

BCP Research: Air Canada (ACACN)- Thoughts on Recent Cnvt Issuance & Comps- Maintain 'Positive' on GOLLBZ 24 Cnvt

Published: June 16th,2020

Summary: Air Canada ("AirCan"), Canada's largest passenger airline, recently issued US\$748 mm of senior unsecured ACACN 4% '25 converts. The bonds are convertible at a strike of US\$15.35 (30% premium at issuance) v. AC CN's current price of US\$14.11. Bonds can be settled with cash, Class A variable voting shares and/or Class B Voting shares, or any combination thereof at AirCan's discretion. Proceeds went to support working capital and general corporate purposes.

We estimate current liquidity stands at ~US\$7.5 bn, excluding a reported unencumbered asset pool of US\$1.9 bn. AirCan has taken several cost cutting measures to further reduce a reported ~US\$16 mm/day (CAD22 mm/day) cash burn as of March 2020, which implies an impressive 19 month liquidity runway assuming no improvement in demand. Management sees a three year recovery period for travel demand, consistent with industry consensus. Given dependence on international flight revenues (80% of total ASMs), we see a slower ramp than other issuers in our universe (such as Gol) with more of a domestic focus. We use 2019 EBITDA generation of US\$2.5 bn as full recovery. Historically, AirCan's EV / EBITDA multiple has trailed peers (2019: 4.5x v. 8.3x peer avg.), likely due to LCC competition and lower growth prospects relative to our EM coverage group. After the recent rally in the airline sector, we now see AirCan TEV trading at ~4.0x fully recovered EBITDA based on our YE 2020 net debt estimates.

Risks to the upside are a steeper recovery curve driven by tighter capacity and higher yields. We are also mindful of the difficulty in cutting fleet to match capacity with likely demand. AirCan seems to have an ability to do this given fleet retirement plans, as does Gol. Copa may be similarly positioned to Gol, due to delay of the Max. Meanwhile, Azul's position is less clear. For our upside case for AirCan, we see 37% equity upside over a two-year horizon, which suggests fair value given the uncertainty on the pathway forward. Copa offers 65% upside, but this hinges on a loftier multiple and business plan relying on a secondary hub strategy, which appears riskier going forward. Gol, with domestic focus and potential 98% upside to fully recovered EBITDA remains our pick in the sector, supporting our continued Positive rating on the convertible GOLLBZ 3.75% 24s at 56c.

	Amt (US\$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM	Rank
ACACN 7.75% 4/15/2021	400	Ba3/ B+/ B+	99.8	8.02%	Sr. Unsecured
ACACN 4.75% 10/6/2023	200	-/B+/BB-	93.9	6.85%	1 st Lien

	Coupon	Maturity	Amt Out (US\$ MM)	Mid Price	Mid YTM	IVOL	Cheapness (par)	Delta (par)	Conv. Price	CPA US Price	Rank
ACACN	4.0%	7/1/2025	748	117.0	0.6%	34.71%	5.76%	89.39%	\$15.25	\$14.11	Sr. Unsecured

* Prices sourced from BBG as of 6/16/2020

Comparable Table:

Bond Details	Air Canada	Copa	Gol	Azul	LATAM (1)
Country	Canada	Panama	Brazil	Brazil	Brazil / Chile
Ticker	ACACN	CPA	GOLLBZ	AZULBZ	LTMCI
Coupon	4.00%	4.5%	3.75%	5.875%	6.875%
Maturity	7/1/2025	4/15/2025	7/16/2024	10/26/2024	4/11/2024
Amount (US\$MM)	748	350	425	400	700
Rating	- / - / -	- / - / -	- / - / -	Caa2/ CCC+/ B- *	- / D/ C
Rank	Sr Unsecured	Sr Unsecured	Sr Unsecured	Sr Unsecured	Sr Unsecured
Maturity Type					
Mid Price (6/16/2020)	117.0	121.8	56.3	46.3	31.6
Mid YTM (6/16/2020)	0.6%	(0.0%)	19.9%	27.9%	-

Comparable Table (continued):

