

Julius Bär

## HIGH CREDIT CONVICTIONS

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Please find important legal information at the end of this document.

16.01.2018, 13:13 CET

Signatory of:



# TABLE OF CONTENTS

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<b>Content</b>	<b>Page</b>
<b>Investment risks</b>	3
<b>Latest additions</b>	4
<b>Recommendation summary lists</b>	6
USD Emerging Markets	7
USD Investment Grade, Crossover and High Yield	8
EUR Emerging Markets	9
EUR Investment Grade, Crossover and High Yield	10
<b>Bond details</b>	11
USD Emerging Markets	12
USD Investment Grade, Crossover and High Yield	41
EUR Emerging Markets	63
EUR Investment Grade, Crossover and High Yield	78
<b>Important legal information</b>	103
Appendix - Single bond recommendation history	111

# INVESTMENT RISKS

## Specific risks related to the recommendations made in this publication

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The High Credit Convictions list includes fixed income securities, which bear **higher credit and volatility risks in exchange for potentially higher returns**. The broader audience may not be familiar with these instruments and their risk profile. Clients are advised to consult their Financial Advisor about risks and potential returns of an investment in these securities and read the information below.

The bonds strive for a compromise between risk and potential return and include:

- On aggregate, neither very short nor very long dated instruments
- On aggregate, neither super conservative (AAA-AA) nor super aggressive (CCC)
- On aggregate, a comprehensive list of fixed income instruments that offers a high level of diversification in terms of geographies, sectors, issuers, ratings and tenors

High Credit Convictions bonds also strive for an outperformance relative to their respective risk category. They follow a relative value investment approach with a targeted investment period of at least six months and should therefore **not be added for short-term (up to three months) trading purposes**. Thus, High Credit Convictions bonds may remain on the recommendation list even if their short-term outlook is negative or timing seems subpar.

The list includes high yield and emerging market bonds. These carry higher risks than investment grade bonds in established markets and are typically often smaller in size, less liquid and more difficult to trade. The issuers are usually less diversified, more leveraged, their capital structures more complex and/or the bankruptcy procedure in their respective domicile disadvantageous to bondholders. All of this is reflected in the higher default risk and lower recovery rate versus investment grade rated issuers/bonds.

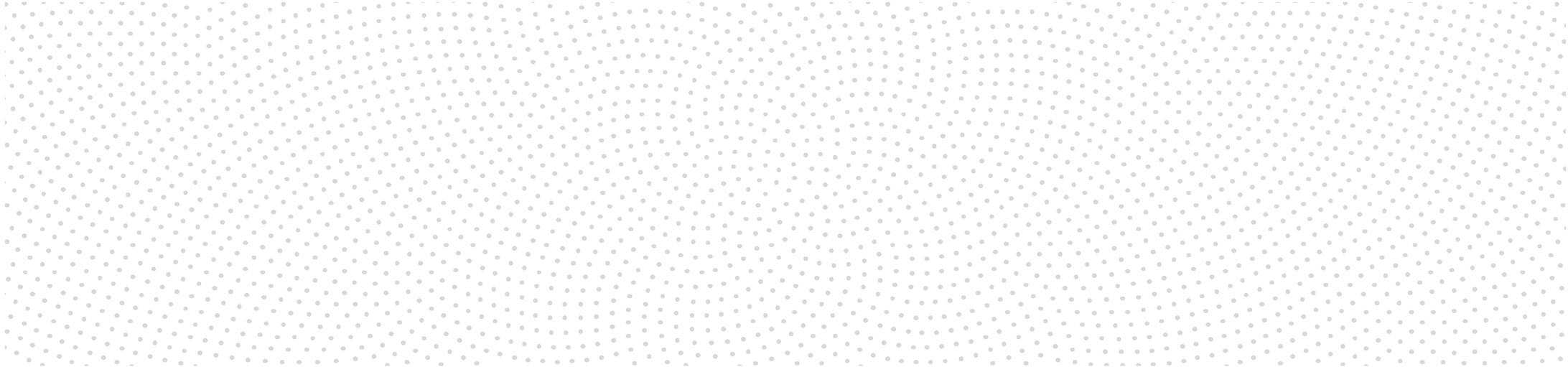
**This publication may also include contingent convertible (CoCo) bonds.** Such deeply subordinated instruments combine debt and equity characteristics and can absorb losses (via a write-down on the nominal or conversion into equity) if an issuer's capitalisation falls below a certain level or if it is deemed necessary by the regulator. Investments in CoCo bonds for EEA resident clients only allowed if their annual income exceeds GBP 100'000 or investable net assets amount to at least GBP 250'000 (or equivalent). Please find important legal information for CoCo bonds (contingent convertible; absorb losses if a bank's capitalisation falls below a defined level) at the end of this document.

Therefore the bonds mentioned in this publication are **not appropriate for inclusion into defensive portfolios aiming at generating stable income with limited fluctuations in asset value. Also should these bonds not be considered for inclusion into smaller portfolios**, which lack the capacity of appropriate credit risk diversification.

And finally **most important is the knowledge about the default risk probabilities** (see "Important legal information: Appendix - Moody's global default rates").

# LATEST ADDITIONS

BONDS ADDED TO THE RECOMMENDATION LIST

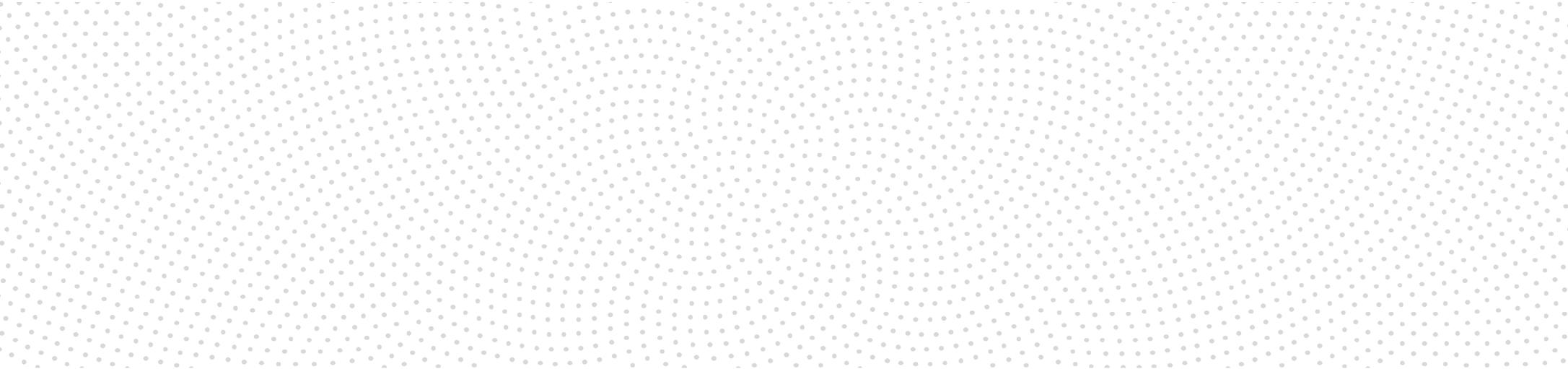


# Note

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**Please note that between the last publication and this publication no additions have occurred.**

# RECOMMENDATION SUMMARY LISTS



# BUY RECOMMENDATIONS

## USD Emerging Markets (1/1)

ISIN	Issuer	Country of Risk	Rating Moody's	JB Research Issuer Class.	JB Issuer Score	Sector	Cpn	Next Call Date	Maturity	Price	YTW	Govt spread	M. Dur.	Min. '000	Detail page
XS0987355939	TURKIYE VAKIFLAR BANKASI	TR	Ba1	not covered	3	Financials	5.000		31.10.2018	101.28	3.32	161	0.76	200	11
XS1324216768	ALFA BANK (ALFA BOND)	RU	Ba1	not covered	3	Financials	5.000		27.11.2018	101.83	2.82	109	0.83	200	12
XS1057074871	OIL INDIA LTD	IN	Baa2	not covered	3	Oil & Gas	3.875		17.04.2019	101.29	2.81	98	1.20	200	13
XS0927634807	TURK SISE VE CAM FABRIKA	TR	Ba1	not covered	3	Consumer Cyclical	4.250		09.05.2020	101.88	3.39	136	2.17	200	14
USN5946FAB33	MYRIAD INTL HOLDINGS BV	ZA	Baa3	not covered	2	Consumer Cyclical	6.000		18.07.2020	107.63	2.82	76	2.33	200	15
USP19157AR03	CABLEVISION SA	AR	B2	not covered	4	Consumer Cyclical	6.500	15.06.2019	15.06.2021	106.80	3.76	189	1.34	1	16
US919111TAM53	VALE OVERSEAS LIMITED	BR	Ba1	Speculative/Hold	3	Materials	4.375		11.01.2022	104.28	3.22	100	3.64	2	17
USP46756AH86	GENNEIA SA	AR	B2	not covered	3	Utilities	8.750	20.01.2020	20.01.2022	109.84	5.59	359	1.77	1	18
XS1533923238	KERNEL HOLDING SA	UA	S&P: B	not covered	2	Consumer Defensive	8.750		31.01.2022	111.00	5.66	344	3.30	200	19
XS1623828966	UNITED BANK FOR AFRICA P	NG	B2u	not covered	3	Financials	7.750		08.06.2022	104.79	6.48	421	3.67	200	20
USU85969AC41	STILLWATER MINING CO	ZA	Ba2	not covered	3	Materials	6.125	27.06.2019	27.06.2022	102.19	5.42	326	3.07	200	21
US803865AA25	SASOL FINANCING INT	ZA	Baa3	not covered	3	Oil & Gas	4.500		14.11.2022	101.98	4.04	173	4.27	200	22
XS1419869968	DP WORLD CRESCENT LTD	AE	Baa2	not covered	4	Industrials	3.908		31.05.2023	102.65	3.36	101	4.80	200	23
XS1433454243	SCF CAPITAL LTD	RU	Ba2	not covered	3	Industrials	5.375		16.06.2023	104.05	4.52	216	4.66	200	24
USP04559AL70	ARCOR SAIC	AR	Ba3	Speculative/Hold	3	Consumer Defensive	6.000	06.07.2020	06.07.2023	106.47	4.37	232	2.28	1	25
USP7873PAE62	PAMPA ENERGIA SA	AR	B2	Speculative/Buy	3	Utilities	7.375	21.07.2020	21.07.2023	109.56	4.69	264	2.22	1	26
XS1577965004	MHP SE	UA	S&P: B	not covered	2	Consumer Defensive	7.750		10.05.2024	109.30	5.96	354	4.96	200	27
USP1905CAE05	BRF SA	BR	Ba1	not covered	3	Consumer Defensive	4.750		22.05.2024	102.31	4.33	191	5.41	200	28
XS1625994618	VEON HOLDINGS BV	NL	Ba2	not covered	3	Telecommunications	4.950	16.03.2024	16.06.2024	101.95	4.58	218	5.25	200	29
XS1577950402	COCA-COLA ICECEK AS	TR	Baa3	not covered	3	Consumer Defensive	4.215	19.06.2024	19.09.2024	102.86	3.71	129	5.52	200	30
XS1686704948	TUPRAS-TURKIYE PETROL RA	TR	Ba1	Speculative/Hold	3	Oil & Gas	4.500	20.07.2024	18.10.2024	99.62	4.56	212	5.70	200	31
USP3713LAA63	ELEMENTIA SA	MX	S&P: BB	not covered	2	Industrials	5.500	15.01.2020	15.01.2025	103.37	4.73	240	4.34	200	32
USN6945AAJ62	PETROBRAS GLOBAL FINANCE	BR	Ba3	Speculative/Buy	3	Oil & Gas	5.299		27.01.2025	101.27	5.08	263	5.72	2	33
USP2253TJG50	CEMEX SAB DE CV	MX	S&P: BB	not covered	3	Industrials	6.125	05.05.2020	05.05.2025	107.12	4.12	209	2.12	200	34
USP59705AA47	BECLE SA DE CV	MX	S&P: BBB	not covered	3	Consumer Defensive	3.750		13.05.2025	100.48	3.67	121	6.31	150	35
USU85969AD24	STILLWATER MINING CO	ZA	Ba2	not covered	3	Materials	7.125	27.06.2021	27.06.2025	104.89	6.06	370	4.48	200	36
USP0092MAE32	AEROPUERTOS ARGENT 2000	AR	B1	not covered	3	Industrials	6.875	06.02.2022	01.02.2027	108.70	4.94	260	4.26	150	37
USG0457FAC17	ARCOS DORADOS HOLDINGS I	UY	Ba3	not covered	3	Consumer Cyclical	5.875	04.04.2022	04.04.2027	106.11	4.86	245	5.12	100	38
USN5946FAD98	MYRIAD INTL HOLDINGS BV	ZA	Baa3	not covered	2	Consumer Cyclical	4.850	06.04.2027	06.07.2027	104.91	4.20	169	7.42	200	39

1) Subordinated bond

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3) Please see important bond related information on the respective bond detail page.

