

BCP SECURITIES

# 4Q21 BCP RESEARCH BEST IDEAS

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# 4Q21 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.

# 4Q21 BCP BEST IDEAS



	Page	Name	TICKER	Maturity	Coupon	Position	Ratings (M/SP/F)	Mid Price	Mid YTW
<b>SOVEREIGNS</b>	6	CHILE	CHILE	2071	3.25%	Short	- / A / A-	96.25	3.41%
	7	ECUADOR	ECUA	2035	1.00%	Long	- / B- / B-	68.83	9.75%
	8	ECUADOR	ECUASO	2035	0.00%	Long	- / B- / B-	79.63	8.85%
	10	EL SALVADOR	ELSALV	2050	7.13%	Short	Caa1 / B- / B-	70.75	10.33%
	11	PERU	PERU	2032	1.86%	Long	Baa1 / BBB+ / BBB	92.75	2.62%
	11	PERU	PERU	2121	3.23%	Short	Baa1 / BBB+ / BBB+	86.00	3.77%
<b>QUASI - SOVS</b>	15	DEVOLPMENT BANK OF BELARUS	DBBYRB	2024	6.75%	Long	- / B / B	94.50	9.23%
	18	ELETROBRAS	ELEBRA	2025	3.63%	Long	- / BB- / BB-	100.50	3.46%
	21	ENAP	ENAP	2026	3.75%	Long	Baa3 / BB+ / A-	105.75	2.41%
	23	PETROLEOS MEXICANOS	PEMEX	2026	6.88%	Long	Baa3 / BBB / BB-	108.50	4.86%
	26	UKRAINE RAIL	RAILUA	2026	7.88%	Long	- / - / B	101.50	7.47%
<b>TOP PICKS</b>	33	DOCUFORMAS	DOCUFO	2024	10.25%	Long	- / B / B+	96.00	11.98%
	37	FS AGRISOLUTIONS	FSBIOE	2025	10.00%	Long	B1 / - / BB-	111.00	6.63%
	40	HILONG HOLDING	HILHOH	2024	9.75%	Long	- / - / -	85.48	15.88%
	43	INTERPIPE HOLDINGS	INTHOL	2026	8.38%	Long	- / B / B	97.25	9.12%
	46	LMIRT CAPITAL PTE LTD	LMRTSP	2026	7.50%	Long	B1 / - / B+	101.50	7.09%
	50	YPF	YPFDAR	2026	4.00%	Long	Caa3 / - / -	88.00	11.78%
<b>HIGH OCTANE</b>	58	APL REALTY HLDG	APLNIJ	2024	5.95%	Long	Caa1 / - / CCC	60.88	27.98%
	62	PROVINCIA DE BUENOS AIRES	BUENOS	2037	3.90%	Long	Ca / CCC+ / -	45.15	19.07%
	66	ENJOY	ENJOY	2027	6.00%	Long	- / CCC+ / CCC+	80.50	12.88%
	74	GRUPO POSADAS	POSADA	2022	7.88%	Long	Ca / - / CCC	84.00	-
	79	SAMARCO	SAMMIN	2024	5.38%	Short	WR / NR / WD	71.00	-
84	TV AZTECA	TZA	2024	8.25%	Long	- / - / C	60.25	-	
<b>CONVERTS</b>	90	SCORPIO TANKERS	STNG	2025	3.00%	Long	- / - / -	97.50	9.92%
	93	21VIANET GROUP INC	VNET	2026	0.00%	Long	- / - / -	83.25	8.19%