Conversion Details (6/16/2020)	Air Canada	Copa	Gol	Azul	LATAM (1)
BCP Credit Spread Estimate (bps)	1,215	875	1,815	n/a	n/a
BCP Share Volatility (%)	50.00%	50.00%	50.00%	" "	" "
Implied Volatility (%)	34.71%	20.24%	n/a	" "	" "
Fair Value (v. BCP Share Vol) (pts)	124.15	137.02	69.66	" "	" "
Bond Floor (pts)	67.65	81.56	57.34	" "	" "
Cheapness (par) (%)	5.76%	10.78%	19.97%	" "	" "
Delta (par) (%)	89.39%	91.41%	77.22%	" "	" "
Parity (pts)	92.74	107.02	38.20	" "	" "
Premium (pts)	24.26	15.23	17.55	" "	" "
Strike ("Conversion") Price (USD)	15.25	51.66	20.25	" "	" "
Equity Details (6/16/2020)	Air Canada	Copa	Gol	Azul	LATAM (1)
Equity Ticker	AC CN	CPA US	GOL US	AZUL US	" "
100D Realized Share Volatility (%)	115.98%	132.01%	189.71%	198.62%	" "
Implied Listed Share Volatility - 30 Days ATM	1067.02%	89.20%	133.52%	194.15%	" "
Share px*	14.11	55.29	7.72	13.48	" "
Shares Outstanding*	297	42	137	110	" "
Market Cap (US\$MM)	4,185	2,337	1,487	1,668	" "
Preferred Shares and Other	0	0	0	0	" "
Net Debt	3,397	454	2,910	3,724	" "
EV (US\$MM)	7,583	2,791	4,398	5,393	" "
Financial Performance (US\$MM)	Air Canada	Copa	Gol	Azul	LATAM (1)
	1Q20	1Q20	1Q20	1Q20	1Q20
Load Factor (%)	74.5%	81.5%	79.8%	81.0%	79.9%
Revenue	2,647	595	704	627	2,352
EBIT	(308)	99	210	39	353
<i>Depreciation and amortization</i>	358	66	118	107	383
<i>Leases</i>	n/a	n/a	n/a	n/a	n/a
<i>Other Adjustments</i>	n/a	n/a	(177)	n/a	n/a
Adj. EBITDA	50	165	151	146	736
<i>EBITDA margin</i>	2%	28%	21%	23%	31%
Capex	(265)	n/a	(52)	(50)	(135)
Interest paid	(78)	" "	(52)	(63)	(122)
Taxes paid	(65)	" "	(6)	(0)	(49)
FCF (before WK & Lease Liabilities)	(358)	" "	40	33	430
Cash Lease	(362)	" "	(94)	(33)	(110)
FCF (before WK)	(720)	" "	(54)	(0)	321
Change in WK	(533)	" "	(123)	(62)	899
FCF	(1,252)	" "	(177)	(62)	1,220
LTM Revenue	13,851	2,631	3,363	2,847	10,258
LTM EBITDA	2,374	883	1,044	868	2,514
Cash and Equivalents	1,926	340	127	102	1,511
ST Investments	2,634	673	218	142	263
Cash	4,560	1,013	344	243	1,774
Trade and Other Accounts Receivable	422	50	238	175	580
Liquidity	4,982	1,063	582	418	2,354
Cash to LTM Revenue	33%	38%	10%	9%	17%
Liquidity to LTM Revenue	36%	40%	17%	15%	23%
Gross Debt	7,958	1,467	3,255	3,968	10,786
Net Debt	3,397	454	2,910	3,724	9,012
LTM Gross Leverage	3.4x	1.7x	3.1x	4.6x	4.3x
LTM Net Leverage	1.4x	0.5x	2.8x	4.3x	3.6x
Current EV / LTM 1Q20 EBITDA	3.2x	3.2x	4.2x	6.2x	n/a

(1) Filing for Chapter 11. Currently Defaulted.