**Source:** Bloomberg Finance L.P., Julius Baer

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# BUY RECOMMENDATIONS

## USD Investment Grade, Crossover and High Yields (1/1)

ISIN	Issuer	Country of Risk	Rating Moody's	JB Research Issuer Class.	JB Issuer Score	Sector	Cpn	Next Call Date	Maturity	Price	YTW	Govt spread	M. Dur.	Min. '000	Detail page
US17453BAW19	FRONTIER COMMUNICATIONS	US	B3	Speculative/Hold	2	Telecommunications	7.125		15.03.2019	98.00	8.97	715	1.06	1	41
USG5002FAE63	JAGUAR LAND ROVER AUTOMO	GB	Ba1	Speculative/Hold	3	Consumer Cyclical	3.500	15.12.2019	15.03.2020	101.28	2.81	82	1.82	200	42
US31562QAC15	FIAT CHRYSLER AUTOMOBILE	GB	B1	Speculative/Hold	3	Consumer Cyclical	4.500		15.04.2020	103.10	3.06	103	2.10	200	43
USG79456AK84	SEAGATE HDD CAYMAN	US	Baa3	not covered	3	Information Technology	4.250	01.02.2022	01.03.2022	101.64	3.81	158	3.63	2	44
XS1266660635	SOFTBANK GROUP CORP	JP	Ba1	Speculative/Hold	3	Telecommunications	5.375	30.04.2022	30.07.2022	104.97	4.10	185	3.73	200	45
USN77608AJ19	SCHAEFFLER FINANCE BV	DE	Baa3	Speculative/Hold	3	Consumer Cyclical	4.750	15.05.2018	15.05.2023	103.07	2.55	109	0.32	200	46
USG04586AJ54	ARDAGH PKG FIN/HLDGS USA	IE	Ba3	not covered	2	Industrials	4.625	15.05.2019	15.05.2023	102.25	3.90	175	3.04	200	47
USU2526DAC30	DELL INT LLC / EMC CORP	US	Baa3	not covered	3	Information Technology	5.450	15.04.2023	15.06.2023	108.26	3.70	135	4.55	2	48
US88167AAD37	TEVA PHARMACEUTICALS NE	IL	Ba2	not covered	3	Healthcare	2.800		21.07.2023	89.18	5.08	271	4.91	2	49
USD6710TAB64	IHO VERWALTUNGS GMBH	DE	Ba1	not covered	2	Consumer Cyclical	4.500	15.09.2019	15.09.2023	102.95	3.63	145	3.33	200	50
CH0244100266	UBS AG	2) CH	S&P: BBB+	Opportunistic/Buy	4	Financials	5.125		15.05.2024	106.47	3.91	149	5.21	200	51
XS1638075488	EDP FINANCE BV	PT	Baa3	Speculative/Hold	3	Utilities	3.625		15.07.2024	100.85	3.48	105	5.74	200	52
XS1684384511	SOFTBANK GROUP CORP	JP	Ba1	Speculative/Hold	3	Telecommunications	4.750	21.06.2024	19.09.2024	100.46	4.67	224	5.40	200	53
USC96729AC96	VALEANT PHARMACEUTICALS	US	Caa1	not covered	2	Healthcare	6.125	15.04.2020	15.04.2025	93.44	7.31	484	5.60	2	54
USF6628RAA17	SFR GROUP SA	FR	B1	not covered	2	Consumer Cyclical	7.375	01.05.2021	01.05.2026	100.70	7.24	482	4.96	200	55
USD6710TAC48	IHO VERWALTUNGS GMBH	DE	Ba1	not covered	2	Consumer Cyclical	4.750	15.09.2021	15.09.2026	101.95	4.41	197	5.63	200	56
US87264AAT25	T-MOBILE USA INC	US	Ba2	not covered	4	Telecommunications	5.375	15.04.2022	15.04.2027	107.07	4.13	188	3.74	2	57
USQ12441AA19	BHP BILLITON FIN USA LTD	1) AU	Baa2	Opportunistic/Buy	4	Materials	6.250	19.10.2020	19.10.2075	108.16	3.13	105	2.51	200	58
USQ12441AB91	BHP BILLITON FIN USA LTD	1) AU	Baa2	Opportunistic/Buy	4	Materials	6.750	20.10.2025	19.10.2075	117.44	4.10	163	6.09	200	59
XS1642682410	SOFTBANK GROUP CORP	1) JP	Ba3	Speculative/Hold	3	Telecommunications	6.000	19.07.2023	Perpetual	100.66	5.86	349	4.50	200	60
USF2893TAM83	ELECTRICITE DE FRANCE SA	1) FR	Baa3	Opportunistic/Hold	4	Utilities	5.625	22.01.2024	Perpetual	103.62	4.92	253	4.94	100	61

1) Subordinated bond

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# BUY RECOMMENDATIONS

## EUR Emerging Markets (1/1)

ISIN	Issuer	Country of Risk	Rating Moody's	JB Research Issuer Class.	JB Issuer Score	Sector	Cpn	Next Call Date	Maturity	Price	YTW	Govt spread	M. Dur.	Min. '000	Detail page
XS1077629225	TURKIYE VAKIFLAR BANKASI	TR	Ba1	not covered	3	Financials	3.500		17.06.2019	103.07	1.29	186	1.36	100	63
XS1588061694	ABH FINANCIAL (ALFA HLDG	RU	S&P: B+	not covered	2	Financials	2.626		28.04.2020	102.08	1.69	223	2.16	100	64
XS0982711987	PETROBRAS GLOBAL FINANCE	BR	Ba3	Speculative/Buy	3	Oil & Gas	3.750		14.01.2021	107.42	1.21	165	2.85	100	65
XS1242327168	BRF SA	BR	Ba1	not covered	3	Consumer Defensive	2.750		03.06.2022	104.24	1.73	193	4.05	100	66
XS0802953165	VALE SA	BR	Ba1	Speculative/Hold	3	Materials	3.750		10.01.2023	113.41	0.98	108	4.61	100	67
XS1649634034	PROVINCIA DE BUENOS AIRE	AR	B2	not covered	3	Government	5.375		20.01.2023	106.37	3.95	404	4.26	100	68
XS1383922876	SAPPI PAPIER HOLDNG GMBH	ZA	Ba2	not covered	2	Materials	4.000	01.04.2019	01.04.2023	105.63	0.94	151	1.17	100	69
XS1432493879	REPUBLIC OF INDONESIA	ID	Baa3	Opportunistic/Hold	3	Government	2.625		14.06.2023	109.25	0.86	91	5.01	100	70
XS1562623584	SIGMA ALIMENTOS SA	MX	Baa3	not covered	3	Consumer Defensive	2.625		07.02.2024	107.33	1.36	131	5.49	100	71
XS1568874983	PETROLEOS MEXICANOS	MX	Baa3	Opportunistic/Hold	3	Oil & Gas	3.750		21.02.2024	108.90	2.17	212	5.30	100	72
XS1533916299	NEMAK SAB DE CV	MX	Ba1	not covered	3	Consumer Cyclical	3.250	15.03.2021	15.03.2024	104.56	2.26	267	2.97	100	73
XS1433214449	CEMEX FINANCE LLC	MX	S&P: BB	not covered	3	Industrials	4.625	15.06.2020	15.06.2024	108.95	1.76	229	2.28	100	74
XS1721463500	GAZPROM (GAZ CAPITAL SA)	RU	Ba1	Speculative/Hold	3	Oil & Gas	2.250		22.11.2024	100.50	2.17	202	6.26	100	75
XS1503160498	REPUBLIC OF ARGENTINA	AR	B2	Speculative/Hold	3	Government	5.000		15.01.2027	102.90	4.60	418	7.15	100	76

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## EUR Investment Grade, Crossover and High Yields (1/1)

ISIN	Issuer	Country of Risk	Rating Moody's	JB Research Issuer Class.	JB Issuer Score	Sector	Cpn	Next Call Date	Maturity	Price	YTW	Govt spread	M. Dur.	Min. '000	Detail page
XS1086785182	OTE PLC	GR	B3u	not covered	3	Telecommunications	3.500		09.07.2020	106.27	0.92	144	2.35	100	78
XS1586710185	MOTOR OIL FINANCE PLC	GR	-	not covered	3	Financials	3.250	01.04.2019	01.04.2022	103.64	1.53	210	1.17	100	79
XS1211040917	TEVA PHARM FNC NL II	IL	Ba2	not covered	3	Healthcare	1.250	31.12.2022	31.03.2023	92.73	2.77	284	4.87	100	80
XS1205619288	VALEANT PHARMACEUTICALS	US	Caa1	not covered	2	Healthcare	4.500	15.05.2018	15.05.2023	91.58	6.49	655	4.58	100	81
XS1490153886	IHO VERWALTUNGS GMBH	DE	Ba1	not covered	2	Consumer Cyclical	3.250	15.09.2019	15.09.2023	104.86	1.26	184	1.61	100	82
XS1551347393	JAGUAR LAND ROVER AUTOMO	GB	Ba1	Speculative/Hold	3	Consumer Cyclical	2.200		15.01.2024	102.47	1.77	173	5.60	100	83
XS1555147369	SMURFIT KAPPA ACQUISITIO	IE	Ba1	Speculative/Buy	4	Materials	2.375	01.11.2023	01.02.2024	105.68	1.36	134	5.36	100	84
XS1574148877	ARDAGH PKG FIN/HLDGS USA	IE	Ba3	not covered	2	Industrials	2.750	15.03.2020	15.03.2024	103.67	1.65	221	2.08	100	85
XS1028956149	SFR GROUP SA	FR	B1	not covered	2	Consumer Cyclical	5.625	15.05.2019	15.05.2024	104.36	4.34	492	1.24	100	86
XS1637276848	REPUBLIC OF CYPRUS	CY	Ba3	Speculative/Hold	4	Government	2.750		27.06.2024	108.83	1.31	121	5.85	1	87
XS1150437579	UNITYMEDIA HESSEN / NRW	DE	Ba3	not covered	2	Consumer Cyclical	4.000	15.01.2020	15.01.2025	106.60	1.62	220	1.92	100	88
XS1684385161	SOFTBANK GROUP CORP	JP	Ba1	Speculative/Hold	3	Telecommunications	3.125	21.06.2025	19.09.2025	100.28	3.11	289	6.52	100	89
XS1315151388	DE VOLKSBANK NV	1) NL	Baa3	not covered	4	Financials	3.750	05.11.2020	05.11.2025	108.88	0.54	102	2.68	100	90
XS1325125158	ALLIED IRISH BANKS PLC	1) IE	Ba2	not covered	4	Financials	4.125	26.11.2020	26.11.2025	109.57	0.73	119	2.72	100	91
CH0236733827	UBS AG	2) CH	S&P: BBB+	Opportunistic/Buy	4	Financials	4.750	12.02.2021	12.02.2026	112.45	0.64	107	2.81	100	92
XS1490159495	IHO VERWALTUNGS GMBH	DE	Ba1	not covered	2	Consumer Cyclical	3.750	15.09.2021	15.09.2026	108.86	1.75	207	3.41	100	93
DE000A14J611	BAYER AG	1) DE	Baa2	Opportunistic/Buy	5	Healthcare	2.375	02.10.2022	02.04.2075	103.74	1.54	168	4.41	1	94
PTEDPUOM002	ENERGIAS DE PORTUGAL SA	1) PT	Ba2	Speculative/Hold	3	Utilities	5.375	16.03.2021	16.09.2075	112.25	1.38	179	2.84	100	95
XS1309436753	BHP BILLITON FINANCE LTD	1) AU	Baa2	Opportunistic/Buy	4	Materials	4.750	22.04.2021	22.04.2076	112.45	0.86	125	2.99	100	96
XS1309436910	BHP BILLITON FINANCE LTD	1) AU	Baa2	Opportunistic/Buy	4	Materials	5.625	22.10.2024	22.10.2079	123.52	1.88	174	5.75	100	97
XS1134780557	ARYZTA EURO FINANCE DAC	3) CH	-	not covered	2	Consumer Defensive	4.500	28.03.2019	Perpetual	99.63	8.16	873	1.06	100	98
FR0011697010	ELECTRICITE DE FRANCE SA	1) FR	Baa3	Opportunistic/Hold	4	Utilities	4.125	22.01.2022	Perpetual	107.72	2.10	236	3.57	100	99
XS1490960942	TELEFONICA EUROPE BV	1) ES	Ba2	Opportunistic/Buy	4	Telecommunications	3.750	15.03.2022	Perpetual	106.84	2.02	225	3.74	100	100
XS1206540806	VOLKSWAGEN INTL FIN NV	1) DE	Baa2	Opportunistic/Hold	4	Consumer Cyclical	2.500	20.03.2022	Perpetual	103.49	1.63	186	3.87	1	101

1) Subordinated bond

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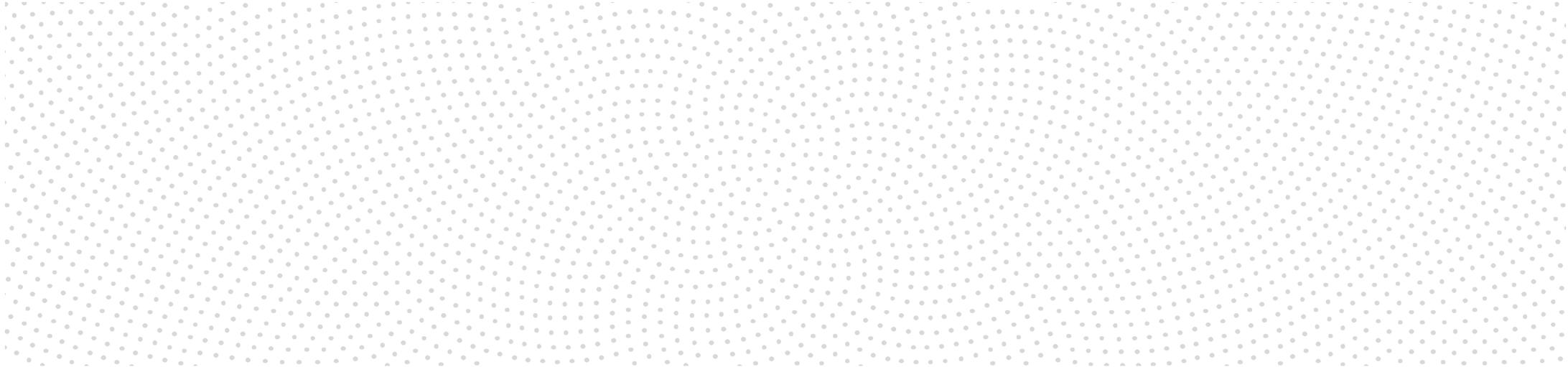
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# BOND DETAILS

USD Emerging Markets



# TURKIYE VAKIFLAR BANKASI (USD - 5% 31.10.2018)

## Financials / Banks

### Bond data

ISIN	XS0987355939
Country of risk	Turkey
	Emerging Market Bonds
Currency	USD
Coupon / type	5 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	
Maturity	31.10.2018
Payment rank	Sr Unsecured
CoCo	no

Ask price	101.28
Yield to maturity	3.32
Yield to worst	3.32
Govt spread to worst	161
Modified duration to worst	0.76
Denomination	200k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	101.08
Initiation yield to worst	3.84
Initiation govt spread	232

### Agency bond ratings

Moody's	Ba1
S&P	-
Fitch	BB+
Composite rating	BB+

**Moody's average historical cumulative issuer default rate (in %)** 0.95  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

considerable

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	BB
MSCI ESG Controversies	Green

### Issuer description

Source: Julius Baer Advisory Solutions

Turkiye Vakiflar Bankasi TAO (VAKBN) is a full-service commercial bank based in Turkey. It is the seventh-largest bank in the country, with assets of ca. TRY219.1bn (USD62.3bn) as of December 2016. It provides various financial services, including insurance, leasing, securities brokerage and asset management. General Directorate of Foundations, fully owned by the Turkish government, and Vakifbank Pension Fund are its largest shareholders with stakes of ca. 58% and 16% respectively. The rest is widely held.