# SOVEREIGNS

## LONG ECUADOR

ECUA 1.00% 35s

ECUASO 0.00% 35s

## PERU

PERU 1.86% 32s

## SHORT

## CHILE

CHILE 3.25% 71s

## EL SALVADOR

ELSALV 7.13% 50s

## PERU

PERU 3.23% 2121s

# QUASI-SOVEREIGNS

## OVERWEIGHT

### BELARUS

DBBYRB 6.75% 24s

### BRAZIL

ELEBRA 3.625% 25s

### CHILE

ENAP 3.70% 26s

### MEXICO

PEMEX 6.88% 26s

### UKRAINE

RAILUA 7.875% 26s

# EMERGING MARKET QUASI-SOVS

## 4Q21 PORTFOLIO



	Company	Industry	Country	Amt Out (US\$mm)	Rating	Coupon	Maturity	Mid Price	Mid YTCnv	Spread to Sovereign (bps)	YAS Spread
<b>OVERWEIGHT</b>											
DBBYRB 24	DEVELOPMENT BANK BELARUS	Banks	Belarus	500	-/B/B	6.75	05/02/2024	94.50	9.23%	279	859
ELEBRA 25	CENTRAIS ELETRICAS BRASI	Electric	Brazil	500	-/BB-/BB-	3.63	02/04/2025	100.50	3.46%	124	236
ENAP 26	EMPRESA NACIONAL DEL PET	Oil&Gas	Chile	700	Baa3/BB+/A-	3.75	08/05/2026	105.75	2.41%	99	131
KZOKZ 27	KAZMUNAYGAS NATIONAL CO	Oil&Gas	Kazakistan	1,000	Baa2/BB/BBB-	4.75	04/19/2027	111.63	2.48%	131	130
PEMEX 26	PETROLEOS MEXICANOS	Oil&Gas	Mexico	2970	Ba3/BBB/BB-u	6.88	08/04/2026	108.50	4.86%	368	378
RAILUA 26	UKRAINE RAIL (RAIL CAPL)	Transportation	Ukraine	300	-/-/B	7.88	07/15/2026	101.50	7.47%	172	638
TCZIRA 26	TC ZIRAAT BANKASI AS	Banks	Turkey	600	B2/-/B+	5.38	03/02/2026	97.19	6.12%	41	503

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Source: Bloomberg as of 10/15/2021

# TOP PICKS

## OUTPERFORM MEXICO

DOCUFO 10.25% 24s

## BRAZIL

FSBIOE 10.00% 25s

## CHINA

HILOHO 9.75% 24s

## UKRAINE

INTHOL 8.38% 26s

## INDONESIA

LMVRTSP 7.50% 26s

## ARGENTINA

YPFDAR STEP UP 26s

# BCP TOP PICKS

## 4Q21 PORTFOLIO



Company	Industry	Country	Currency	Amt Out	M/ SP/ F	CPN	Maturity	Mid YTCnv	Mid Price	YAS Spread	
<b>OUTPERFORM</b>											
ATENTO 26	ATENTO LUXCO 1 SA	Commercial Services	Brazil	USD	\$500	Ba3 / - / B+	8.00%	2/10/2026	5.39%	109.13	477
BAKIDE 29	BRASKEM IDESA SAPI	Chemicals	Mexico	USD	\$900	- / B+ / B+	7.45%	11/15/2029	6.29%	105.75	520
CRBKMO PERP	CREDIT BANK OF MOSCOW (C	Banks	Russia	USD	\$540	Caa2u / - / B-	8.88%	PERP	6.53%	102.38	623
DOCUFO 24	DOCUFORMAS SA	Diversified Finan Serv	Mexico	USD	\$300	- / B / B+	10.25%	7/24/2024	11.98%	96.00	1,134
FSBIOE 25	FS LUXEMBOURG SARL	Energy-Alternate Sources	Brazil	USD	\$680	B1 / - / BB-	10.00%	12/15/2025	6.63%	111.00	626
GTE 25	GRAN TIERRA ENERGY INTL	Oil&Gas	Colombia	USD	\$300	- / B- / CCC+	6.25%	2/15/2025	11.07%	86.88	996
HILHO 24	HILONG HOLDING LTD	Oil&Gas Services	China	USD	\$379	- / - / -	9.75%	11/18/2024	15.88%	85.48	1,522
INTHOL 26	INTERPIPE HOLDINGS PLC	Metal Fabricate/Hardware	Ukraine	USD	\$300	- / B / B	8.38%	5/13/2026	9.12%	97.25	803
LMRTSP 26	LMIRT CAPITAL PTE LTD	REITS	Singapore	USD	\$200	B1 / - / B+	7.50%	2/9/2026	7.09%	101.50	599
VEDLN 23	VEDANTA RESOURCES LTD	Metals and Mining	India	USD	\$500	B3 / B- / -	7.13%	05/31/2023	11.28%	94.00	949
YPF DAR 26	YPF SOCIEDAD ANONIMA	Oil&Gas	Argentina	USD	\$776	Caa3 / - / -	4.00%	2/12/2026	11.78%	88.00	1,129