(2) Prices sourced from BBG

Convertible Bond Description and Valuation:

- **Issuer:** Air Canada
- **Amount:** US\$748 mm (US\$650 mm + 15% Greenshoe)
- **Rank:** Senior Unsecured
- **Interest:** 4.0%
- **Maturity:** July 1st 2025
- **Conversion Ratio:** 65.1337
- **Conversion Price:** US\$15.35

- **Conversion Rights:**
 - Convertible on June 30th 2020 or thereafter into Class A common stock if common stock exceeds 130% of conversion price for at least 20 of 30 consecutive or non-consecutive trading days
 - During five consecutive business day period in which trading price per US\$1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sales price of AC CN shares and the conversion rate
 - If any of the notes are called for redemption due to tax law changes prior to close on March 1st 2025
 - On or after March 1st 2025 until the loss of business on the second scheduled trading day immediately preceding maturity
- **Settlement:** Cash, Class A variable voting shares and/or Class B voting shares, or any combination thereof at AirCan's discretion
- **Use of Proceeds:** WK support, general corporate purposes and additional liquidity

COVID-19 Measures and Company Reported Cash Burn:

- **Cash Burn:**
 - Based on guidance and disclosed cost cutting measures, we estimate US\$13 mm/day (CAD18 mm/day) in cash burn for AirCan for the remainder of FY20
 - AirCan reported cash burn of ~US\$16 mm/day (CAD22 mm / day) at the end of March 2020, and expects marginal improvement in burn rate in 2Q20
 - AirCan's cash burn definition includes fixed costs, rent, debt interest, capex and changes in working capital
 - We estimate 19 months of liquidity runway for the company, which includes the additional debt and cash resulting from the company's recent financing exercises, detailed below
 - AirCan's cash burn / day is much higher than its peer group
 - Following its recent and substantial liquidity raise, liquidity runway falls midrange relative to peers
- **Aircraft:**
 - AirCan plans to reduce capacity 85-90% y/y in 2Q20, and anticipates a reduction of 75% y/y in 3Q20
 - At 1Q20, AirCan had an operating fleet of 193 aircraft, including 97 Boeing and Airbus narrow-body aircraft (incl 24 Boeing 737 Max), 82 Boeing and Airbus wide-body aircraft, and 14 Embraer regional jets
 - The company plans to accelerate retirement of 79 aircraft, including Boeing 767, Airbus 319 and Embraer E190 aircraft
- **Operating Costs:**
 - The company has reduced/deferred ~US\$750 mm (CAD1.1 bn) of certain costs and capital spend to date, with 65% related to capex cuts for the remainder of FY20
 - Interest as cash lease payments are estimated by the company to be ~US\$90 mm/month (CAD130 mm/month) for the remainder of the year

- Recent Financing:
 - In April, the company financed a US\$600 mm 364-day term loan (“2020 Term Loan”), secured by 35 aircraft and 5 spare engines
 - In addition, the company acquired US\$560 (CAD788 mm) in bridge financing commitments for 18 Airbus A220 aircraft. This company plans to replace this with a longer-term financing arrangement later in 2020 with same lender
 - In June, the company completed the issuance of US\$748 mm in ACACN 4% '25 convertible bonds, alongside the issuance of CAD575 mm (US\$430 mm) in Class B voting shares, used to support WK and general corporate purposes, as well as bolster the company’s cash position
 - Convertible bonds are subordinated to (1) secured debt, which accounts for 60% of total outstanding debt at 1Q20, (2) fixed aircraft and property lease obligations, representing 35% of 1Q20 total outstanding debt. In addition, bonds are subordinated to ~US\$2.8 bn in subsidiary indebtedness and other liabilities, including trade payables, advance ticket sales and deferred revenue.
- Available Liquidity:
 - We estimate a total of US\$7.5 bn in liquidity, and 19 months of liquidity runway, following the recent financings - this includes cash, short-term investments, accounts receivable and additional financing
 - On its May 4th earnings call, the company reported having an asset pool worth US\$1.9 bn (CAD2.6 bn). We do not include this amount in our calculation of liquidity
- Debt:
 - Pro-Forma 2020 Net Debt is estimated to be US\$6.7 bn following the recent financing and company’s disclosed cash burn rate