### Investment rationale

Non-performing loans are above-sector average, provisioning of such loans is weak compared to peers and capitalisation is also below-sector average, but at least comfortable enough for the time being. On the other hand, its link to the Turkish government allows it to offer services to, and to receive savings deposits from, state enterprises, which reduces the dependence on wholesale borrowing. Despite the difficult political situation, this bond is attractive from a risk/reward perspective. It offers a relatively high yield, while the likelihood of state support (if needed) and the bond's relatively short duration are expected to keep its volatility low relative to other Turkish bonds.

### TURKIYE VAKIFLAR BANKASI 5% 31.10.2018

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# ALFA BANK (ALFA BOND) (USD - 5% 27.11.2018)

## Financials / Banks

### Bond data

ISIN	XS1324216768
Country of risk	Russia
	Emerging Market Bonds
Currency	USD
Coupon / type	5 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	
Maturity	27.11.2018
Payment rank	Sr Unsecured
CoCo	no

Ask price	101.83
Yield to maturity	2.82
Yield to worst	2.82
Govt spread to worst	109
Modified duration to worst	0.83
Denomination	200k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	102.60
Initiation yield to worst	2.44
Initiation govt spread	90

### Agency bond ratings

Moody's	Ba1
S&P	-
Fitch	BB+
Composite rating	BB+

**Moody's average historical cumulative issuer default rate (in %)** 0.95  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

considerable

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	not available
MSCI ESG Controversies	not available

### Issuer description

Source: Julius Baer Advisory Solutions

Alfa Bank OJSC (Alfa) is the largest privately owned bank in Russia and provides a range of banking products and services, including retail and corporate lending, current and savings accounts, trade finance, asset management, and derivative and brokerage services. It had an asset base of ca. RUB2.2trn (USD39.4bn) as of March 2017. It is largely owned by Mikhail Fridman, German Khan, Alexei Kuzmichev and Petr Aven with stakes of ca. 36%, 23%, 18% and 14%, respectively, while the rest is widely held.

### Investment rationale

Western sanctions against Russia negatively impacted the Russian economy and the asset quality of the banking sector, including the loan book of Alfa bank. The pressure is likely to stay.

On the other hand, Alfa enjoys an excellent franchise and brand recognition, and has so far shown a relatively strong operational performance, above-industry capitalisation, excellent industry expertise and state-of-the-art risk management. Also, the bank's shareholders have proven to be willing and able to support the bank in times of difficulties.

While the positives are reflected in the yield of this bond, it is nevertheless considered an attractive buy-and-hold investment. This is because it is one of the few available bonds of non-sanctioned and better-quality financial entities, coupled with the fact that the short duration is expected to make it also a relatively low-volatility instrument versus other Russian bonds.

Because of sanctions-related risks, a precondition of investing is a well-diversified portfolio and the ability to withstand periods of elevated volatility.

### ALFA BANK (ALFA BOND) 5% 27.11.2018

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# OIL INDIA LTD (USD - 3.875% 17.04.2019)

## Oil & Gas / Exploration & Production

### Bond data

ISIN	XS1057074871
Country of risk	India
	Emerging Market Bonds
Currency	USD
Coupon / type	3.875 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	
Maturity	17.04.2019
Payment rank	Sr Unsecured
CoCo	no

Ask price	101.29
Yield to maturity	2.81
Yield to worst	2.81
Govt spread to worst	98
Modified duration to worst	1.20
Denomination	200k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	101.85
Initiation yield to worst	2.54
Initiation govt spread	96

### Agency bond ratings

Moody's	Baa2
S&P	-
Fitch	BBB-
Composite rating	BBB-

**Moody's average historical cumulative issuer default rate (in %)** 0.46  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

low

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	BB
MSCI ESG Controversies	Green

### Issuer description

Source: Julius Baer Advisory Solutions

Oil India Ltd. (OINLIN) is an upstream oil and gas company engaged in the exploration and production (E&P) of crude oil and natural gas. It generated revenues of INR93.8bn (USD1.4bn) for the year ended March 2016 through its Crude Oil, Natural Gas, Pipeline Transportation and Liquefied Petroleum Gas segments. OINLIN is 67% owned by the Government of India, while the rest of the shares are widely held.

### Investment rationale

To put an end to years of falling output due to ageing oil fields in India, it has expanded into Mozambique and Russia by buying equity stakes in two oil fields with very low lifting costs from Rosneft. While this negatively impacted its credit metrics, it still has close to zero net debt. And although it is small compared to other players in the country, it enjoys the highest margins. This bond has only limited outperformance potential but nevertheless offers an attractive carry for a relatively low risk. Furthermore, it compares favourable to other Indian oil-related bonds, which are either very long-dated or trade at high cash prices.

### OIL INDIA LTD 3.875% 17.04.2019

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# TURK SISE VE CAM FABRIKA (USD - 4.25% 09.05.2020)

## Consumer Cyclical / Cyclical Consumer Goods

### Bond data

ISIN	XS0927634807
Country of risk	Turkey
	Emerging Market Bonds
Currency	USD
Coupon / type	4.25 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	
Maturity	09.05.2020
Payment rank	Sr Unsecured
CoCo	no

Ask price	101.88
Yield to maturity	3.39
Yield to worst	3.39
Govt spread to worst	136
Modified duration to worst	2.17
Denomination	200k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	101.47
Initiation yield to worst	3.63
Initiation govt spread	191

### Agency bond ratings

Moody's	Ba1
S&P	BB
Fitch	-
Composite rating	BB

**Moody's average historical cumulative issuer default rate (in %)** 4.49  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

considerable

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	BB
MSCI ESG Controversies	Green

### Issuer description

Source: Julius Baer Advisory Solutions

Turkey-based Turkiye Sise ve Cam Fabrikalari AS (SISE) manufactures glass products, soda ash and chromium-based chemicals. SISE generated revenues of TRY10.4bn (USD3bn) for the LTM ended September 2017 through its Flat Glass, Glassware, Glass Packaging and Chemicals segments. Turkiye Is Bankasi AS is SISE's largest shareholder with a stake of ca. 66%, while the rest is widely held.

### Investment rationale

Large investments to increase capacity and improve efficiency expansion, coupled with local currency pressure, temporarily led to a weakening of its credit metrics. Nevertheless, the company is now bearing the fruits of its investments in the form of above-sector operating margins and higher cash-flows, which enabled it to regain a relatively conservative financial profile. This bond is considered attractive due to the quality of the issuer, the medium-term duration and its scarcity value with diversification benefits, given that there are only few emerging market based industry comparables.

### TURK SISE VE CAM FABRIKA 4.25% 09.05.2020

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# MYRIAD INTL HOLDINGS BV (USD - 6% 18.07.2020)

## Consumer Cyclical / Media & Publishing

### Bond data

ISIN	USN5946FAB33
Country of risk	South Africa
	Emerging Market Bonds
Currency	USD
Coupon / type	6 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	
Maturity	18.07.2020
Payment rank	Sr Unsecured
CoCo	no

Ask price	107.63
Yield to maturity	2.82
Yield to worst	2.82
Govt spread to worst	76
Modified duration to worst	2.33
Denomination	200k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	107.89
Initiation yield to worst	2.91
Initiation govt spread	118

### Agency bond ratings

Moody's	Baa3
S&P	BBB-
Fitch	WD
Composite rating	BBB-

**Moody's average historical cumulative issuer default rate (in %)** 0.80  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

low

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	BBB
MSCI ESG Controversies	Yellow

### Issuer description

Source: Julius Baer Advisory Solutions

Founded in 1915, South Africa-based media company Naspers Ltd. (NPNSJ) provides a television platform, print media and Internet services, technology products and book publishing services through various investments. Its assets include a 29.1% stake in Mail.ru, Russia's leading Internet company and a 33% stake in Tencent, China's leading Internet services provider. It generated revenues of ca. ZAR85.7bn (USD6.1bn) for the FY ended March 2017. NPNSJ is largely held by Public Investment Corp. (ca. 17% stake) and the rest is widely held.

### Investment rationale

The company had a solid balance sheet until 2012. Since then, the continuous expansion of its pay-TV offering in Africa and new e-commerce projects have led to a steady increase of its leverage to a level inconsistent with an investment-grade rating.

On the other hand, Naspers has a strong liquidity profile and minimal debt repayments until 2020. Furthermore, the two stakes it holds in Tencent and Mail.ru are worth a multiple of its current debt. And by disposing its 100% stake in Polish Allegro Group in 2016 for USD 3.2 billion with a net profit of USD 2 billion, it showed its ability to create value by monetising mature assets.

This bond is considered a relatively low risk but given the domicile nevertheless an attractively yielding investment. However, investors need to be aware of the domicile-related credit rating pressure and must therefore be willing to eventually hold a high-yield-rated instrument.

### MYRIAD INTL HOLDINGS BV 6% 18.07.2020

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# CABLEVISION SA (USD - 6.5% 15.06.2021)

## Consumer Cyclical / Media & Publishing

### Bond data

ISIN	USP19157AR03
Country of risk	Argentina
	Emerging Market Bonds
Currency	USD
Coupon / type	6.5 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	15.06.2019
Maturity	15.06.2021
Payment rank	Sr Unsecured
CoCo	no

Ask price	106.80
Yield to maturity	4.33
Yield to worst	3.76
Govt spread to worst	189
Modified duration to worst	1.34
Denomination	1k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	106.98
Initiation yield to worst	3.92
Initiation govt spread	232

### Agency bond ratings

Moody's	B2
S&P	-
Fitch	B+
Composite rating	B

**Moody's average historical cumulative issuer default rate (in %)** 17.83  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

high

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	not available
MSCI ESG Controversies	not available

### Issuer description

Source: Julius Baer Advisory Solutions

The merger between Cablevision and Telecom Argentina SA was completed on 2 January 2018. The combined company is the first convergent player in the country with ability to offer quad-play services (with broadband, mobile and pay-TV) and expected to generate annual revenues of ca. ARS103bn (USD5.9bn). It is 33% owned by CVH (Cablevision Holding; controlled by Grupo Clarin), while Fintech Media and Fintech Telecom (indirectly owned by Mexican businessman David Martinez) own a combined 40.5% stake. The rest is widely held.

### Investment rationale

The cable business generally is highly cash-generative and rather defensive which is why cable/telecommunication companies often operate with highly leveraged balance sheets. This is not the case for Cablevision/Telecom Argentina. The combination of the two companies created a clear market leader and allows for the offering of the full spectrum of services with both revenues and margins expected to benefit. Since the merger was largely financed with new equity and Telecom Argentina was net debt free, the already very solid balance sheet strengthened further; today net leverage is far below 1x. Therefore, were this company not based in Argentina, it would be rated investment grade. The bond is considered a relatively low-risk yet attractively yielding short-term instrument with an expected low volatility compared to other Argentine bonds. Given the country risk, this bond should only be included into adequately diversified portfolios.

### CABLEVISION SA 6.5% 15.06.2021

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET



# GENNEIA SA (USD - 8.75% 20.01.2022)

## Utilities / Electric Utilities

### Bond data

ISIN	USP46756AH86
Country of risk	Argentina
	Emerging Market Bonds
Currency	USD
Coupon / type	8.75 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	20.01.2020
Maturity	20.01.2022
Payment rank	Sr Unsecured
CoCo	no

Ask price	109.84
Yield to maturity	5.95
Yield to worst	5.59
Govt spread to worst	359
Modified duration to worst	1.77
Denomination	1k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	12.12.2017
Initiation price	110.51
Initiation yield to worst	5.38
Initiation govt spread	353

### Agency bond ratings

Moody's	B2
S&P	-
Fitch	B+
Composite rating	B

**Moody's average historical cumulative issuer default rate (in %)** 21.91  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

high

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	not available
MSCI ESG Controversies	not available

### Issuer description

Source: Julius Baer Advisory Solutions

Argentina-based Genneia SA (GEN) is engaged in electricity generation from wind and thermal energy sources with seven thermal power plants and a wind farm. It was the first company to build and operate a wind farm in Argentina. GEN also provides transportation and distribution of natural gas. It saw revenues of ARS2.8bn (USD160m) for the LTM ended September 2017. Argentum Investments, Fintech LLC, Brito Group and Prado Largo hold stakes of 44%, 25%, 25% and 6%, respectively.

