

BCP SECURITIES

# 1Q22 BCP RESEARCH BEST IDEAS

JANUARY 2022

DR. WALTER MOLANO, PhD  
CHIEF ECONOMIST  
MATIAS CASTAGNINO, CFA  
CORPORATE RESEARCH  
ARTURO GALINDO  
CORPORATE RESEARCH

# 1Q22 BCP BEST IDEAS

## EXECUTIVE SUMMARY



Within our Global Emerging Markets coverage, we segregate issuers into five distinct universes and track our portfolio performances versus the appropriate benchmark. The Sovereign universe is comprised of credits with explicit sovereign guarantees. The Quasi-Sovereigns are either Government owned or Government controlled credits. We base our analysis on the spread to sovereign for each issuer, which allows us to focus on the corporate risk and linkage to the sovereign. Therefore, investors can view the instruments relative to the sovereign based on their opinion of the sovereign. The Top Picks universe are performing Emerging Market corporates, usually with below Investment Grade credit ratings that are trading around 80c and higher. We rate the portfolio performance versus the ICE BofA Emerging Markets High Yield Bond Index ('EMLH Index'). The High-Octane universe is made up stressed and distressed credits we follow trading under 80c. This framework allows us to keep track of credit stories trading across the entire price range. The High-Octane is a unique product with select deep dives and equity-like returns, as such we rate the performance versus the Emerging Market Equity Index. The Converts universe are credits with convertible bonds outstanding and are not necessarily constrained to Emerging Markets. The analysis is based on the straight bond aspect and the valuation of the underlying equity and imbedded bond options.

Under our new product, "BCP Best Ideas", we are merging the five universes into a single quarterly report. We will be presenting our top five to seven ideas for each universe by alphabetical order, each with supporting slides for the investment thesis. We will continue to define an "Extended Portfolio" for each universe to be disclosed within this report. We will continue to track each portfolio versus the corresponding benchmark.

Finally, within this document we will be including a list of attractive credits by geography that vary in credit ratings, pricing and yields. These credits might not fit our traditional portfolios but could be better suited for investors depending on their mandates. It is important to highlight that each name mentioned in this report has been analyzed by our team and we are able to provide further detail on each investment case upon request. The latter is highly encouraged, as we welcome investor dialogue.

# 1Q22 BCP BEST IDEAS



	Name	TICKER	Maturity	Coupon	Position	Ratings (M/SP/F)	Mid Price	Mid YTW
<b>SOVEREIGNS</b>	BRAZIL	BRAZIL	2050	4.75%	Short	Ba2 / BB- / -	84.95	5.85%
	COLOMBIA	COLOM	2051	4.13%	Short	Baa2 / BB+ / BB+	85.13	5.11%
	ECUADOR	ECUASO	2035	0.00%	Long	- / B- / B-	80.80	9.10%
	ECUADOR	ECUA	2035	1.00%	Long	- / B- / B-	68.78	9.99%
	EL SALVADOR	ELSALV	2023	7.75%	Short	Caa1 / B- / B-	79.00	33.32%
	NIGERIA	NGERIA	2028	6.13%	Long	B2 / B- / -	95.25	7.02%
<b>QUASI - SOVS</b>	CNOOC GROUP	CNOOC	2033	5.50%	Overweight	A1 / A+ / A+	118.18	3.54%
	ELETRORBRAS	ELEBRA	2025	3.63%	Overweight	- / BB- / BB-	100.38	3.49%
	ENAP	ENAP	2026	3.75%	Overweight	Baa3 / BB+ / A-	102.88	3.04%
	PETROLEOS MEXICANOS	PEMEX	2026	6.88%	Overweight	Baa3 / BBB / BB-	108.79	4.71%
	VAKIFBANK	VAKBN	2026	6.50%	Overweight	B2 / - / -	94.50	8.14%
<b>TOP PICKS</b>	CAR INC	CARINC	2022	8.88%	Outperform	B3 / B- / -	100.24	8.22%
	COUNTRY GARDEN HOLDINGS	COGARD	2024	8.00%	Outperform	- / - / BBB-	96.65	9.85%
	FS AGRISOLUTIONS	FSBIOE	2025	10.00%	Outperform	B1 / - / BB-	109.13	7.26%
	HILONG HOLDING LTD	HILOHO	2024	9.75%	Outperform	- / - / -	81.48	18.36%
	METINVEST	METINV	2029	7.75%	Outperform	- / B+ / BB-	98.00	8.10%
	PEGASUS AIRLINES	PGSUST	2026	9.25%	Outperform	- / B / BB-	100.50	9.06%
	UNIGEL	UNIGEL	2026	8.75%	Outperform	- / BB- / B+	106.13	5.96%
	VEDANTA RESOURCES LTD	VEDLN	2023	7.13%	Outperform	B3 / B- / -	97.88	8.78%
	YPF	YPFDAR	2026	4.00%	Outperform	Caa3 / - / -	80.50	16.45%
<b>HIGH OCTANE</b>	AEROMEXICO	AERMEX	2025	7.00%	Negative	- / D / -	96.50	-
	CHINA FORTUNE HOLDINGS	CHFOTN	2021	9.00%	Positive	- / - / -	27.18	-
	PROVINCIA DEL CHUBUT	CHUBUT	2030	7.75%	Positive	Ca / - / CC	79.50	15.44%
	FANTASIA HOLDINGS GROUP	FTHDGR	2023	10.88%	Positive	- / - / -	22.79	-
	PT. PAN BROTHERS	PBRXIJ	2022	7.63%	Positive	Cau / - / C	46.00	-
	SHELF DRILLING HOLDINGS	SHLFDI	2025	8.25%	Negative	Caa3 / CCC+ / -	75.25	19.22%
<b>CONVERTS</b>	21VIANET GROUP INC	VNET	2026	0.00%	Positive	- / - / -	80.50	10.84%