Pro-Forma Balance Sheet (US\$MM)	Air Canada	Copa	Gol	Azul	LATAM (1)
Company Reported Cash Burn / Day	(13)	(3)	(1)	(1)	(2)
Company Reported Cash Burn / Month	(388)	(85)	(22)	(22)	(70)
Months of Liquidity Runway	19	17	26	19	48
1Q20 Cash and Equivalents	4,560	1,013	344	243	1,774
+ Post-1Q20 Additional Financing (1)	2,473	350	0	0	995
Current Est. Cash and Equivalents	7,033	1,363	344	243	2,769
+ 1Q20 Accounts Receivable	422	50	238	175	580
Current Est. Liquidity	7,455	1,413	582	418	3,349
- Reported Monthly Cash Burn Run Rate 2Q-4Q20	(3,496)	(765)	(200)	(200)	(632)
Pro-Forma 2020 Cash and Equivalents	3,537	598	144	43	2,136
+ 1Q20 Accounts Receivable	422	50	238	175	580
Pro-Forma 2020 Liquidity	3,959	648	382	218	2,716
BCP Est. Pro-Forma 2020 Debt	10,226	1,817	3,551	4,152	12,116
BCP Est. Pro-Forma 2020 Net Debt	6,689	1,219	3,407	4,109	9,980

Pro-Forma Enterprise Value:

- FY19: EV/EBITDA multiple of 4.5x in 2019 was the lowest among peers, with EBITDA nearly in line with net debt and a market cap of US\$10 bn
- FY20: Based on disclosed cash burn, we estimate the company, alongside Copa, will generate negative EBITDA in FY20, compared to Gol and Azul who are anticipated to end the year EBITDA positive
- FY21: Industry guidance, including AirCan’s, points to a 3-year recovery to 2019 levels. Meanwhile, we anticipate flat net debt from FY20 to FY21, as companies recover and profitability begins to improve. We estimate 3.9x pro-forma EV / EBITDA in FY21, based on current market cap of US\$4.1 bn, pro-forma net debt, and an assumed EBITDA generation in line with that of FY19 in FY21

Enterprise Value (US\$MM)	Air Canada	Copa	Gol	Azul
Current				
Market Cap (6/16/2020)	4,135	2,306	1,455	1,606
1Q20 Net Debt + Other	3,397	454	2,910	3,724
EV	7,532	2,760	4,366	5,330
1Q20 LTM EBITDA	2,374	883	1,044	868
Current EV / EBITDA	3.2x	3.1x	4.2x	6.1x
2019 Year End Trailing				
Market Cap	9,899	4,561	3,403	5,068
Net Debt	2,540	509	2,943	3,452
EV	12,439	5,069	6,347	8,521
EBITDA	2,760	718	1,152	914
2019 TEV / EBITDA	4.5x	7.1x	5.5x	9.3x
Pro-Forma 2021				
Market Cap (6/16/2020)	4,185	2,337	1,487	1,668
BCP Est. Pro-Forma Net Debt (1)	6,689	1,219	3,407	4,109
TEV	10,875	3,557	4,894	5,778
2021 Pro-Forma EBITDA (3)	2,760	718	1,152	914
2021 Pro-Forma EV / EBITDA	3.9x	5.0x	4.2x	6.3x

(1) Accounts for additional financing post-1Q20, as well as lease and interest deferrals. Excludes gov't WK Financing

(2) Based on company disclosures relating to operations and associated expenses

(3) In line with 2019 EBITDA

Equity Upside Case:

- Returning to 2019 EV of 4.5x and EBITDA generation of US\$2.8 bn (in line with 2019), alongside flat pro-forma net debt y/y, assuming a return to more stable profitability, would result in implied market cap of US\$6.0 bn, suggesting 40% upside from current levels