### Investment rationale

The main risks are related to the execution of new projects, which will continue to require high capital expenditures in the foreseeable future and are crucial for the growth outlook of the company. Additionally, Genneia is a relatively small company and has exposure to the credit quality of the Argentine government, acting indirectly as the off-taker of most of the long-term power purchase agreements through CAMMESA. What we like about the issuer is the predictability and stability of its cash flows given that almost all revenues derive from long-term power purchase agreements. These agreements are mostly denominated in USD, reducing the currency mismatch risk between debt and revenues. Two-thirds of them also allow Genneia to pass on changes in fuel costs to the off-taker of the contract, effectively reducing the exposure to variation in fuel prices. The outlook for the industry is promising as the government has introduced incentives to invest with the goal of generating 20% of the electricity in the country from renewable source by 2025. Given the small scale of the issuer, the link to the sovereign creditworthiness and the still evolving regulatory framework, this bond offers a substantial credit spread despite its relatively short maturity (it matures in 2022 but can be called in 2020). Since the visibility over the business is good for the next two to four years, the bond could be appealing for investors looking for high-yielding bonds who are willing to accept a high credit risk but prefer to stay in the low to mid-duration range. Please note that despite the progress made in the last two years, the Argentine economy is still in the early stages of the recovery process. The issuer is still subject to unexpected macro and political changes.

### GENNEIA SA 8.75% 20.01.2022

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# KERNEL HOLDING SA (USD - 8.75% 31.01.2022)

## Consumer Defensive / Food & Beverages

### Bond data

ISIN	XS1533923238
Country of risk	Ukraine
	Emerging Market Bonds
Currency	USD
Coupon / type	8.75 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	
Maturity	31.01.2022
Payment rank	Sr Unsecured
CoCo	no

Ask price	111.00
Yield to maturity	5.66
Yield to worst	5.66
Govt spread to worst	344
Modified duration to worst	3.30
Denomination	200k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	110.83
Initiation yield to worst	5.81
Initiation govt spread	387

### Agency bond ratings

Moody's	-
S&P	B
Fitch	B+
Composite rating	B

**Moody's average historical cumulative issuer default rate (in %)** 21.91  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

high

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	not available
MSCI ESG Controversies	not available

### Issuer description

Source: Julius Baer Advisory Solutions

Ukraine-based Kernel Holding SA (KERPW) is a diversified agribusiness company that produces and sells bottled sunflower oil, meal and grains. It derived revenues of PLN8.2bn (USD2.1bn) for the LTM ended March 2017 from the Sunflower Oil Bulk, Grain, Bottled Sunflower Oil, Farming (agricultural farming; produces wheat, barley, corn, soybean, sunflower seed and sugar beet), Silo Services (grain cleaning, drying and storage services) and Export Terminal businesses. Andriy Verevskiy is its largest shareholder (ca. 38%). The rest is widely held.

### Investment rationale

Risks include the dependence on farmers (as it is only 25% self-sufficient via leased farmland production), weather conditions as well as changes in the farmland and agricultural tax policy. Another risk is the current capex cycle, which is expected to weaken its solid credit metrics.

On the other hand, the integrated business model exposes it less to commodity price swings and allows for the generation of relatively high and stable margins and free cash flows. This would allow Kernel to quickly deleverage again, which it has proven to be able to do in the past following capacity increases. Hence, its net leverage is expected to remain below the 2x target. Its liquidity profile is solid and the debt maturity profile looks comfortable. Most of its revenues are USD-based and so is its liquidity, which is mostly held offshore. This is all reflected in its superior credit rating relative to the sovereign.

Therefore, this bond is considered one of the scarce opportunities to invest in a reasonably solid company with a good long-term track record while getting paid a considerable extra yield for the country risk.

Please be aware that the economic background in Ukraine remains extremely poor and that investment recoveries in that country are expected to be very low.

### KERNEL HOLDING SA 8.75% 31.01.2022

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET





# SASOL FINANCING INT (USD - 4.5% 14.11.2022)

## Oil & Gas / Oil & Gas Integrated

### Bond data

ISIN	US803865AA25
Country of risk	South Africa
	Emerging Market Bonds
Currency	USD
Coupon / type	4.5 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	
Maturity	14.11.2022
Payment rank	Sr Unsecured
CoCo	no

Ask price	101.98
Yield to maturity	4.04
Yield to worst	4.04
Govt spread to worst	173
Modified duration to worst	4.27
Denomination	200k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	100.80
Initiation yield to worst	4.32
Initiation govt spread	228

### Agency bond ratings

Moody's	Baa3
S&P	BB+
Fitch	-
Composite rating	BB+

**Moody's average historical cumulative issuer default rate (in %)** 8.39  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

considerable

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	BB
MSCI ESG Controversies	Yellow

### Issuer description

Source: Julius Baer Advisory Solutions

Sasol Limited (SASOL) is a South Africa-based integrated energy and chemical company with international operations. Its product range includes liquid fuels, high-value chemicals and low-carbon electricity. SASOL generated revenues of ca. ZAR172.4bn (USD12.7bn) for the FY ended June 2017. Public Investment Corp. Ltd. holds ca. 13% and the rest is widely held.

### Investment rationale

Risks include high capex spending in the US for gas-to-liquids and ethane cracker projects, a low-for-longer oil price environment and the political environment in South Africa. Nevertheless, it enjoys high liquidity and a high profitability margin (positively affected by the weakening South African rand) and operates with low indebtedness, which leaves it with minimal refinancing risks. This bond is considered a relatively low-risk but given the domicile nevertheless attractively yielding investment. However, investors need to be aware of the domicile-related credit rating pressure and must therefore be willing to eventually hold a high-yield-rated instrument.

### SASOL FINANCING INT 4.5% 14.11.2022

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# DP WORLD CRESCENT LTD (USD - 3.908% 31.05.2023)

## Industrials / Transportation

### Bond data

ISIN	XS1419869968
Country of risk	UAE
	Emerging Market Bonds
Currency	USD
Coupon / type	3.908 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	
Maturity	31.05.2023
Payment rank	Sr Unsecured
CoCo	no
Ask price	102.65
Yield to maturity	3.36
Yield to worst	3.36
Govt spread to worst	101
Modified duration to worst	4.80
Denomination	200k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	102.52
Initiation yield to worst	3.41
Initiation govt spread	131

### Agency bond ratings

Moody's	Baa2
S&P	-
Fitch	BBB+
Composite rating	BBB

**Moody's average historical cumulative issuer default rate (in %)** 2.06  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

moderate

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	BBB
MSCI ESG Controversies	Green

### Issuer description

Source: Julius Baer Advisory Solutions

Dubai-based DP World Ltd (DPWDL) is one of the largest container terminal operators in the world by capacity and throughput. DPWDL generated revenues of USD4.2bn in the FY ended December 2016 through the management and operation of marine terminals. It is ca. 80% indirectly owned by the Government of Dubai through a subsidiary of Dubai World.

### Investment rationale

A large takeover of a related party in 2015 led to a weakening of its so far sound credit metrics towards a level that requires monitoring. And given capacity expansion spending, meaningful deleveraging cannot be expected over the short term.

Nevertheless, the high-margin business allows for healthy positive free cash flow generation and debt reduction once projects are through. Liquidity is comfortable and covers debt repayments for the next few years. The cyclical business risk is mitigated by the geographical diversification and the high entry barriers. Also, the company is considered important for the Emirate and hence assistance is probable in case of operational problems.

Hence, this sharia-compliant sukuk bond is considered an attractive investment in terms of yield relative to bonds from other local government-related issuers and international peers.

### DP WORLD CRESCENT LTD 3.908% 31.05.2023

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# SCF CAPITAL LTD (USD - 5.375% 16.06.2023)

## Industrials / Transportation

### Bond data

ISIN	XS1433454243
Country of risk	Russia
	Emerging Market Bonds
Currency	USD
Coupon / type	5.375 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	
Maturity	16.06.2023
Payment rank	Sr Unsecured
CoCo	no

Ask price	104.05
Yield to maturity	4.52
Yield to worst	4.52
Govt spread to worst	216
Modified duration to worst	4.66
Denomination	200k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	104.13
Initiation yield to worst	4.53
Initiation govt spread	243

### Agency bond ratings

Moody's	Ba2
S&P	BB
Fitch	BB
Composite rating	BB

**Moody's average historical cumulative issuer default rate (in %)** 10.13  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

considerable

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	not available
MSCI ESG Controversies	not available

### Issuer description

Source: Julius Baer Advisory Solutions

Russia-based Sovcomflot JSC (SCFRU) is a leading shipping company that specialises in the transportation of hydrocarbons. It operates crude oil tankers; chemical, liquefied natural gas, and petroleum gas carriers; and ice-class ships. SCFRU generated revenues of ca. RUB86.4bn (USD1.4bn) for the LTM ended June 2017. It is wholly owned by the Russian government.

### Investment rationale

The sector is cyclical and it massively suffered from overcapacities after the financial crisis. But the company managed to return to profitability and restored its balance sheet; its debt maturity profile looks balanced now and it has one of the youngest and most modern fleets in the industry. Client diversification is high, with international blue-chip oil companies accounting for almost 75% of revenues. Specialisation on tailor-made vessels and services decreased the dependence on volatile tanker spot prices to a low level, and improved cash-flow visibility make it more a utility-like company. The yield pick-up of this bond relative to other Russian blue-chip and/or quasi-sovereign companies is considered attractive, not least because it is one of the rare government-related non-sanctioned entities. Furthermore, technicals for Russian bonds continue to be supportive (shrinking investable universe as a result of sanctions). Because of sanctions-related risks, a precondition for investing is a well-diversified portfolio and the ability to withstand periods of elevated volatility.

### SCF CAPITAL LTD 5.375% 16.06.2023

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# ARCOR SAIC (USD - 6% 06.07.2023)

## Consumer Defensive / Food & Beverages

### Bond data

ISIN	USP04559AL70
Country of risk	Argentina
	Emerging Market Bonds
Currency	USD
Coupon / type	6 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	06.07.2020
Maturity	06.07.2023
Payment rank	Sr Unsecured
CoCo	no

Ask price	106.47
Yield to maturity	4.65
Yield to worst	4.37
Govt spread to worst	232
Modified duration to worst	2.28
Denomination	1k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	107.69
Initiation yield to worst	3.99
Initiation govt spread	226

### Agency bond ratings

Moody's	Ba3
S&P	-
Fitch	BB-
Composite rating	BB-

**Moody's average historical cumulative issuer default rate (in %)** 10.13  
(composite rating until final maturity date)

### Julius Baer research issuer rating

Speculative/Hold

### Julius Baer product risk rating

high

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	not available
MSCI ESG Controversies	not available

### Issuer description

Source: Bear Insight Fixed Income Research

Founded in 1951, Arcor S.A.I.C. (Arcor) is a subsidiary of Grupo Arcor S.A. It is one of the largest Latin American producers and ex-porters of confectionery, with operations primarily in Argentina, Brazil, Chile, Mexico and Peru. The group has the highest number of open markets in the world, with exports to more than 120 countries in five continents. Arcor's largest segment is sweets and chocolates (33.9% of FY2016 revenues), followed by cookies (28.6%), containers (12.8%), foods (11.3%) and other (13.4%).

### Investment rationale

In regards to sales, it is relatively small compared to Mondelez, Unilever, Wrigley and Nestlé. In addition, revenues are under pressure in USD terms because of economic headwinds and local-currency depreciation in Brazil (represents 9% of sales) and the sharp devaluation of the Argentine peso (75% of sales), which led to a weakening of its credit metrics recently as most of its debt is USD-denominated. Nevertheless, its underlying business is defensive, revenues in local-currency terms continue to grow, while the vertical integration, the diminishing cost base due to local production and its ability to adjust prices for inflation softened the impact on earnings.

This bond is considered attractive because it offers a scarce opportunity to gain exposure to an issuer with an excellent debt payment track record and market leadership in a non-cyclical business. This is one reason why its credit rating is superior to that of the Argentine sovereign.

Given the country risk, this bond should only be included in adequately diversified portfolios.

### ARCOR SAIC 6% 06.07.2023

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# PAMPA ENERGIA SA (USD - 7.375% 21.07.2023)

## Utilities / Electric Utilities

### Bond data

ISIN	USP7873PAE62
Country of risk	Argentina
	Emerging Market Bonds
Currency	USD
Coupon / type	7.375 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	21.07.2020
Maturity	21.07.2023
Payment rank	Sr Unsecured
CoCo	no

Ask price	109.56
Yield to maturity	5.35
Yield to worst	4.69
Govt spread to worst	264
Modified duration to worst	2.22
Denomination	1k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	109.26
Initiation yield to worst	4.95
Initiation govt spread	321

### Agency bond ratings

Moody's	B2
S&P	B+
Fitch	-
Composite rating	B

**Moody's average historical cumulative issuer default rate (in %)** 25.56  
(composite rating until final maturity date)

### Julius Baer research issuer rating

Speculative/Buy

### Julius Baer product risk rating

high

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	not available
MSCI ESG Controversies	not available

### Issuer description

Source: Bear Insight Fixed Income Research

Based in Argentina, Pampa Energia (Pampa) participates in the entire electricity and oil and gas value chain. In the electricity segment, the company has an installed generation capacity (10.8% of the market share) of 3.7 gigawatts and also has an electricity transmission (an 85% market share, through a 26.3% indirect interest in Transener, not covered) and distribution (through its subsidiary Edenor, not covered) network. In the oil and gas segment, Pampa refines, transports and markets oil and gas and also has interests in 20 productive blocks in Argentina (Hold/Speculative) and Venezuela (not covered). It is also engaged in the transportation of gas through Transportadora de Gas del Sur S.A. (TSG, not covered).

### Investment rationale

After decades of strict controls, the government is gradually liberalising electricity and fuel prices in the country while introducing incentives to increase production, particularly of natural gas. With the economy is only at the beginning of the recovery process, companies in the sector are likely to perform well in the coming years.