# HIGH OCTANE

## POSITIVE

### INDONESIA

APLNIU 5.95% 24s

### ARGENTINA

BUENOS 3.9% 37s

### CHILE

ENJOY STEP-UP 27s

### MEXICO

POSADA 7.875% 22s

TV AZTECA 8.25% 24s

## NEGATIVE

### BRAZIL

SAMMIN 5.375% 24s

# HIGH OCTANE 4Q21 PORTFOLIO



	Company	Industry	Country	Currency	Amt Out	M/ SP/ F	CPN	Maturity	Mid YTCnv	Mid Price
<b>POSITIVE</b>										
ALBAAR 23	GENERACION MEDIT/FRIAS	Electric	Argentina	USD	\$336	Caa3/ -/ CCC	9.63%	07/27/2023	22.12%	82.40
ALPHSA 25	ALPHA HOLDING SA	Diversified Finan Serv	Mexico	USD	\$400	WR/ NR/ WD	9.00%	02/10/2025	-	16.00
APLNIJ 24	APL REALTY HLDG PTE LTD	Real Estate	Indonesia	USD	\$300	Caa1/ -/ CCC	5.95%	06/02/2024	27.98%	60.88
BUENOS 37	PROVINCIA DE BUENOS AIRE	Regional(state/provnc)	Argentina	USD	\$6,202	Ca/ CCC+/ -	3.90%	09/01/2037	19.07%	45.15
CHFOTN 21	CFLD CAYMAN INVESTMENT	Real Estate	China	USD	\$940	-/ -/ WD	9.00%	07/31/2021	-	36.99
ENJOY 27	ENJOY SA	Lodging	Chile	USD	\$203	-/ CCC+/ CCC+	6.00%	08/14/2027	12.88%	80.50
FTHDGR 24	FANTASIA HOLDINGS GROUP	Real Estate	China	USD	\$230	-/ -/ C	10.88%	03/02/2024	-	23.21
POSADA 22	GRUPO POSADAS SAB CV	Lodging	Mexico	USD	\$393	Ca/ D/ WD	7.88%	06/30/2022	-	84.00
TZA 24	TV AZTECA SA DE CV	Media	Mexico	USD	\$400	-/ -/ C	8.25%	08/09/2024	-	60.25
<b>NEGATIVE</b>										
SAMMIN 24	SAMARCO MINERACAO SA	Iron/Steel	Brazil	USD	\$500	WR/ NR/ WD	5.38%	09/26/2024	-	71.00

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# CONVERTS

POSITIVE OUTRIGHT

MONACO

STNG 3.00% 25s

CHINA

VNET 0.00% 26s



# BCP CONVERTIBLE RESEARCH COVERAGE

	Company	Industry	Country	Currency	Amt Out	M/ SP/ F	CPN	Maturity	Mid YTCnv	Mid Price
<b>POSITIVE</b>										
STNG 25	SCORPIO TANKERS	Oil & Gas	MONACO	USD	\$200	- / - / -	3.00%	05/15/2025	9.92%	97.50
VNET 26	21VIANET GROUP INC	Internet	CHINA	USD	\$600	- / - / -	0.00%	02/01/2026	8.19%	83.25
<b>NEUTRAL</b>										
ACBCN 24	AURORA CANNABIS	Pharmaceuticals	CANADA	USD	\$345	- / - / -	5.50%	02/28/2024	12.89%	85.50
CPA 25	COPA AIRLINES	Airlines	PANAMA	USD	\$350	- / - / -	4.50%	04/15/2025	(10.88%)	167.50
GLNG 22	GOLAR LNG	Transportation	BERMUDA	USD	\$403	- / - / -	2.75%	02/15/2022	6.48%	98.81
ICPT 26	INTERCEPT PHARMACEUTICALS	Pharmaceuticals	US	USD	\$500	- / - / -	3.50%	02/15/2026	1.15%	109.89
LILAK 24	LIBERTY LATIN AMERICA	Telecomm	CARIBBEAN	USD	\$403	- / - / -	2.00%	07/15/2024	1.16%	102.25
STNG 22	SCORPIO TANKERS	Oil & Gas	MONACO	USD	\$70	- / - / -	3.00%	05/15/2022	4.79%	99.00
TLRY 23	TILRAY INC	Pharmaceuticals	CANADA	USD	\$278	- / - / -	5.00%	10/01/2023	6.10%	98.00



# OTHER PREFERRED NAMES: ARGENTINA

## **CHUBUT STEP-UP 2030 (Ca/-/CC) – 15.4% YTW**

- Bonds backed by oil and gas royalties. Coverage of at least 1.6x if using local crude price. Restructured bonds but coupons were maintained. Royalties collected onshore and in ARS.

## **MSUNRG 6.875% 2035 (Caa3/-/CCC) – 13.6% 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\$200mm 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.

## **AEROAR 6.875% 2027 (Caa3/CC+/-) – 12.5% YTW**

- Bonds back by aeronautical tariffs, a portion of which are collected offshore in USD. Vaccination moving forward and travelling reopening. In the midst of a proposal to exchange into new 31s with extra collateral and full cash coupons.

## **ALBAAR 9.625% 2023 (Caa3/-/CCC) – 23.1% YTW**

- The local market has been opened for the issuer. Recently issued US\$130mm to finance the Ezeiza project. Last December it extended debt for US\$80mm. 4.4x net leverage. Base energy exposure is very low. Other peers successfully refinanced its international bonds.

## **JUJUYA STEP-UP 2027 (-/CCC+/-) – 20.5% 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

## ATENTO 8.00% 2026 (B+) – 5.2% 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.

## HIDRVS 4.95% 2031 (BB) – 5.2% 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 and extended maturity profile.

## AEGEA 5.75% 2024 (BB) – 4.3% 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 ~3.0x level.

## UNIGEL 8.75% 2026 (BB-/B+) – 5.2% YTW

- Favorable spread outlook on both styrenics and acrylics supported by healthy product demand has translated into solid results through 1H21. Positive FCF with net leverage expected to reach comfortable 2.0x by year-end.