Equity Upside (US\$MM)	Air Canada	Copa	Gol
Current Market Cap	4,185	2,337	1,487
Current Enterprise Value (EV)	7,583	2,791	4,398
Current EV / EBITDA	3.2x	3.2x	4.2x
Upside Scenario:			
2019 EV / EBITDA	4.5x	7.1x	5.5x
2021 Pro-Forma EBITDA (1)	2,760	718	1,152
EV	12,439	5,069	6,347
2021 Pro-Forma Net Debt	6,689	1,219	3,407
Implied Market Cap	5,750	3,850	2,940
Upside Potential	37%	65%	98%

(1) In line with 2019 EBITDA

1Q20 Financial and Operational Results:

- Load Factor contracted 738 bps y/y and 651 bps q/q to 74.5% following an 18% y/y and q/q decline in RPMs, which outweighed the 10% y/y and 11% q/q decline in ASMs, both impacted by COVID-19 travel restrictions
- Yield decreased 3% y/y and 10% q/q to 12.9 cents
- PRASM decreased 12% y/y and 16% q/q to 9.7 cents as a result of decreased load factor
- CASM increased 1% y/y and q/q to 24.9 cents
- Revenue decreased 20% y/y and 22% q/q to US\$2,647 mm, following decreased cash inflow as a result of imposed travel restrictions related to COVID-19
 - Revenues are split between Canada (29%), US transborder (23%), Atlantic (22%) and Others (14%), which consists primarily of South America, the Caribbean and Mexico
- EBITDA decreased 88% y/y and 90% q/q to US\$50 mm

- EBITDA margins contracted to 2%
- Cash Burn of US\$1,252 mm was driven primarily by high capex and cash lease payments, as well as heavy WK outflow in the quarter
 - Capex increased 37% q/q to US\$265 mm
 - Interest payments decreased 17% q/q to US\$78 mm
 - Tax payments increased 425% q/q to US\$65 mm
 - Cash lease payments were 70% higher q/q at US\$362 mm
 - Working Capital outflow increased 714% q/q to US\$533 mm
- Gross Debt increased 14% q/q to US\$7.958 mm following the drawdown of USD and CAD RCFs
 - The company drew-down of US\$600 mm and CAD 200 mm (US\$145 mm) RCF facilities in March 2020, for net proceeds of US\$745 mm (CAD1.0 bn)
- Cash and Equivalents increased 188% q/q to US\$4,560 mm, benefitting from the draw down of USD and CAD RCFs, balanced by a decrease in ST Investments
 - Cash to LTM Revenue expanded 2,202 bps q/q to 33%
- Liquidity was 118% higher q/q at US\$4,982 mm
 - Liquidity to LTM Revenue was robust, expanding 2,024 bps q/q to 36%
- Net Debt decreased 37% q/q to US\$3,397 and LTM Net Leverage contracted to 1.4x on higher cash, balanced by lower EBITDA and increased debt