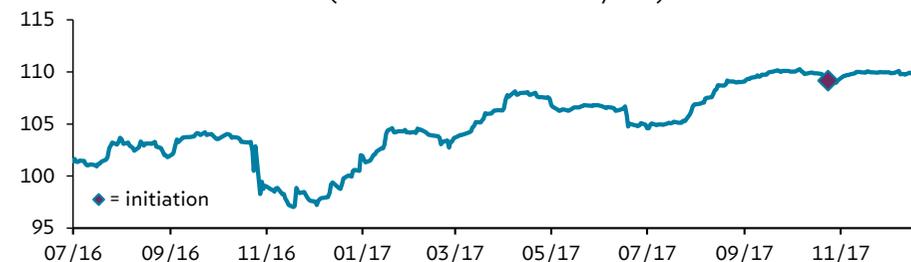
Pampa has a good management team, a diversified business profile and a strong profitability track record even throughout the most difficult years for the country.

Pampa Energia offers investors exposure to the entire Argentine energy sector through a single company. This medium-term bond (callable in 2020) allows investors to maintain good visibility over the business while offering a relatively high credit spread and low duration in a promising sector.

Given the country risk, this bond should only be included in adequately diversified portfolios.

### PAMPA ENERGIA SA 7.375% 21.07.2023

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET



# BRF SA (USD - 4.75% 22.05.2024)

## Consumer Defensive / Food & Beverages

### Bond data

ISIN	USP1905CAE05
Country of risk	Brazil
	Emerging Market Bonds
Currency	USD
Coupon / type	4.75 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	
Maturity	22.05.2024
Payment rank	Sr Unsecured
CoCo	no

Ask price	102.31
Yield to maturity	4.33
Yield to worst	4.33
Govt spread to worst	191
Modified duration to worst	5.41
Denomination	200k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	103.16
Initiation yield to worst	4.19
Initiation govt spread	200

### Agency bond ratings

Moody's	Ba1
S&P	BBB-
Fitch	BBB-
Composite rating	BB+

**Moody's average historical cumulative issuer default rate (in %)** 11.67  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

considerable

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	BBB
MSCI ESG Controversies	Orange

### Issuer description

Source: Julius Baer Advisory Solutions

BRF S.A. (BRFSBZ) is one of the largest food conglomerates in Brazil, ranks among the top-10 food companies globally and is the world's largest poultry producer. Apart from poultry it produces and sells pork, beef cuts, milk, dairy products and processed food products under several brands. BRFSBZ generated revenues of BRL32.9bn (USD10.2bn) for the LTM ended June 2017. Tarpon Gestora (ca. 12% stake), Fundacao Petrobras (ca. 12%) and Caixa de Previdencia (ca. 11%) own a majority of shares in BRFSBZ, while the rest is widely held.

### Investment rationale

The recessionary environment in Brazil and higher competition led to a substantial deterioration of its so far very high margins and very solid credit metrics. While a management reshuffle and a new strategy were expected to bring it back on track over the medium term, allegations of involvement in the Brazilian meat scandal will delay this process - and this despite the fact that BRF denied any wrongdoing and that such sales only represented a small fraction of its business.

In the meantime, the risks are mitigated by its highly liquid balance sheet with minimal short- to medium-term debt redemptions, which would allow it to cope with a larger fine and a period of lower sales, which is not our base case scenario. The company aims to achieve a 2.5x leverage target by the end of 2018, and recent results look promising. Given the importance of the meat sector to Brazil, sanitary standards are likely to improve going forward, benefiting the whole sector.

While the issuer is considered attractive due to its significant size and international diversification, this bond offers an attractive yield because of the scandal surrounding the issuer. However, it is only suitable for risk-friendly investors who can live with elevated volatility and credit rating pressure and who are able to continue holding the bond even if it were to be downgraded to high yield.

### BRF SA 4.75% 22.05.2024

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# VEON HOLDINGS BV (USD - 4.95% 16.06.2024)

## Telecommunications / Mobile Telecommunication Services

### Bond data

ISIN	XS1625994618
Country of risk	Netherlands
	Emerging Market Bonds
Currency	USD
Coupon / type	4.95 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	16.03.2024
Maturity	16.06.2024
Payment rank	Sr Unsecured
CoCo	no

Ask price	101.95
Yield to maturity	4.60
Yield to worst	4.58
Govt spread to worst	218
Modified duration to worst	5.25
Denomination	200k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	102.78
Initiation yield to worst	4.44
Initiation govt spread	227

### Agency bond ratings

Moody's	Ba2
S&P	BB
Fitch	BB+
Composite rating	BB

**Moody's average historical cumulative issuer default rate (in %)** 11.67  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

considerable

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	not available
MSCI ESG Controversies	not available

### Issuer description

Source: Julius Baer Advisory Solutions

VEON Ltd. (VEON, former VimpelCom Ltd.) is a Netherlands-based company that provides integrated telecommunication services in nearly 20 countries including Russia, Italy, Ukraine and Bangladesh. VIP reported ca. USD9.9bn in revenues for the LTM ended June 2017 through its two operating segments: Mobile and Fixed Line. Its largest shareholders are LetterOne (Mikhail Fridman, with a stake of ca. 48%) and Telenor ASA (24%), while the rest is widely held.

### Investment rationale

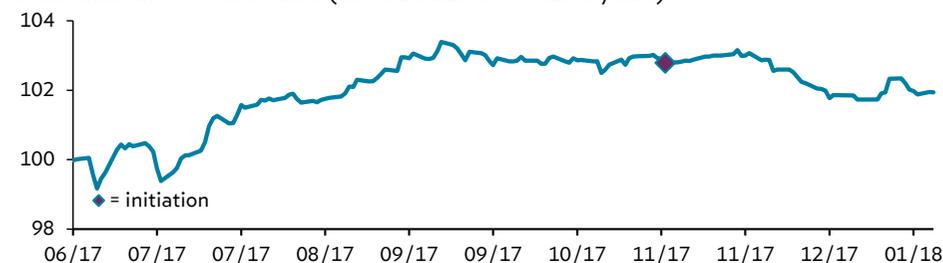
The large exposure to emerging market economies like Russia, Pakistan, Algeria and Bangladesh can make earnings volatile at times.

On the other hand, its geographical diversification helps to mitigate this risk and roughly 40% of its revenues are being generated in Italy, where it co-owns Wind3 together with Hutchison Whampoa. Also, its shareholders have been supportive in the past by providing equity and/or accepting dividend cuts, if required. Its leverage is relatively low compared with the sector and its liquidity comfortably covers short-term maturities.

This bond offers investors an attractive way to invest in the emerging market telecom sector in a diversified manner while at the same time getting paid a decent risk compensation. Additionally, technicals for Russian bonds continue to be supportive (shrinking investable universe as a result of sanctions). Because of sanctions-related risks, a precondition for investing is a well-diversified portfolio and the ability to withstand periods of elevated volatility.

### VEON HOLDINGS BV 4.95% 16.06.2024

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# COCA-COLA ICECEK AS (USD - 4.215% 19.09.2024)

## Consumer Defensive / Food & Beverages

### Bond data

ISIN	XS1577950402
Country of risk	Turkey
	Emerging Market Bonds
Currency	USD
Coupon / type	4.215 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	19.06.2024
Maturity	19.09.2024
Payment rank	Sr Unsecured
CoCo	no

Ask price	102.86
Yield to maturity	3.73
Yield to worst	3.71
Govt spread to worst	129
Modified duration to worst	5.52
Denomination	200k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	100.20
Initiation yield to worst	4.18
Initiation govt spread	198

### Agency bond ratings

Moody's	Baa3
S&P	-
Fitch	BBB
Composite rating	BBB-

**Moody's average historical cumulative issuer default rate (in %)** 2.47  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

moderate

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	AA
MSCI ESG Controversies	Green

### Issuer description

Source: Julius Baer Advisory Solutions

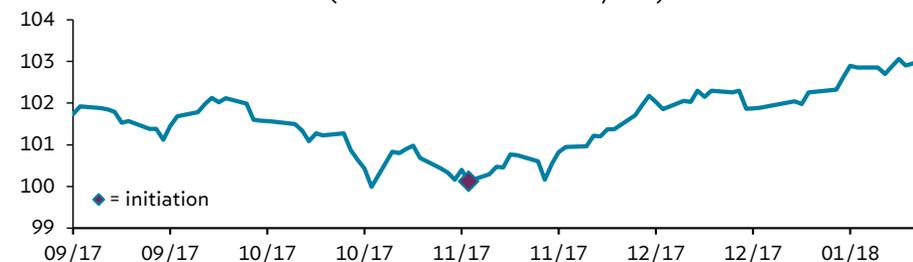
Turkey-based Coca-Cola Icecek A.S. (CCI) is one of the largest bottlers (in terms of sales volumes) in the Coca-Cola system. Its operations include producing, marketing and distributing alcohol-free beverages of The Coca-Cola Company (TCCC) in Turkey, Pakistan, Central Asia and the Middle East. It generated revenues of ca. TRY 7.7bn (USD2.3bn) for the LTM ended June 2017. Anadolu Efes Biracilik ve Malt Sanayii A.S. and TCCC hold ca. 50% and 20%, respectively, and the rest is widely held.

### Investment rationale

The company's high foreign exchange and raw material exposure pressured earnings and weakened credit metrics. Nevertheless, the leverage remains within the company's 1.5-2x net leverage target, the underlying business is stable and the liquidity profile is strong. Assistance from the TCCC might be likely in the worst case given that CCI covers a large geographical region and its sales represent over 5% of global Coca-Cola sales. This bond is considered attractive because the political situation in the country and the tensions in the region allow an investor to receive some extra yield, while the involvement of The Coca-Cola Company and the quality of the issuer are expected to keep the volatility of this instrument low relative to other Turkish bonds.

### COCA-COLA ICECEK AS 4.215% 19.09.2024

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# TUPRAS-TURKIYE PETROL RA (USD - 4.5% 18.10.2024)

## Oil & Gas / Refining, Storage & Transportation

### Bond data

ISIN	XS1686704948
Country of risk	Turkey
	Emerging Market Bonds
Currency	USD
Coupon / type	4.5 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	20.07.2024
Maturity	18.10.2024
Payment rank	Sr Unsecured
CoCo	no

Ask price	99.62
Yield to maturity	4.56
Yield to worst	4.56
Govt spread to worst	212
Modified duration to worst	5.70
Denomination	200k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	97.49
Initiation yield to worst	4.93
Initiation govt spread	270

### Agency bond ratings

Moody's	Ba1
S&P	-
Fitch	BBB-
Composite rating	BB+

**Moody's average historical cumulative issuer default rate (in %)** 11.67  
(composite rating until final maturity date)

### Julius Baer research issuer rating

Speculative/Hold

### Julius Baer product risk rating

considerable

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	BBB
MSCI ESG Controversies	Green

### Issuer description

Source: Bear Insight Fixed Income Research

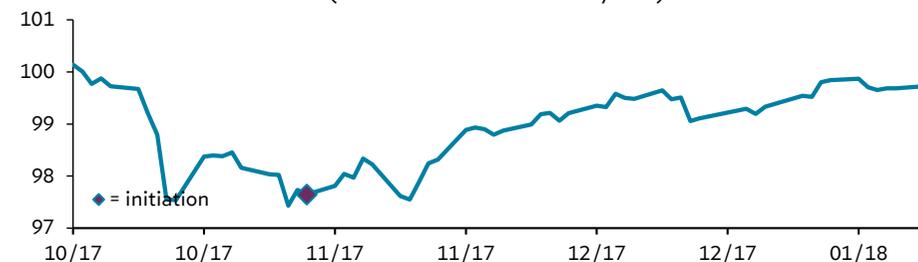
Turkiye Petrol Rafinerileri AS (Tupras) is the sole refining company in Turkey (Sell/Speculative). It operates in the retail segment through a 40% strategic stake in Opet (not covered), Turkey's second-largest oil product distribution company, with ca. 1,538 fuel stations in the country. Tupras operates four refineries, with a total refining capacity of 28.1m tonnes/annum and also owns an 80% stake in Ditas (not covered), a shipping company that provides logistics support. The quality of Tupras' refineries is above average, with a Nelson Complexity Index (a measure of refining efficiency) of 9.5.

### Investment rationale

A large capacity expansion and modernisation program initially led to a weakened balance sheet. On the other hand, it allowed it to improve margins and sales allowing it to de-leverage quickly and to regain solid credit metrics and a strong liquidity profile. This bond is considered attractive because the political situation in the country and the tensions in the region allow an investor to receive some extra yield, while the quality of the issuer is expected to keep the volatility of this instrument low relative to other Turkish bonds.

### TUPRAS-TURKIYE PETROL RA 4.5% 18.10.2024

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# ELEMENTIA SA (USD - 5.5% 15.01.2025)

## Industrials / Machinery & Equipment

### Bond data

ISIN	USP3713LAA63
Country of risk	Mexico
	Emerging Market Bonds
Currency	USD
Coupon / type	5.5 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	15.01.2020
Maturity	15.01.2025
Payment rank	Sr Unsecured
CoCo	no
Ask price	103.37
Yield to maturity	4.92
Yield to worst	4.73
Govt spread to worst	240
Modified duration to worst	4.34
Denomination	200k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	104.00
Initiation yield to worst	4.62
Initiation govt spread	256

### Agency bond ratings

Moody's	-
S&P	BB
Fitch	BB+
Composite rating	BB

**Moody's average historical cumulative issuer default rate (in %)** 13.16  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

considerable

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	not available
MSCI ESG Controversies	not available

### Issuer description

Source: Julius Baer Advisory Solutions

Elementia SAB de CV (ELEMENT) engages in the manufacturing and sale of materials for the construction, industrial and infrastructure sectors. It generated revenues of MXN23.2bn (USD1.2bn) for the LTM ended June 2017 from its Metals, Building system and Cement businesses. The Del Valle family and Grupo Carso are the largest shareholders with stakes of ca. 41% and 36% respectively. The rest is widely held.

