NEWS RELEASE

MBIA Asset Management to Launch Inflation Protection Funds

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NEW YORK--(BUSINESS WIRE)--

MBIA Asset Management, a unit of insurer MBIA (NYSE: MBI), today announced plans to launch two new inflation protection funds designed for institutional and retail investors, pension funds and high-net-worth individuals.

Both open-ended funds are unique specialized structured funds - MBIA Asset Management's core specialty.

"Inflation is a growing concern in the U.S. and investors would do well to protect their assets against the threat," said Jonathan Moll, MBIA Asset Management Group managing director. "Our two new funds are designed to do just that."

The MBIA Municipal Bond Inflation Protection Fund, set for launch in early November with initial funding of $25 million, creates a municipal bond portfolio which guards against inflation, similar to the protection provided by Treasury Inflation-Protection Securities or TIPS.

But the municipal fund is designed to provide high-tax-bracket investors with after-tax returns that are significantly better than those offered by TIPS.

Early next year, MBIA Asset Management also plans to launch the MBIA Multi-Sector Inflation Protection Fund. The multi-sector fund is designed to provide well-diversified exposure to the major inflation-sensitive sectors of the

market: commodities, TIPS and real estate. Each provides a slightly different form of protection at different phases of the inflationary cycle.

Commodities tend to protect investors in the early stages before inflation actually kicks in. TIPS obviously adjust upward once inflation starts and real estate provides a hedge in the later stages when less liquid assets generally shoot up in value. The fund is uniquely structured to offer investors a one-stop solution for the inflation-hedging portion of their asset allocation.

The timing could not make more sense for investors as rising commodity prices compounded by the fall in the dollar and the impact of the 0.5 percentage point cut in interest rates by the Federal Reserve are expected to fuel inflation rises towards the end of the year.

Both funds are unique in different ways.

The municipal bond fund is special since it gives the savvy investor access to municipal inflation protected securities or MIPS, which are growing but still relatively small part of the bond market. In order to increase the available supply of MIPS, the fund will synthetically create MIPS by overlaying inflation swaps on a diversified portfolio of municipal bonds. That will provide investors with higher inflation-adjusted returns and better diversification than natural MIPS.

The new MBIA multi-sector fund is one of the first of its kind that by design gives the investor exposure to the three primary inflation hedging sectors. The fund will give each an equal weight and be rebalanced quarterly.

MBIA Asset Management, a unit of insurer MBIA, is an experienced provider of specialized structured and fixed income investment opportunities. The asset management group manages more than $65 billion for state and local governments, endowments and public and corporate pension plans.

Source: MBIA Asset Management

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