Air Canada (USD MM)	1Q20	4Q19	3Q19	2Q19	1Q19	y/y	q/q
Passenger Load Factor (%)	74.5%	81.0%	86.1%	84.1%	81.8%	(738 bps)	(651 bps)
Yield (cents)	12.9	14.3	14.0	14.1	13.3	(3%)	(10%)
PRASM (cents)	9.7	11.5	12.0	11.8	10.9	(12%)	(16%)
CASM (cents)	12.6	12.5	10.7	11.8	12.4	1%	1%
Revenue	2,647	3,377	4,194	3,633	3,322	(20%)	(22%)
Canada	29%	35%	32%	34%	28%	56 bps	(625 bps)
US Transborder	23%	21%	18%	20%	24%	(115 bps)	222 bps
Atlantic (Europe)	22%	23%	30%	26%	21%	90 bps	(91 bps)
Other	14%	7%	5%	6%	12%	167 bps	618 bps
Pacific (Asia)	13%	14%	14%	14%	15%	(198 bps)	(124 bps)
Operating Income	(308)	112	722	322	95	(424%)	(376%)
Depreciation & Amortization	358	400	390	377	342	5%	(10%)
EBITDA	50	512	1,112	700	437	(88%)	(90%)
EBITDA margin	2%	15%	27%	19%	13%	(1,124 bps)	(1,325 bps)
Capex	(265)	(193)	(227)	(422)	(689)	(62%)	37%
Interest paid	(78)	(95)	(87)	(102)	(91)	(14%)	(17%)
Taxes paid	(65)	(12)	(13)	(17)	(5)	1,134%	425%
Cash lease	(362)	(212)	(208)	(214)	(189)	92%	70%
Change in WK	(533)	(65)	(334)	282	1,536	-	714%
Free Cash Flow	(1,252)	(66)	242	227	998	-	1,792%
Cash and Equivalents	1,926	1,584	1,497	1,208	1,190	62%	22%
ST Investments	2,634	2,878	2,948	3,287	3,230	(18%)	(8%)
Cash	4,560	1,584	4,445	4,495	4,419	3%	188%
Accounts Receivable	422	702	678	797	704	(40%)	(40%)
Liquidity	4,982	2,285	5,123	5,292	5,123	(3%)	118%
Gross Debt	7,958	7,002	7,089	7,174	7,293	9%	14%
ST Debt and Capital Leases	776	923	942	948	964	(19%)	(16%)
LT Debt and Capital Leases	7,182	6,080	6,147	6,226	6,328	13%	18%
Net Debt	3,397	5,419	2,644	2,680	2,873	18%	(37%)
LTM Revenue	13,851	14,525	14,216	14,217	13,884	(0%)	(5%)
LTM EBITDA	2,374	2,760	2,702	2,637	2,500	(5%)	(14%)
Gross Leverage	3.4x	2.5x	2.6x	2.7x	2.9x	0.4x	0.8x
Net Leverage	1.4x	2.0x	1.0x	1.0x	1.1x	0.3x	(0.5x)
Cash to LTM Revenue	33%	11%	31%	32%	32%	110 bps	2,202 bps
Liquidity to LTM Revenue	36%	16%	36%	37%	37%	(93 bps)	2,024 bps

* Excludes unamortized interest costs

Debt (USD MM)	Currency	Q1 2020	Q4 2019	Q1 2019	y/y	q/q
Aircraft Financing	USD/CAN	3,266	3,346	3,643	(10%)	(2%)
<i>Fixed Rate USD Financing</i>	USD	2,337	2,425	2,596	(10%)	(4%)
<i>Floating rate USD Financing</i>	USD	426	412	482	(12%)	3%
<i>Fixed Rate CAD Financing</i>	CAD	193	196	216	(11%)	(2%)
<i>Floating rate CAD Financing</i>	CAD	190	200	218	(13%)	(5%)
<i>Fixed Rate JPY Financing</i>	JPY	115	107	106	8%	7%
<i>Floating rate JPY Financing</i>	JPY	5	6	26	(80%)	(14%)
Senior Secured Notes	CAN	149	152	150	(1%)	(2%)
Senior Unsecured Notes	USD	418	394	402	4%	6%
Other Secured Financing	USD	1,223	558	578	112%	119%
Other Secured Financing	CAN	148	-	-	-	-
Total Debt		5,204	4,450	4,774	9%	17%
Lease Liabilities		2,818	2,621	2,596	9%	8%
(-) Unamortized Interest Costs		(65)	(68)	(77)	(16%)	(5%)
Total Debt & Lease Liabilities		7,958	7,002	7,293	9%	14%
Cash		4,560	4,462	4,419	3%	2%
Net Debt		3,397	2,540	2,873	18%	34%
LTM Gross Leverage		3.4x	2.5x	2.9x	0.4x	0.8x
LTM Net Leverage		1.4x	0.9x	1.1x	0.3x	0.5x

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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 J.P. Morgan Corporate Emerging Markets Bond Index series ("CEMBI") Broad Diversified High-Yield 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 CEMBI Broad Diversified High-Yield Index over the next 3 – 6 months.

"Market Underperform" – The bond's total return is expected to be below the total return of the CEMBI Broad Diversified High-Yield 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 CEMBI Broad Diversified High-Yield Index over the next 3 – 6 months.

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

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