### Investment rationale

Capacity expansion investments and acquisitions have led to a substantial deterioration of its credit metrics, which poses elevated risks given the competitive environment and cyclical nature of the construction business. In addition, potential US trade restrictions could negatively impact the Mexican economy and Elementia, given that it generates almost 50% of its revenues in its own country.

These risks are mitigated by the growing exposure to the US market, where a large increase in infrastructure spending is expected. Additionally, most capex spending has gone through the books, which going forward should translate into higher earnings and allow the company to restore its balance sheet.

This bond is considered attractive since it offers a yield pick-up over US-based high-yield rated peers. In addition, Elementia's shareholders are a source of comfort, as they are known for their entrepreneurial success, financial discipline and high corporate governance standards.

### ELEMENTIA SA 5.5% 15.01.2025

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# PETROBRAS GLOBAL FINANCE (USD - 5.299% 27.01.2025)

## Oil & Gas / Oil & Gas Integrated

### Bond data

ISIN	USN6945AAJ62
Country of risk	Brazil
	Emerging Market Bonds
Currency	USD
Coupon / type	5.299 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	
Maturity	27.01.2025
Payment rank	Sr Unsecured
CoCo	no

Ask price	101.27
Yield to maturity	5.08
Yield to worst	5.08
Govt spread to worst	263
Modified duration to worst	5.72
Denomination	2k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	99.69
Initiation yield to worst	5.35
Initiation govt spread	311

### Agency bond ratings

Moody's	Ba3
S&P	BB-
Fitch	BB
Composite rating	BB-

**Moody's average historical cumulative issuer default rate (in %)** 13.16  
(composite rating until final maturity date)

### Julius Baer research issuer rating

Speculative/Buy

### Julius Baer product risk rating

high

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	BB
MSCI ESG Controversies	Red

### Issuer description

Source: Bear Insight Fixed Income Research

Petroleo Brasileiro (Petrobras) is Brazil's largest integrated oil and gas company. It deals in the exploration and production of oil and natural gas, with total output mainly from offshore fields. Production of oil and gas in 2016 stood at 2.8m barrel of oil equivalent per day (boepd) and proved hydrocarbon reserves stood at 9.7bn barrels of oil equivalent at end-2016. The company deals in the refining and sale of oil products and petrochemicals in the midstream and downstream segments. It owns and operates almost the entire domestic refining capacity of 2.2m barrels/day. It also transports and distributes natural gas and produces biofuels.

### Investment rationale

The high indebtedness of the company, the bribery scandal surrounding it and the downgrade of the Sovereign to high yield led to high volatility in its bonds in 2015. Since then the company has made very good progress in tackling its huge debt burden and its liquidity has much improved. While this already had a very positive impact on the bonds, these continue to offer attractive yields when taking into consideration its importance to the Brazilian economy and the high likelihood of timely financial support from the government. This bond is considered the most attractive one within Petrobras' USD bond curve given its relatively low cash price and its decent credit spread for an acceptable duration. Investors should be aware of the company's involvement in a political corruption scandal beginning in 2014. Such events could unexpectedly resurface again in the future.

### PETROBRAS GLOBAL FINANCE 5.299% 27.01.2025

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# CEMEX SAB DE CV (USD - 6.125% 05.05.2025)

## Industrials / Construction & Materials

### Bond data

ISIN	USP2253TJG50
Country of risk	Mexico
	Emerging Market Bonds
Currency	USD
Coupon / type	6.125 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	05.05.2020
Maturity	05.05.2025
Payment rank	1st lien
CoCo	no

Ask price	107.12
Yield to maturity	4.95
Yield to worst	4.12
Govt spread to worst	209
Modified duration to worst	2.12
Denomination	200k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	106.85
Initiation yield to worst	4.36
Initiation govt spread	265

### Agency bond ratings

Moody's	-
S&P	BB
Fitch	BB-
Composite rating	BB-

**Moody's average historical cumulative issuer default rate (in %)** 13.16  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

considerable

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	BB
MSCI ESG Controversies	Yellow

### Issuer description

Source: Julius Baer Advisory Solutions

Cemex Sab de CV (CEMEX) is a Mexico-based producer and distributor of cement, ready-mix concrete and aggregates. It is the world's top-3 cement producer and has operations in roughly 50 countries. CEMEX also offers services such as construction financing and other technical support. It generated revenues of ca. MXN260.5bn (USD13.5bn) for the LTM ended June 2017. Its shares are widely held.

### Investment rationale

The company was close to defaulting as a result of a very expensive acquisition just at the top of the cycle, shortly before the global financial crisis broke out. A stringent focus on costs and ongoing divestments allowed it to slowly but steadily reduce indebtedness and to refinance upcoming debt maturities with the issuance of longer-dated bonds.

While today the size of its debt is still substantial and the weakness of the Mexican peso negatively impacted its earnings and credit metrics again in 2016, its liquidity and debt schedule look comfortable. Also, it has a large exposure to the US market, where the expected massive increase in infrastructure spending over the next years should be positive for Cemex.

This bond is considered attractive given that it offers a yield pick-up over US-based high-yield peers and should continue to perform well in case Cemex deleverages further, as expected. Therefore, it remains a candidate for a credit rating upgrade.

### CEMEX SAB DE CV 6.125% 05.05.2025

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET





# AEROPUERTOS ARGENT 2000 (USD - 6.875% 01.02.2027)

## Industrials / Transportation

### Bond data

ISIN	USP0092MAE32
Country of risk	Argentina
	Emerging Market Bonds
Currency	USD
Coupon / type	6.875 / fixed
Coupon frequency	quarterly
Coupon spread	-
Next call date	06.02.2022
Maturity	01.02.2027
Payment rank	Secured
CoCo	no

Ask price	108.70
Yield to maturity	5.64
Yield to worst	4.94
Govt spread to worst	260
Modified duration to worst	4.26
Denomination	150k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	107.98
Initiation yield to worst	5.15
Initiation govt spread	309

### Agency bond ratings

Moody's	B1
S&P	BB-
Fitch	-
Composite rating	B+

**Moody's average historical cumulative issuer default rate (in %)** 36.18  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

high

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	not available
MSCI ESG Controversies	not available

### Issuer description

Source: Julius Baer Advisory Solutions

Aeropuertos Argentina 2000 SA (AEROAR) provides administrative and operating services to the airport sector. It operates the most important airports (33 out of 54) in Argentina under a government-granted concession agreement awarded in 1997. AEROAR's tariffs are regulated. The company generated revenues of ARS13.6bn (USD906m) for the LTM ended March 2017. Corporacion America S.A. and Corporacion America Sudamericana S.A., both owned by Eduardo Eurenkian, and the Government of Argentina are its largest shareholders, with stakes of ca. 46%, 30% and 15%, respectively. The rest is widely held.

### Investment rationale

The country risk and Argentina's default history cannot be ignored and therefore this bond should only be included in adequately diversified portfolios. Nevertheless, AEROAR's business generates healthy and stable cash flows, over 80% of them in USD. Were it not based in Argentina, it would enjoy a low-investment-grade rating given its strong fundamentals.

This bond is secured by international and regional passenger use fees (about 40% of total revenues) and 100% of the company's indemnification rights from a concession termination. Its nominal starts amortising in equal instalments after the third year, which reduces the average lifetime to 6.1 years.

This bond is considered attractive because of the solid fundamentals and business coupled with the generous yield resulting from the country-related risk.

Important: If the company manages to extend the concession by at least ten years, to 2038, it will be allowed to call the bond at 103.438% plus accrued interest. Therefore, this bond should only be considered as a buying option for as long as its price does not deviate too much from this call price.

### AEROPUERTOS ARGENT 2000 6.875% 01.02.2027

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# ARCOS DORADOS HOLDINGS I (USD - 5.875% 04.04.2027)

## Consumer Cyclical / Hotels, Restaurants & Leisure

### Bond data

ISIN	USG0457FAC17
Country of risk	Uruguay
	Emerging Market Bonds
Currency	USD
Coupon / type	5.875 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	04.04.2022
Maturity	04.04.2027
Payment rank	Sr Unsecured
CoCo	no
Ask price	106.11
Yield to maturity	5.04
Yield to worst	4.86
Govt spread to worst	245
Modified duration to worst	5.12
Denomination	100k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	106.40
Initiation yield to worst	4.83
Initiation govt spread	265

### Agency bond ratings

Moody's	Ba3
S&P	-
Fitch	BB+
Composite rating	BB

**Moody's average historical cumulative issuer default rate (in %)** 16.28  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

high

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	not available
MSCI ESG Controversies	not available

### Issuer description

Source: Julius Baer Advisory Solutions

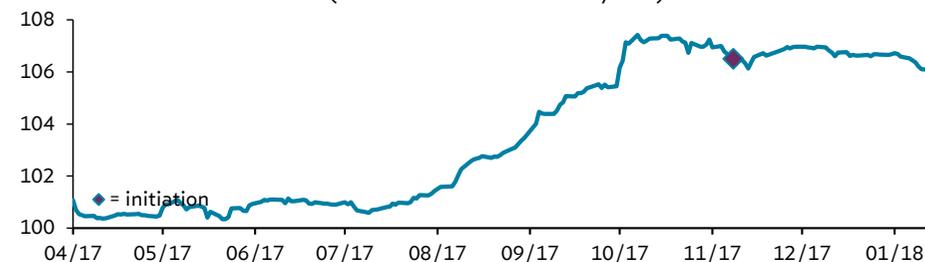
Arcos Dorados Holdings Inc. (ARCO) is an Argentina-based leading quick service restaurant operator in Latin America and the Caribbean and the largest franchisee of McDonald's globally. It owns the exclusive right to own, operate and grant McDonald's franchises in 20 Latin American and Caribbean countries. It derived revenues of USD3.2bn for the LTM ended June 2017. The company was established in 2007 by Mr. Staton, McDonald's former CEO for Latin America, who holds 76% of the voting shares.

### Investment rationale

Although based in Argentina, the company generates nearly 50% of revenues in Brazil and the remainder across other Latin American countries. Local-currency weaknesses and economic headwinds have in the past led to a sharp decrease in revenues in USD terms and to deterioration of its credit metrics. Thanks to cost reduction, business optimisation and debt liability management transactions, it was able to turn around the business and today enjoys a comfortable cash position and a relatively low leverage. The bond prospectus includes different clauses protecting bondholders. In case Mr. Staton ceases to own more than 30% of the voting rights of ARCO, this bond becomes puttable at 101%. In the event of his death, McDonald's has the right to buy his shares and to become the majority owner of ARCO. And in case of McDonald's withdrawal from the general franchisee right, the bond will immediately become due. This bond is considered attractive as it allows risk-friendly investors to get exposed to a diversified range of Latin American economies while receiving a decent yield, given the domicile.

### ARCOS DORADOS HOLDINGS I 5.875% 04.04.2027

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# MYRIAD INTL HOLDINGS BV (USD - 4.85% 06.07.2027)

## Consumer Cyclical / Media & Publishing

### Bond data

ISIN	USN5946FAD98
Country of risk	South Africa
	Emerging Market Bonds
Currency	USD
Coupon / type	4.85 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	06.04.2027
Maturity	06.07.2027
Payment rank	Sr Unsecured
CoCo	no
Ask price	104.91
Yield to maturity	4.22
Yield to worst	4.20
Govt spread to worst	169
Modified duration to worst	7.42
Denomination	200k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	103.05
Initiation yield to worst	4.45
Initiation govt spread	210

### Agency bond ratings

Moody's	Baa3
S&P	BBB-
Fitch	-
Composite rating	BBB-

**Moody's average historical cumulative issuer default rate (in %)** 3.93  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

moderate

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	BBB
MSCI ESG Controversies	Yellow

### Issuer description

Source: Julius Baer Advisory Solutions

Founded in 1915, South Africa-based media company Naspers Ltd. (NPNSJ) provides a television platform, print media and Internet services, technology products and book publishing services through various investments. Its assets include a 29.1% stake in Mail.ru, Russia's leading Internet company and a 33% stake in Tencent, China's leading Internet services provider. It generated revenues of ca. ZAR85.7bn (USD6.1bn) for the FY ended March 2017. NPNSJ is largely held by Public Investment Corp. (ca. 17% stake) and the rest is widely held.

### Investment rationale

The company had a solid balance sheet until 2012. Since then, the continuous expansion of its pay-TV offering in Africa and new e-commerce projects have led to a steady increase of its leverage to a level inconsistent with an investment-grade rating.

On the other hand, Naspers has a strong liquidity profile and minimal debt repayments until 2020. Furthermore, the two stakes it holds in Tencent and Mail.ru are worth a multiple of its current debt. And by disposing its 100% stake in Polish Allegro Group in 2016 for USD 3.2 billion with a net profit of USD 2 billion, it showed its ability to create value by monetising mature assets.

This bond is considered a relatively low risk but given the domicile nevertheless attractively yielding investment. Investors though need to be aware of the domicile related credit rating pressure and must therefore be willing to eventually hold a high yield rated instrument.