# RATING CHANGES IN THIS EDITION



	Name	TICKER	Maturity	Coupon	BCP Rating Change
<b>SOVEREIGNS</b>	CHILE	CHILE	2071	3.25%	Upgrade to Neutral
	NIGERIA	NGERIA	2028	6.13%	Upgrade to Long
	COLOMBIA	COLOM	2051	4.13%	Downgrade to Short
<b>QUASI - SOVS</b>	CNOOC GROUP	CNOOC	2033	5.50%	Upgrade to Market Overweight
	VAKIFBANK	VAKBN	2026	6.50%	Upgrade to Market Overweight
	KAZMUNAYGAS NATIONAL CO	KZOKZ	2027	4.75%	Downgrade to Market Weight
	RAIL UKRAINE	RAILUA	2026	7.88%	Downgrade to Market Weight
	TC ZIRAAT BANKASI AS	TCZIRA	2026	5.38%	Downgrade to Market Weight
	DEVELOPMENT BANK BELARUS	DBBYRB	2024	6.75%	Downgrade to Market Weight
<b>TOP PICKS</b>	CAR INC	CARINC	2022	8.88%	Upgrade to Market Outperform
	COUNTRY GARDEN HOLDINGS	COGARD	2024	8.00%	Upgrade to Market Outperform
	METINVEST	METINV	2029	7.75%	Upgrade to Market Outperform
	PEGASUS AIRLINES	PGSUST	2026	9.25%	Upgrade to Market Outperform
	UNIGEL	UNIGEL	2026	8.75%	Upgrade to Market Outperform
	DTEK ENERGY	DTEKOG	2027	5.00%	Upgrade to Market Outperform
	ATENTO LUXCO	ATENTO	2026	8.00%	Downgrade to Market Perform
	CREDIT BANK OF MOSCOW	CRBKMO PERP	PERP	8.88%	Downgrade to Market Perform
	INTERPIPE HOLDINGS	INTHOL	2026	8.38%	Downgrade to Market Perform
	LMIRT CAPITAL PTE LTD	LMRTSP	2026	7.50%	Downgrade to Market Perform
<b>HIGH OCTANE</b>	AEROMEXICO	AERMEX	2025	7.00%	Downgrade to Negative
	SHELF DRILLING HOLDINGS	SHLFDI	2025	8.25%	Downgrade to Negative
	PROVINCIA DEL CHUBUT	CHUBUT	2030	7.75%	Upgrade to Positive
	FINANCIERA INDEPENDENCIA	FINDEP	2024	8.00%	Upgrade to Positive
	PT. PAN BROTHERS	PBRXIJ	2022	7.63%	Upgrade to Positive
	GRUPO POSADAS SAB CV	POSADA	2022	7.88%	Downgrade to Neutral
	GENERACION MEDIT/FRIAS	ALBAAR	2023	9.63%	Downgrade to Neutral
	APL REALTY HLDG PTE LTD	APLNIJ	2024	5.95%	Downgrade to Neutral
	PROVINCIA DE BUENOS AIRES	BUENOS	2037	3.90%	Downgrade to Neutral
	ENJOY	ENJOY	2027	6.00%	Downgrade to Neutral
<b>CONVERTS</b>	SCORPIO TANKERS	STNG	2025	3.00%	Downgrade to Neutral



