond is a Swiss pension fund with CHF2.5 billion in assets under management. The fund, which is managing assets for 1,650 companies, holds around 1 million UBS shares.

The fund's request is probably coming too late to be included in the EGM's agenda, which was published last week. But it shows the mounting objection of current shareholders to UBS' plans.

Ethos Fund, an influential Swiss investment lobby, has also publicly objected to UBS' plan of offering selected shareholders the opportunity to increase their stake and excluding current shareholders from the deal. Ethos also called on UBS to clarify how it had ended up with more than \$14 billion in write-downs on securities linked to the U.S. residential mortgage market.

UBS plans to address Ethos' questions no later than Feb. 27, when UBS shareholders are scheduled to vote on the capital infusion.

While criticizing that UBS isn't treating all shareholders same - GIC is already invested in UBS - Profond has no problems with the fact that at least one of UBS' new investors is a sovereign wealth fund.

"Buying their shares on the stock exchange, everyone can become a shareholder in UBS - we have no objection to sovereign wealth funds," Braendli said.

This echoes comments from Swiss Economics Minister Doris Leuthard, who said last week that Switzerland welcomes investments by foreign investment funds but would like such investors to become more transparent.

Most state investment funds haven't disclosed their investment strategy, Leuthard said. This may lead to concerns over the legitimacy of their transactions, she added.

Leuthard said she expects supranational bodies, such as the International Monetary Fund or the Organization for Economic Cooperation and Development, to address such transparency issues.

Company Web Site: <http://www.ubs.com>

-By Anita Greil, Dow Jones Newswires; +41 43 443 8044 ; anita.greil@dowjones.com [16-01-08 1029GMT]

Document DJI0000020080116e41g000m3