### MYRIAD INTL HOLDINGS BV 4.85% 06.07.2027

Price chart in % of face value (since issuance or max. 5 years)

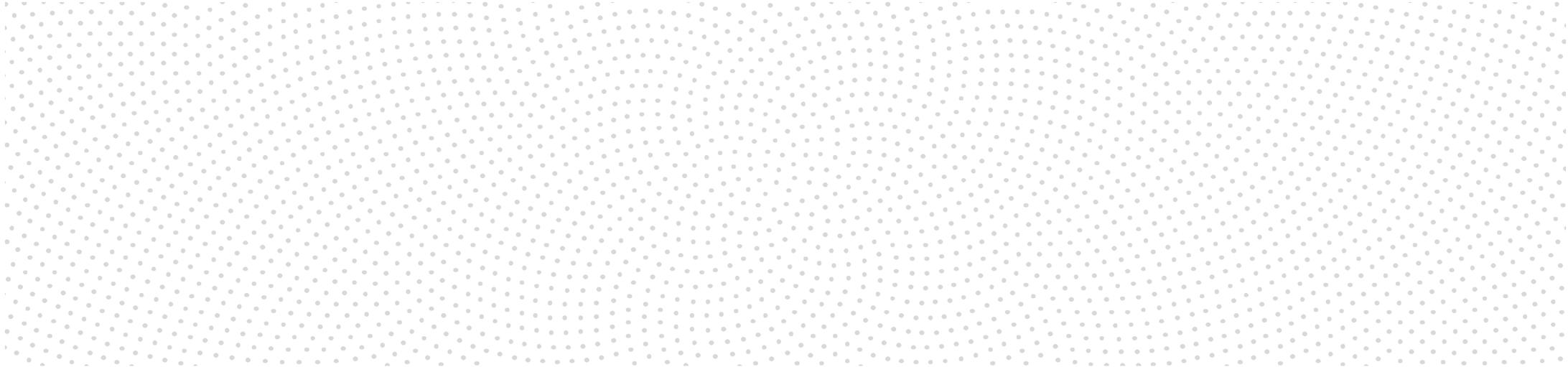


Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# BOND DETAILS

USD Investment Grade, Crossover and High Yield



# FRONTIER COMMUNICATIONS (USD - 7.125% 15.03.2019)

## Telecommunications / Fixed-line & Integrated Telecommunication Services

### Bond data

ISIN	US17453BAW19
Country of risk	USA
	High Yield Bonds
Currency	USD
Coupon / type	7.125 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	
Maturity	15.03.2019
Payment rank	Sr Unsecured
CoCo	no

Ask price	98.00
Yield to maturity	8.97
Yield to worst	8.97
Govt spread to worst	715
Modified duration to worst	1.06
Denomination	1k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	28.11.2017
Initiation price	97.75
Initiation yield to worst	8.99
Initiation govt spread	735

### Agency bond ratings

Moody's	B3
S&P	B
Fitch	B+
Composite rating	B

**Moody's average historical cumulative issuer default rate (in %)** 8.44  
(composite rating until final maturity date)

### Julius Baer research issuer rating

Speculative/Hold

### Julius Baer product risk rating

high

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	BB
MSCI ESG Controversies	Green

### Issuer description

Source: Bear Insight Fixed Income Research

Frontier Communications Corp. (FTR) is the fourth-largest incumbent local exchange carrier in the US, with ca. 5.0m customers (as of end-Q2 2017), of which 4.0m are broadband subscribers spread across 29 states in the US. Following the acquisition of Verizon Communication Inc.'s wireline broad-band and video operations in California, Florida and Texas (CTF) in April 2016, FTR's operating scale almost doubled (consolidated revenues of USD8.9bn in FY 2016 vs. USD5.6bn in FY 2015). FTR provides communications services to residential and business customers in small- and medium-sized towns and cities, offering a variety of voice, data, broadband, video and television services and products.

### Investment rationale

Main risks include FTR's very high indebtedness as a result of an expensive and ill-timed acquisition, intense competition that pressures sales and margins while at the same time constantly high network investments are required to remain competitive.

On the more positive side the still high margins coupled with rigorous cost saving measures allow it to generate positive free cash flow that supports its currently comfortable liquidity situation. Liquidity is further supported by credit lines that are available until 2022, unless credit metrics deteriorate much further. If needed, the company would also have the flexibility to reduce dividend payments to improve the liquidity. The next few quarters will be crucial for FTR to improve investor sentiment, which is key for its ability to roll-over debt maturities, especially the larger ones from 2020 onwards. Absent an unexpected sharp operational deterioration, FTR's liquidity should nevertheless be high enough to repay its shorter-dated debt, including this 2019 bond. This bond is therefore considered attractive from a risk/reward perspective for investors who are willing and able to withstand periods of potentially very high volatility.

Given the elevated default risk, as reflected by its low credit rating and high yield, this bond should however only be considered as a buying option for well-diversified portfolios of high-risk takers.

### FRONTIER COMMUNICATIONS 7.125% 15.03.2019

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET



# FIAT CHRYSLER AUTOMOBILE (USD - 4.5% 15.04.2020)

## Consumer Cyclical / Automobiles & Parts

### Bond data

ISIN	US31562QAC15
Country of risk	UK
	High Yield Bonds
Currency	USD
Coupon / type	4.5 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	
Maturity	15.04.2020
Payment rank	Sr Unsecured
CoCo	no

Ask price	103.10
Yield to maturity	3.06
Yield to worst	3.06
Govt spread to worst	103
Modified duration to worst	2.10
Denomination	200k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	103.96
Initiation yield to worst	2.79
Initiation govt spread	109

### Agency bond ratings

Moody's	B1
S&P	BB
Fitch	BB
Composite rating	BB-

**Moody's average historical cumulative issuer default rate (in %)** 4.49  
(composite rating until final maturity date)

### Julius Baer research issuer rating

Speculative/Hold

### Julius Baer product risk rating

high

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	B
MSCI ESG Controversies	Orange

### Issuer description

Source: Bear Insight Fixed Income Research

Fiat Chrysler Automobiles (FCA) was formed by a merger of Fiat and Chrysler in 2014 and is the seventh-largest automobile company globally by volumes (4.7m vehicles). FCA has a diverse portfolio of 11 brands such as Abarth, Jeep, Fiat and Chrysler for mass markets and Alpha Romeo and Maserati in the premium car segment. The company also operates components and production businesses under the brands Magneti Marelli, Teksid and Comau. Financial Services are offered through captive finance companies or joint ventures except NAFTA, where FCA relies on independent financial service providers.

### Investment rationale

The industry is cyclical, very competitive, innovative (high research & development costs) and investments in such bonds are therefore generally risky. US market-related uncertainties pose more specific risks given that the company generates over 80% of operating profits locally, including Canada and Mexico.

On the other hand, its liquidity and financial risk profile have much improved over the last few years. By raising fresh equity (2014), listing and subsequently spinning off Ferrari (2015), and finally being able to access Chrysler's liquidity (2016), the company reduced its net leverage to a low level. This might be a guidance of what bond investors could expect going forward in case Alfa Romeo and/or Maserati were to be spun off too, or if a long-rumoured merger-and-acquisition transaction were to transpire. It may not reach the previously set challenging goal of obtaining an investment-grade rating by the end of 2018, but nevertheless it continues to remain a credit rating upgrade candidate.

This bond is considered attractive because its relatively short duration makes it little sensitive to interest-rate changes and the yield still leaves upside potential on the table, despite a further fundamental improvement being already priced in to a certain extent.

### FIAT CHRYSLER AUTOMOBILE 4.5% 15.04.2020

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# SEAGATE HDD CAYMAN (USD - 4.25% 01.03.2022)

## Information Technology / Hardware & Equipment

### Bond data

ISIN	USG79456AK84
Country of risk	USA
	High Yield Bonds
Currency	USD
Coupon / type	4.25 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	01.02.2022
Maturity	01.03.2022
Payment rank	Sr Unsecured
CoCo	no

Ask price	101.64
Yield to maturity	3.82
Yield to worst	3.81
Govt spread to worst	158
Modified duration to worst	3.63
Denomination	2k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	101.46
Initiation yield to worst	3.87
Initiation govt spread	194

### Agency bond ratings

Moody's	Baa3
S&P	BB+
Fitch	BBB-
Composite rating	BB+

**Moody's average historical cumulative issuer default rate (in %)** 8.39  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

considerable

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	BBB
MSCI ESG Controversies	Green

### Issuer description

Source: Julius Baer Advisory Solutions

US-based Seagate Technology Plc (STX) produces disk drive products used in electronic information systems. Its products include internal hard drives, flash storage and network-attached storage. STX also provides backup and recovery services, and operates in the US, Singapore, the Netherlands and other countries. It reported revenues of ca. USD11.1bn in the LTM ended March 2017. Fidelity Management & Research Co. is the largest shareholder, with a stake of ca. 11%, while the rest is widely held.

### Investment rationale

Risks include high competition, margins pressure and high innovation. STX's concentration on lower margin products was the reason for earnings under-performance versus peers and a credit rating downgrade to high yield.

But for the time being its leading position allows it to generate high cash-flows, the balance sheet is still relatively healthy, liquidity sufficient to cover debt repayments over the next few years and it has substantial room to reduce dividend payments and/or share buybacks. While this would allow for organic growth, a debt-funded acquisition cannot be ruled out. Depending on financing, this might add rating pressure before the benefits kick in.

This bond is considered attractive because it offers a low BB/high B rating equivalent yield, which provides certain downside protection, while it is expected to outperform similarly rated bonds on a buy-and-hold basis. Because of the downgrade risks, however, this bond is only suitable for risk-tolerant investors with adequate portfolio diversification.

### SEAGATE HDD CAYMAN 4.25% 01.03.2022

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# SOFTBANK GROUP CORP (USD - 5.375% 30.07.2022)

## Telecommunications / Fixed-line & Integrated Telecommunication Services

### Bond data

ISIN	XS1266660635
Country of risk	Japan
	High Yield Bonds
Currency	USD
Coupon / type	5.375 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	30.04.2022
Maturity	30.07.2022
Payment rank	Sr Unsecured
CoCo	no
Ask price	104.97
Yield to maturity	4.16
Yield to worst	4.10
Govt spread to worst	185
Modified duration to worst	3.73
Denomination	200k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	105.43
Initiation yield to worst	4.03
Initiation govt spread	207

### Agency bond ratings

Moody's	Ba1
S&P	BB+
Fitch	-
Composite rating	BB+

### Moody's average historical cumulative issuer default rate (in %)

8.39

(composite rating until final maturity date)

### Julius Baer research issuer rating

Speculative/Hold

### Julius Baer product risk rating

considerable

### Julius Baer issuer scores

Issuer overall score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Fundamental score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Market signal score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	BBB
MSCI ESG Controversies	Yellow

### Issuer description

Source: Bear Insight Fixed Income Research

Since 1999, SoftBank Group Corp. (SoftBank) has been operating as a Japanese holding company. Its operations involve providing a wide range of mobile and fixed-line telecommunications, broadband and Internet services. SoftBank conducts its business through both domestic and overseas subsidiaries. SoftBank is the third-largest mobile telecommunications group, in terms of subscribers, in Japan, with a market share of ca. 27% as of 30 September 2016. The company operates mainly in the US (47% of FY 2017 revenue), Japan (45%) and others (8%). Softbank is listed on the Tokyo Stock Exchange, with a market capitalisation of JPY10.24trn as of 4 January 2018.

### Investment rationale

The acquisition of the highly indebted and operationally pressured US-based Sprint Nextel, for USD 21.6 billion in 2013, led its leverage to rise and resulted in credit rating downgrades to high yield. Given the non-approval of the planned merger of Sprint with T-Mobile USA by the regulators, the competitive pressure further deteriorated its credit metrics.

The balance sheet risks are mitigated by Softbank's strong profitability and cash flow generation in its core market, Japan, as well as from significant unrealised gains from its equity stakes in some of the fast growing technology companies (including Alibaba and Yahoo Japan), whose value outweigh the total amount of its debt. A consolidation in the US telecommunications sector again became more likely under the Presidency of Donald Trump and this would help to ease competitive pressure, increase margins and allow for de-leveraging. This bond is considered attractive because its relatively short duration makes it little sensitive to interest rate changes and even then would still offer a decent yield when taking into consideration Softbank's financial flexibility.

### SOFTBANK GROUP CORP 5.375% 30.07.2022

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET



# ARDAGH PKG FIN/HLDGS USA (USD - 4.625% 15.05.2023)

## Industrials / Conglomerates & Distributors

### Bond data

ISIN	USG04586AJ54
Country of risk	Ireland
	High Yield Bonds
Currency	USD
Coupon / type	4.625 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	15.05.2019
Maturity	15.05.2023
Payment rank	1st lien
CoCo	no
Ask price	102.25
Yield to maturity	4.15
Yield to worst	3.90
Govt spread to worst	175
Modified duration to worst	3.04
Denomination	200k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	103.52
Initiation yield to worst	3.55
Initiation govt spread	171

### Agency bond ratings

Moody's	Ba3
S&P	BB
Fitch	-
Composite rating	BB-

**Moody's average historical cumulative issuer default rate (in %)** 10.13  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

high

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	not available
MSCI ESG Controversies	not available

### Issuer description

Source: Julius Baer Advisory Solutions

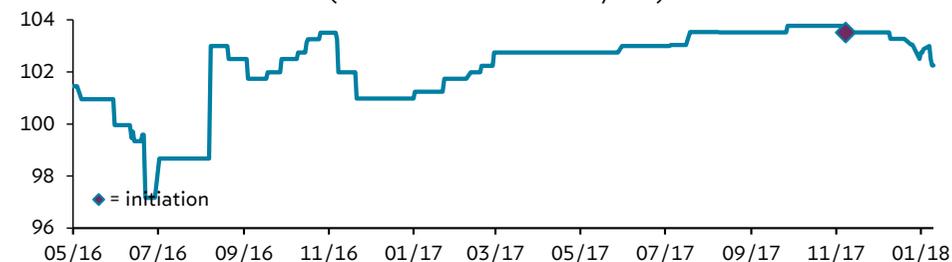
Ireland-based Ardagh Packaging Group Ltd (APHL) manufactures glass and metal packaging products for food and beverage and consumer care companies. Ardagh Group SA is its main operating subsidiary. APHL reported revenues of ca. EUR7.7bn for the FY ended December 2016. The company is privately owned, with a majority stake held by Paul Coulson and his family.