## JBSSBZ 5.50% 2030 (BB+/BBB-) – 2.8% YTW

- Strong and deleveraged balance sheet, solid cash generator from a dominant and diversified player in a defensive sector. JBS managed to post record results for the last couple of years making the most of solid US beef spreads.

# OTHER PREFERRED NAMES: MEXICO

## **BAKIDE 7.45% 2029 (B+) – 6.0% YTW**

- The major Pemex risks materialized and resulted in new supply contracts. Strength in PE pricing and normalization of operations at 77% capacity will generate strong FCF. We see the issuer deleveraging to 3.0x with sufficient FCF to cover the project finance amortizations. Additionally, we see room to navigate a more detrimental PE environment.

## **EKT 4.88% 2028 (BB+) – 5.2% YTW**

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

## **KUOBMM 5.75% 2027 (BB-) – 5.2% YTW**

- Mexican 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 under 2.0x with strong liquidity plus large available committed bank lines.

## **FINDEP 8.00% 2024 (BB-) – 10.2% YTW**

- Lowest net debt to loans ratio and strongest balance sheets amongst non-banks coming out of the pandemic. Management focused on collections, generated FCF, divested non-core portfolios and repurchased debt at discounts. Strong US loan growth driving earnings, targeting 50% of loan portfolio. Small issue size could limit availability.

# OTHER PREFERRED NAMES: CEEMEA

## **ODEABK 7.625% 2027 (Caa3/-/CCC+) – 9.8% 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+) – 6.0% 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. Spread to sovereign is low compared to other quasi-sovereign credits.

## **PGSUST 9.25% 2026 (/B/B-) – 7.8% YTW**

- Local LCC with the lowest CASK in our airlines' universe. More than 54% of population has been fully vaccinated in Turkey and lockdowns have been lifted. Domestic travelling reached pre-covid levels in August, while in September total traffic was only 22% below pre-covid levels. Sound liquidity.

## **CRBKMO 7.625% Perp (-/-/B-) – 7.9% YTW**

- Russia's second largest private bank and seventh largest overall with softer yet 2Q21 results. We appreciate that the bank managed to improve its asset quality (NPLs at 2.5% and LTM interest income cash collection at 103.8%). Recent capital increase is a credit positive (May & Sept 2021). Capitalization is solid and remains well above the 5.125% trigger. The new AT1 compares favorably to local peers on a spread to sovereign basis.



# OTHER PREFERRED NAMES: LATAM

## GTE 6.25% 2025 (-/B-/CCC) – 11.0% 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 significant spread to closest peers.

# OTHER PREFERRED NAMES: CHINA

## CHFTON 9.0% 2021 (-/-/WD) – 37c DEFAULTED

- Defaulted Chinese developer. Unlike other developers, the company has a positive working capital due to large receivables from local government. Recently presented a restructuring plan to onshore creditors with an 8-10yr extension and coupon reduction to 2.5% for the unsecured claims, which appear to include offshore debt. At 40c, we see a 14% implied YTM for the offshore bonds under these terms.

## FTHDGR 10.88% 2024 (-/-/WD) – 23c DEFAULTED

- Defaulted Chinese developer. The company has one of the lowest leverage ratio as per our measure of funded liabilities to land bank. Additionally, the company operates in the key URP segment, more profitable and where land bank is normally not included in the balance sheet. Cash balance is well above the negative working capital, a rare scenario among developers. With par for par exchanges being proposed in other developers, we see attractive upside at current prices.

# 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 positive. Liquidity is overall sound with cash and equivalents enough to repay maturing debt through 2023. Total funded liabilities to land bank stood relatively low at 54%. 5.5x LTM net leverage.

## PBRX 7.6% 2022 (Cau/--/C) – 43c

- Apparel manufacturer with downstream focused operations backed by strong export base and reputable global retail brands. A moratorium is extended till Dec 28, 2021, while a restructuring of its senior secured RCF is under way. Under a market recovery and a 5yr extension with 2yr PIK, we see a recovery to 85c under a 12% exit yield, while in our downside case we see a 34c recovery. Hence, we see relatively positive risk/reward.

## VEDLN 7.125% 2023 (Cau/--/C) – 9.9% YTW

- India-based miner focused on zinc, aluminum and oil & gas. VRL increased stake in its opco VEDL in April to gain more access to cash-rich subsidiaries. Commodities rally enabled the company to significantly delever. Additionally, the stake value in VEDL is 1.6x above the net debt at the holdco, providing strong coverage of the holdco debt.

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### 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

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