# SOVEREIGNS

## LONG

### CHILE

CHILEAN PESO (CLP)

### ECUADOR

ECUA 1.00% 35s

ECUASO 0.00% 35s

### NIGERIA

NGERIA 6.125% 28s

## SHORT

### BRAZIL

BRAZIL 4.75% 50s

### COLOMBIA

COLOM 4.125% 51s

### EL SALVADOR

ELSAIV 7.75% 23s

# QUASI-SOVEREIGNS

## OVERWEIGHT

### BRAZIL

ELEBRA 3.625% 25s

### CHILE

ENAP 3.75% 26s

### CHINA

CNOOC 5.50% 33s

### MEXICO

PEMEX 6.88% 26s

### TURKEY

VAKBN 6.50% 26s

## OUTPERFORM

### ARGENTINA

YPFDARSTEP UP 26s

### BRAZIL

FSBIOE 10.00% 25s

UNIGEL 8.75% 26s

### CHINA

CARINC 8.875% 22s

COGARD 8.00% 24s

HILOHO 9.75% 24s

### INDIA

VEDLN 7.125% 23s

### UKRAINE

METINV 7.75% 29s

### TURKEY

PGSUST 9.25% 26s

# TOP PICKS

# HIGH OCTANE

## POSITIVE

### ARGENTINA

CHUBUT 7.75% 30s

### CHINA

CHFOTN 9.00% 21s

FTHDGR 10.875% 23s

### INDONESIA

PBRXU 7.625% 22s

## NEGATIVE

### MEXICO

AERMEX 7.00% 25s

### MIDDLE EAST

SHLFDI 8.25% 25s



# CONVERTS

POSITIVE OUTRIGHT

CHINA

VNET 0.00% 26s

# OTHER PREFERRED NAMES: ARGENTINA

## **MSUNRG 6.875% 2025 (Caa3/-/CCC) – 15.3% YTW**

- One of the most efficient gencos as plants operate under full combined cycle. We expect the PPAs to be respected. We estimate around US\$200-250mm will need to be rolled over at maturity but at a very low 1.1x net leverage. Cammesa's days receivables need to be followed closely.

## **YPFLUZ 10.000% 2026 (Caa3/CCC+/-) – 12.9% YTW**

- Deleveraging process on the way as first phase of expansion is over. Net leverage now at 2.3x with sound free cash flow generation. 2021 guidance: US\$310mm EBITDA vs US\$160mm capex.

## **AEROAR 8.5% 2031 (Caa3/CCC+/-) – 12.9% YTW**

- Bonds back by aeronautical tariffs, a portion of which are collected offshore in USD. We believe in the intrinsic value of airports. Travelling was recovering in the country although the omicron variant will impact traffic once again. Recently obtained new financing for capex.

## **BUENOS STEP UP 2037 A (Ca/CCC+/-) – 21.7% YTW**

- Lowest dollar price and benchmark province. Restructured bonds, with a more confrontative process compared to peers although with terms not very different, suggesting provinces are more similar than different. Balanced fiscal account. Confrontative governor.

## **JUJUYA STEP-UP 2027 (-/CCC+/-) – 22.8% YTW**

- Highest yielding provincial bond. Restructuring among provinces were done at similar terms, suggesting provinces are much more similar than different. Exposure to coparticipation is high though transfers are automatic, avoiding sovereign interference. Sound fiscal surplus.

