

Cairn High Grade ABS CDO I Plc: Quarterly Update February 2009

Managed by: Cairn Financial Products Limited

Cairn distribution per USD 1 Million invested in the Class E Notes		
Date	Valuation	Actual Distribution
25/11/2005	100	\$23,188
25/02/2006	100	\$22,176
25/05/2006	98	\$37,268
25/08/2006	96.75	\$37,304
27/11/2006	96.25	\$32,761
26/02/2007	95.25	\$39,118
25/05/2007	94.75	\$36,003
25/08/2007	93.16	\$31,204
25/11/2007	70	\$39,217
25/02/2008	62	\$0
27/05/2008	10	\$0
25/08/2008	1	\$0
25/11/2008	1	\$0
25/02/2009	0.5	\$0

Analysis of Distributions

On 25th February 2009, Cairn HG ABS CDO I P.L.C. failed to pay what would have been the fourteenth distribution to Class E Note (equity) investors. Class E Note investors have received 30% cash-on-cash returned to date.

The reason for no distribution to Class E Note holders is failure of the Senior and Mezzanine Principal Coverage Tests (the over collateralisation or "OC" tests), as a result of continuing multiple downgrades as well as 13 defaults (up from 11 last quarter) in Cairn's portfolio. Interest is being diverted away from the Class C, D and E Notes in order to pay back principal and interest to the A1 Delayed Draw Notes, and interest to the A2 and B Notes. Cairn Financial Products Limited, the Manager of the Cairn transaction, has not been able to make up for the par value lost through downgrades and defaults by investing principal into discount securities.

Valuation

For the above reasons, it is difficult to assign any value to the Class E Notes. It does not appear likely that cash flows will resume to Class E Notes. Consequently, a mark of 0.5% may be appropriate at this time.

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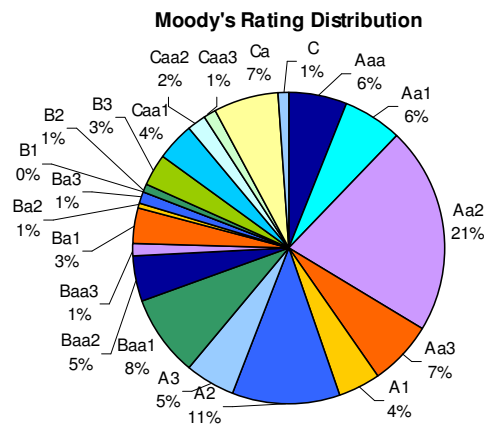


A Summary of the Portfolio on 13th February 2009:

Par	\$958,549,333.59
Number of Positions	171
Average Position Size	\$5,605,551.66
Weighted Average Purchase Price	99.44%
Weighted Average Spread	0.57%
Weighted Average Life	4.10

Position	Current Balance	%
ABS	\$11,000,000	1.13%
CDO	\$181,504,157.09	18.69%
CMBS	\$993,683.77	0.10%
RMBS	\$765,051,492.73	78.79%
Cash	\$12,436,473.73	1.28%
Total	\$970,985,807.32	100%

Source: Trustee report



If you require any further information relating to the above update please use our contact details below.

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