# OTHER PREFERRED NAMES: BRAZIL

## **HIDRVS 4.95% 2031 (BB) – 6.1% YTW**

- Unique structure and well positioned in an underserved market. Strong and proven contractual framework, mainly settled through take-or-pay terms. Despite weaker than expected results for the year, given a combination of external factors, consolidation of new operations ramping up should translate into a strong 2022. Decent liquidity, solid shareholders and extended maturity profile.

## **AEGEA 5.75% 2024 (BB) – 4.6% YTW**

- Strong shareholders. Leading and consolidating the underpenetrated private sanitation segment in Brazil. Capex and expansion has historically translated into EBITDA with the successful turnaround of new concessions. Strong cash position and manageable leverage at the ~2.5x level.

## **ATENTO 8.00% 2026 (B+) – 6.0% YTW**

- Leading CRM BPO operator with strong market share presence in areas of operation. Effectively executing its transformational plan translating into results. With net leverage below the ~3.0x level we see a sustainable credit that compares favorably to current Brazil HY market.

## **MRFGBZ 5.50% 2031 (BB) – 4.5% YTW**

- Deleveraged balance sheet (0.7x LQA) through solid cash generation and strong US Beef spreads. Strong player in a defensive sector. Marfrig has been posting record results for the last couple of years making the most of solid US beef spreads.

## **USIM 5.50% 2026 (BB) – 5.0% YTW**

- Brazilian iron ore and steel producer. Strong cash position following solid cash generation since 3Q20. Deleveraged structure at 0.6x LTM gross leverage and virtually no debt maturities until 4Q23. Steel represents 70% of EBITDA and revenue, while more than 80% of sales are destined for the domestic market, limiting exposure to the current uncertainties of Chinese demand.

# OTHER PREFERRED NAMES: MEXICO

## ALSEA 7.75% 2026 (BB-) – 6.7% YTW

- Revenue remains below pre-pandemic levels, yet EBITDA margins have expanded with 2022 estimates expecting strong recovery prospects. Addressed ST debt maturity concerns with the USD bond. 4.7x net leverage yet improving to 2.5x excl. leases. We note 95% of EBITDA is generated at IG countries.

## BAKIDE 7.45% 2029 (B+) – 6.5% YTW

- The major Pemex risks materialized and resulted in new supply contracts. Strength in PE pricing and normalized 83% run-rate capacity will generate strong FCF. We see the issuer deleveraging below 3.0x, incl. dividend outflows. We see room for BAKIDE to navigate a more detrimental PE environment.

## EKT 4.88% 2028 (BB+) – 6.1% YTW

- Unique structure with record-high remittance flows and very strong coverage ratios. Essentially no FX risk on remittances. Sound EKT retailer performance. The structure has IG metrics, downgrade was on corporate governance grounds (the TZA restructuring). One of the cheapest IG credits in Mexico.

## KUOBMM 5.75% 2027 (BB-) – 3.3% YTW

- Conglomerate with consumer (pork meat & Herdez), petrochemical and automotive divisions. Sound consumer recovery despite pork meat fire, strong petrochemical spreads and automotive division ramping up. LTM net leverage at 1.5x with strong liquidity and large available committed bank lines.

## DOCUFO 10.25% 2024 (B+) – 15.4% YTW

- Sole non-bank financial that is fully funded for 2022. Sound asset quality with no accrued interest on the balance sheet and no-charge offs. Very stable net debt and FCF throughout the pandemic, conservative management, net debt to loans at 86%.

## FINDEP 8.00% 2024 (BB-) – 12.2% YTW

- Lowest net debt to loans ratio at 64%, strongest tangible equity metrics. Management focused on collections, generated FCF, divested non-core portfolios and repurchased debt at discount. Strong US loan growth driving earnings, targeting 50% of loan portfolio. Small issue size could limit availability.

# OTHER PREFERRED NAMES: CEEMEA

## TSKBTI 5.875% 2026 (B3/-/B+) – 8.1% YTW

- Turkish private development bank controlled by Isbank. Long USD. Due to its capacity to obtain low-cost funding from DFI, the bank can provide loans at very competitive prices and terms. Low-cost structure. 105bps spread to sovereign.

## ODEABK 7.625% 2027 (Caa3/-/CCC+) – 13.4% YTW

- Highest yielding tier2 bank in Turkey. Liquidity is strong and capitalization levels remain sound. NPLs continue elevated but have been decreasing, while interest collected to accrued has remained above 90%. The bank remains independent to its shareholder with no upstream dividends. Tier2 bonds.

## TCZIRA 5.325% 2026 (B2/-/B+) – 8.0% YTW

- Largest bank in the country with strong market share. Lowest NPLs among peers. Strong liquidity and capitalization. The government has provided tangible support in the recent past through direct capitalization or subscription of AT1s. 90bps spread to sovereign.

## DTEKOG 6.75% 26s - 8.9% YTW

- Ukraine's largest private natural gas producer reported strong 1H21 results fueled by higher natural gas price and stable production. The price of natural gas increased 86% h/h in 2H21 and natural gas output is poised to increase in 2021 by at least 10%, which should positively impact 2H21 revenue and EBITDA. Given that 4Q and 1Q are usually the strongest for natural gas producers due to a seasonality factor, we expect solid 2H21 results and manageable net leverage below 2.0x, hence, our "Market Outperform" for DTEKOG 26s. We do note the geopolitical aspect here.

# OTHER PREFERRED NAMES: LATAM

## GTE 6.25% 2025 (-/B-/CCC) – 9.6% YTW

- Favorite oil and gas independent player. We estimate the breakeven at US\$37/bbl. 3Q21 production was the highest since 1Q20 and current crude price of over US\$80 should provide a strong tailwind for deleveraging beyond the 2.0x target by year-end. Trades at a decent spread to closest peers.

# OTHER PREFERRED NAMES: CHINA

## CHFOTN 9% 21s - Defaulted

- Defaulted Chinese developer. Unlike other developers, the company has a positive working capital due to large receivables from local government. The company develops industrial parks for local governments and residential projects in the surrounding areas. Close relationship with local government, bringing in more access to industrial parks and government projects. Large land bank in Hebei Province, where local economy benefits from Beijing's relocation program in the long term.

## FTHDGR 10.875% 24 (-/NR/WD) - Defaulted

- Defaulted Chinese developer. The company has one of the lowest leverage ratio as per our measure of funded liabilities to land bank. Gross contracted sales increased 61% y/y to US\$3,998 mm. Revenue increased 19% y/y to US\$1,557 mm. Close relationship with government and easy access to high quality lands.

# OTHER PREFERRED NAMES: ASIA-EX CHINA



## KIJA 6.5% 2023 (-/B-/B-) – 10.5% YTW

- Property developer engaged in townships developments. Performance is sound compared to pre-covid levels of 2Q19. Recurring revenue denominated in USD accounts for 45%-58% of total revenue. FCF turned negative. Liquidity is overall sound with cash and equivalents enough to repay maturing debt through 2023. Total funded liabilities to land bank stood relatively low and flat at 54%. 6.4x LTM net leverage.

## APLN 5.95% 2024 (Caa1/--/CCC) – 31.1% YTW

- Pt. Agung Podomoro Land Tbk (“APLN”) reported relatively positive 3Q21 results. Revenue grew 27% q/q, led by sales from development segment, which more than offset the lower rental & hotels revenues. EBITDA increased 40% q/q. FCF generation increased to US\$11mm due to higher EBITDA contribution. The ratio of funded liabilities to land bank declined 1pp q/q to 63%. LQA net leverage improved to 6.5x, or 6.4x on an LTM basis. Based on 3Q21 FS, the IDR denominated medium term notes (MTN) originally due 22 Aug 2021 had been extended to 22 Aug 2023

# DISCLAIMER

## DISCLOSURE APPENDIX

### REGULATION AC - ANALYST CERTIFICATION

The following analysts certify that all of the views expressed in this report accurately reflect their respective personal views about the subject securities and issuers. They also certify that no part of their respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by them in this report: Dr. Walter Molano Ph.D., Matias Castagnino CFA and Arturo Galindo.

### COMPANY SPECIFIC DISCLOSURES

This report may not be independent of BCP's propriety interests. BCP does business, and seeks to do business, with companies covered in BCP research. As a result, investors should be aware that BCP may have a conflict of interest that could affect the objectivity of this report. Further, BCP may trade the securities (or related derivatives) that are the subject of this research report for its own account and for certain customers and may from time to time maintain long or short positions in the securities (or in related derivatives) of the companies mentioned in this report. Such financial and trading interests may be contrary to any recommendation in the report.

BCP's salespeople, traders and other professionals may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desks that reflect opinions that are contrary to the opinions expressed in this research.

### MEANINGS OF RATINGS

#### **Top Picks Universe**

"Market Outperform" – The bond's total return is expected to exceed the total return of the ICE BofA Emerging Markets High Yield Bond Index ('EMLH Index') over the next 3 – 6 months.

"Market Perform" – The bond's total return is expected to be in line with the total return of the EMLH Index over the next 3 – 6 months.

"Market Underperform" – The bond's total return is expected to be below the total return of the EMLH Index over the next 3 – 6 months.

"Not Rated" or no comment – Currently, the analyst does not have adequate conviction about the bond's total return relative to the EMLH Index over the next 3 – 6 months.



# DISCLAIMER (CONTINUED)

## **Quasi Sovereign Universe**

“Market Overweight” – The spread of the bond to its similarly duration sovereign controller bond is expected to decrease over the next 3 – 6 months.

“Market Weight” – The spread of the bond to its similarly duration sovereign controller bond is expected to remain unchanged over the next 3 – 6 months.

“Market Underweight” – The spread of the bond to its similarly duration sovereign controller bond is expected to increase over the next 3 – 6 months.

“Not Rated” or no comment – Currently, the analyst does not have adequate conviction about the bond’s spread to its similarly duration sovereign controller bond over the next 3 – 6 months.

## **High Octane Universe**

“Speculative Buy” – Bonds that in our view have an equity investment risk profile and we think risk/return is significantly skewed to the upside

“Positive” – Bonds that in our view have an equity investment risk profile and we think risk/return is skewed to the upside

“Neutral” – Bonds that in our view have an equity investment risk profile and we think risk/return is balanced

“Negative” – Bonds that in our view have an equity investment risk profile and we think risk/return is skewed to the downside

“Speculative Sell” – Bonds that in our view have an equity investment risk profile and we think risk/return is significantly skewed to the downside

## **GENERAL RESEARCH DISCLOSURES AND DISCLAIMERS**

This report is intended only for institutional investors, and should not be redistributed to retail investors. BCP research is not a solicitation or offer to buy or sell any security or financial instrument or to participate in any trading strategy. The products mentioned in this report may not be eligible for sale in some states or countries.

The analysts principally responsible for the preparation of BCP research receive compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues (including overall investment banking revenues), client feedback and competitive factors. The compensation of BCP analysts is not linked to specific investment banking or capital markets transactions by BCP. Analysts employed by non-U.S. affiliates may not be registered with FINRA, may not be associated persons of BCP, and may not be subject to FINRA regulations regarding research related activities.

## DISCLAIMER (CONTINUED)

BCP research is based on public information. BCP makes every effort to use reliable, comprehensive information, but makes no representation that the information is accurate or complete. Facts and views presented in BCP research have not been reviewed by, and may not reflect information known to, professionals in other BCP business areas, including investment banking personnel. BCP analysts may interact with sales and trading desk personnel in connection with their research, including to ascertain pricing and liquidity in the fixed income markets.

This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. BCP has no authority to make any representation or warranty on behalf of the issuers. BCP policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

BCP may update its research reports and ratings as it deems appropriate but has no obligation to do so. BCP has no obligation to inform clients of any changes in facts, assumptions, opinions, estimates, or ratings. Certain outstanding reports may contain discussions and/or investment options relating to securities, financial instruments and/or issuers that are no longer current. Neither BCP nor any officer or employee of BCP accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this report or its contents.

BCP research and ratings should not be used or relied upon as investment advice. BCP research does not provide individually tailored investment advice. BCP research has been prepared without regard to the circumstances and objectives of those who receive it. BCP recommends that investors independently evaluate particular investments and strategies and encourages investors to seek the advice of a financial adviser. Investors should consider this report as only a single factor in making their investment decisions. The appropriateness of an investment or strategy will depend on an investor's circumstances and objectives. The securities, instruments, or strategies discussed in BCP research may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. Securities discussed in this report may be rated below investment grade and should therefore only be considered for inclusion in accounts qualified for speculative investment.

The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, prices, market indexes, operational or financial conditions of companies or other factors. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. Investors may experience a loss of their original capital investment in such securities.

International investing entails greater risk, as well as greater potential rewards compared to U.S. investing. These risks include political and economic uncertainties of foreign countries as well as the risk of currency fluctuations. These risks are magnified in countries with emerging markets, since these countries may have relatively unstable governments and less established markets and economies.

Bonds are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which is the risk that the issuer will redeem the debt at its option, fully or partially, before the scheduled maturity date.

# DISCLAIMER (CONTINUED)

The market value of debt instruments may fluctuate and proceeds from sales prior to maturity may be more or less than the amount originally invested or the maturity value due to changes in market conditions or changes in the credit quality of the issuer. Bonds are subject to the credit risk of the issuer. This is the risk that the issuer might be unable to make interest and/or principal payments on a timely basis. Bonds are also subject to reinvestment risk, which is the risk that principal and/or interest payments from a given investment may be reinvested at a lower interest rate. Bonds rated below investment grade may have speculative characteristics and present significant risks beyond those of other securities, including greater credit risk and price volatility in the secondary market.

## **INTERNATIONAL DISCLOSURES**

**Singapore:** This report is distributed in Singapore by BCP Securities Asia Pte Ltd to accredited investors, expert investors or institutional investors only (as defined in the applicable Singapore laws and regulations and is not intended to be distributed directly or indirectly to any other class of person). Recipients of this report in Singapore are to contact BCP Securities Asia Pte Ltd in respect of any matters arising from, or in connection with, this report. BCP Securities Asia Pte Ltd is registered with the Accounting and Corporate Regulatory Authority.

**Spain:** The report is distributed in Spain by BCP European Agencia de Valores, S.A., supervised by the Spanish Securities Markets Commission (CNMV), and is written and distributed in accordance with rules of conduct for financial research under Spanish regulations. This report is only intended for persons who are Eligible Counterparties or Professional Clients within the meaning of Article 78bis and Article 78ter of the Spanish Securities Market Act. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. There is no obligation to register or file any report and any supplemental documentation or information with the CNMV. Neither verification nor authorization or compliance revision by the CNMV regarding this document and related documentation or information needs to be fulfilled in accordance with the Spanish Securities Market Act.

**Brazil:** This report is distributed in Brazil by BCP Securities Brazil (RJ) in accordance with applicable regulations. No approval is required for publication or distribution of this report in Brazil. The views expressed above accurately reflect personal views of the authors about the subject companies and their securities. The compensation of the equity research analyst(s) is indirectly affected by revenues deriving from the business and financial transactions of BCP. Where a Brazil based analyst has taken part in the preparation of this research report, the Brazil based analyst whose name appears first assumes primary responsibility for its content from a Brazilian regulatory perspective and for its compliance with CVM Instruction 483.

## **COPYRIGHT AND USER AGREEMENT**

Copyright 2022 BCP Securities, LLC. All rights reserved. This research report is prepared for the use of BCP clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of BCP. Any unauthorized use or disclosure is prohibited. Receipt and review of this research report constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusions, or information contained in this report (including any investment recommendations, estimates or price targets) without first obtaining expressed permission from an authorized officer of BCP.



GREENWICH, CT +1-203-629-2181 / MIAMI, FL +1-305-358-6445 / LOS ANGELES, CA +1-424-210-8466 / MADRID +34-91-310-6980 / MEXICO +52-55-5025-5500 / RIO DE JANEIRO +55-21-2227-4160 / SINGAPORE +65-6225-3171