### Investment rationale

Rapid acquisition-driven growth over the past decade resulted in the very high total indebtedness of the company (leverage over 5x), a complex organisational structure and credit rating pressure. On the other hand, the food and beverage packaging business has shown extraordinarily strong resilience in economic downturns. In addition, the company has been successful in integrating acquired businesses, enjoys good geographic diversification and an improving competitive position now, which has resulted in recent credit rating upgrades. While the limited yield pick-up offered by Ardagh's senior unsecured bonds make them look unattractive from a risk/reward perspective, the yield of this senior secured bond is considered attractive taking into consideration the company's relatively low net leverage at the secured level, which provides certain downside protection.

### ARDAGH PKG FIN/HLDGS USA 4.625% 15.05.2023

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# DELL INT LLC / EMC CORP (USD - 5.45% 15.06.2023)

## Information Technology / Hardware & Equipment

### Bond data

ISIN	USU2526DAC30
Country of risk	USA
Low Investment Grade Bonds	
Currency	USD
Coupon / type	5.45 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	15.04.2023
Maturity	15.06.2023
Payment rank	1st lien
CoCo	no
Ask price	108.26
Yield to maturity	3.75
Yield to worst	3.70
Govt spread to worst	135
Modified duration to worst	4.55
Denomination	2k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	109.14
Initiation yield to worst	3.58
Initiation govt spread	150

### Agency bond ratings

Moody's	Baa3
S&P	BBB-
Fitch	BBB-
Composite rating	BBB-

**Moody's average historical cumulative issuer default rate (in %)** 2.06  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

moderate

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	A
MSCI ESG Controversies	Yellow

### Issuer description

Source: Julius Baer Advisory Solutions

Dell Inc. (DELL) is one of the world's leading providers of personal computers (PC), servers, enterprise storage and related devices. Its products include laptops, desktops, tablets, thin clients, printers, monitors, software, workstations and accessories. It generated revenues of USD67.1bn for the LTM ended April 2017. Michael Dell is the largest shareholder with a stake of ca. 70%.

### Investment rationale

The EMC acquisition was mostly debt-funded and led to a sharp deterioration of its credit metrics. In addition the technology sector is very risky because of high competition, high innovation and relatively low margins. On the other hand, the combined Dell/EMC enjoys decent liquidity, generates high cash flows and will benefit from substantial cost and revenue synergies. Together with asset divestitures, this should allow for deleveraging and the achievement of an investment-grade rating on the corporate level over the medium term, which is key to remaining competitive over the long run. This bond is considered attractive from a risk/reward perspective as it represents a senior secured liability with relatively higher recovery rate, if things unexpectedly go wrong, and has an acceptable duration. Hence, it is also preferred over Dell's subordinated senior unsecured bonds, which provide little additional yield for a two-notch lower high-yield rating.

### DELL INT LLC / EMC CORP 5.45% 15.06.2023

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET



# IHO VERWALTUNGS GMBH (USD - 4.5% 15.09.2023)

## Consumer Cyclical / Automobiles & Parts

### Bond data

ISIN	USD6710TAB64
Country of risk	Germany
	High Yield Bonds
Currency	USD
Coupon / type	4.5 / pik
Coupon frequency	semi-annual
Coupon spread	-
Next call date	15.09.2019
Maturity	15.09.2023
Payment rank	1st lien
CoCo	no

Ask price	102.95
Yield to maturity	3.91
Yield to worst	3.63
Govt spread to worst	145
Modified duration to worst	3.33
Denomination	200k / 0.001k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	103.95
Initiation yield to worst	3.39
Initiation govt spread	151

### Agency bond ratings

Moody's	Ba1
S&P	BB-
Fitch	BB+
Composite rating	BB

**Moody's average historical cumulative issuer default rate (in %)** 10.13  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

high

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	not available
MSCI ESG Controversies	not available

### Issuer description

Source: Julius Baer Advisory Solutions

IHO Verwaltungs GmbH (IHO) is a German based investment company with stakes in Schaeffler AG (75% of share capital) and Continental AG (36% of share capital). Schaeffler AG manufactures rolling bearings and linear products. It offers precision parts for machines, equipments, vehicles, aviation, and aerospace applications. IHO is ultimately owned by two members of the Schaeffler family.

### Investment rationale

IHO is a holding company with no operational activity and therefore depends upon dividend income to service its debt. Given its private status, the news flow is relatively scarce, the underlying businesses are cyclical and its two main assets, Schaeffler and Continental, are subject to equity market volatility.

On the other hand, dividend income currently covers interest expenses multiple times, and the value of its main assets exceeds its indebtedness. Furthermore, the value of pledges over Schaeffler and Continental shares exceeds the value of its secured indebtedness.

This bond offers relative value over bonds from similarly rated car manufacturers and their suppliers and is considered even more attractive because of the valuable listed stakes in high quality assets pledged to it. **IMPORTANT:** The coupon PIK (pay-in-kind) feature of this bond allows the company to pay the coupons with new bonds (increase in nominal) instead of cash in case of liquidity unavailability.

### IHO VERWALTUNGS GMBH 4.5% 15.09.2023

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# UBS AG (USD - 5.125% 15.05.2024)

## Financials / Banks

### Bond data

ISIN	CH0244100266
Country of risk	Switzerland
Low Investment Grade Bonds	
Currency	USD
Coupon / type	5.125 / fixed
Coupon frequency	annual
Coupon spread	-
Next call date	
Maturity	15.05.2024
Payment rank	Subordinated
CoCo	yes*

Ask price	106.47
Yield to maturity	3.94
Yield to worst	3.91
Govt spread to worst	149
Modified duration to worst	5.21
Denomination	200k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	106.61
Initiation yield to worst	3.91
Initiation govt spread	172

### Agency bond ratings

Moody's	-
S&P	BBB+
Fitch	A-
Composite rating	BBB+

**Moody's average historical cumulative issuer default rate (in %)** 2.47  
(composite rating until final maturity date)

### Julius Baer research issuer rating

Opportunistic/Buy

### Julius Baer product risk rating

high

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	A
MSCI ESG Controversies	Orange

### Issuer description

Source: Bear Insight Fixed Income Research

UBS Group AG (UBS) is the holding company of UBS AG - one of the largest wealth and asset manager globally, with total assets of CHF891bn as of H1 2017. It has presence across 50 countries. The bank is active in private banking, asset management and investment banking. UBS has a strong private banking franchise domestically and in the US.

### Investment rationale

This subordinated Tier-2 CoCo (\*) bond can be written-down to 0% if UBS' core capital ratio falls below 5%, or when it reaches the point of non-viability according to the Swiss financial regulator.

The risk is mitigated by UBS' success in massively reducing the size and risk of its balance sheet. By now this effort resulted in a relatively strong capitalisation and capital buffers high enough to withstand larger losses that could arise under its normal operations.

This bond is considered attractive relative to UBS' senior bonds given its yield pick-up and but relatively low risk of a write-down event. At the same time this bond is supported by the fact that it will lose capital accountability for UBS after 2019 and hence might be in scope of a buyback at a premium to the market price.

\* Investments in CoCo bonds for EEA resident clients are only allowed if their annual income exceeds GBP 100'000 or investable net assets amount to at least GBP 250'000 (or equivalent). Please find important legal information for CoCo bonds (contingent convertible; absorb losses if a bank's capitalisation falls below a defined level) at the end of this document.

### UBS AG 5.125% 15.05.2024

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# EDP FINANCE BV (USD - 3.625% 15.07.2024)

## Utilities / Electric Utilities

### Bond data

ISIN	XS1638075488
Country of risk	Portugal
Low Investment Grade Bonds	
Currency	USD
Coupon / type	3.625 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	
Maturity	15.07.2024
Payment rank	Sr Unsecured
CoCo	no

Ask price	100.85
Yield to maturity	3.48
Yield to worst	3.48
Govt spread to worst	105
Modified duration to worst	5.74
Denomination	200k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	101.55
Initiation yield to worst	3.36
Initiation govt spread	116

### Agency bond ratings

Moody's	Baa3
S&P	BBB-
Fitch	BBB-
Composite rating	BBB-

**Moody's average historical cumulative issuer default rate (in %)** 2.47  
(composite rating until final maturity date)

### Julius Baer research issuer rating

Speculative/Hold

### Julius Baer product risk rating

considerable

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	AAA
MSCI ESG Controversies	Green

### Issuer description

Source: Bear Insight Fixed Income Research

Energias de Portugal, S.A. (EDP) is Portugal's (Hold/Speculative) largest utility company in terms of clients. It is the leading power generator; owns ca. 99% of the electricity distribution networks and the second-largest gas distribution network in Portugal. EDP has operations in Spain (through Hidroelectrica del Cantabrico; Hold/Opportunistic), Brazil (through its 51% holding in Energias do Brasil, S.A.; Hold/Speculative), Central Europe and the US (not covered). It also has interests in the wind and solar business through its 77.5%-owned subsidiary EDP Renovaveis, S.A. (EDPR; not covered).

### Investment rationale

As an EU peripheral company, it faced heavy headwinds both during and after the European sovereign crisis that have not yet completely disappeared. As a result, it has ended up being highly indebted. Still, revenues and earnings from regulated and long-term contracted businesses remain high at over 75%, which provides cash-flow visibility. Furthermore, it has a diversified asset base, has generated stable EBITDA margins at over 20% through the cycle and enjoys decent liquidity. Continued divestments, efficiency gains and lower capital expenditure helped to reduce indebtedness and to regain investment-grade rating while the target is a continued net leverage reduction towards 3.0x by 2020. Lastly, it has bolstered its capitalisation through the issuance of hybrid securities, but it should also be able to rely on its financially powerful shareholder, which has shown willingness to provide multi-billion EUR of funding in the past. This bond is considered attractive from a risk/reward perspective on the expectation of continued deleveraging and credit rating upgrades for which investors which will be most rewarded by holding the longest-duration bonds available from the company.

### EDP FINANCE BV 3.625% 15.07.2024

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# SOFTBANK GROUP CORP (USD - 4.75% 19.09.2024)

## Telecommunications / Fixed-line & Integrated Telecommunication Services

### Bond data

ISIN	XS1684384511
Country of risk	Japan
	High Yield Bonds
Currency	USD
Coupon / type	4.75 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	21.06.2024
Maturity	19.09.2024
Payment rank	Sr Unsecured
CoCo	no
Ask price	100.46
Yield to maturity	4.67
Yield to worst	4.67
Govt spread to worst	224
Modified duration to worst	5.40
Denomination	200k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	99.59
Initiation yield to worst	4.82
Initiation govt spread	260

### Agency bond ratings

Moody's	Ba1
S&P	BB+
Fitch	-
Composite rating	BB+

**Moody's average historical cumulative issuer default rate (in %)** 11.67  
(composite rating until final maturity date)

### Julius Baer research issuer rating

Speculative/Hold

### Julius Baer product risk rating

considerable

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	BBB
MSCI ESG Controversies	Yellow

### Issuer description

Source: Bear Insight Fixed Income Research

Since 1999, SoftBank Group Corp. (SoftBank) has been operating as a Japanese holding company. Its operations involve providing a wide range of mobile and fixed-line telecommunications, broadband and Internet services. SoftBank conducts its business through both domestic and overseas subsidiaries. SoftBank is the third-largest mobile telecommunications group, in terms of subscribers, in Japan, with a market share of ca. 27% as of 30 September 2016. The company operates mainly in the US (47% of FY 2017 revenue), Japan (45%) and others (8%). Softbank is listed on the Tokyo Stock Exchange, with a market capitalisation of JPY10.24trn as of 4 January 2018.

### Investment rationale

The acquisition of the highly indebted and operationally pressured US-based Sprint Nextel, for USD 21.6 billion in 2013, led its leverage to rise and resulted in credit rating downgrades to high yield. Given the non-approval of the planned merger of Sprint with T-Mobile USA by the regulators, the competitive pressure further deteriorated its credit metrics.

The balance sheet risks are mitigated by Softbank's strong profitability and cash flow generation in its core market, Japan, as well as from significant unrealised gains from its equity stakes in some of the fast growing technology companies (including Alibaba and Yahoo Japan), whose value outweigh the total amount of its debt. A consolidation in the US telecommunications sector again became more likely under the Presidency of Donald Trump and this would help to ease competitive pressure, increase margins and allow for de-leveraging. This bond is considered the most attractive one within Softbank's USD bond curve (hybrid bonds excluded) given its relatively low cash price and acceptable duration, while at the same time it offers an attractive compensation when taking into consideration Softbank's financial flexibility.

### SOFTBANK GROUP CORP 4.75% 19.09.2024

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET



# SFR GROUP SA (USD - 7.375% 01.05.2026)

## Consumer Cyclical / Media & Publishing

### Bond data

ISIN	USF6628RAA17
Country of risk	France
	High Yield Bonds
Currency	USD
Coupon / type	7.375 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	01.05.2021
Maturity	01.05.2026
Payment rank	1st lien
CoCo	no

Ask price	100.70
Yield to maturity	7.26
Yield to worst	7.24
Govt spread to worst	482
Modified duration to worst	4.96
Denomination	200k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	104.20
Initiation yield to worst	6.57
Initiation govt spread	438

### Agency bond ratings

Moody's	B1
S&P	B+
Fitch	-
Composite rating	B+

**Moody's average historical cumulative issuer default rate (in %)** 34.12  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

high

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	B
MSCI ESG Controversies	Yellow

### Issuer description

Source: Julius Baer Advisory Solutions

SFR Group SA (NUMFP) is one of the largest providers of telecommunication services in France. It provides Internet, television and telephone services, and it operates through three segments: Business to Consumer, Business to Business and Wholesale. It reported revenues of ca. EUR11.2bn for the LTM ended June 2017. Altice SA (ca. 97%) is its major shareholder, and the rest is widely held.

### Investment rationale

The main risks include the intense competition in the French telecom market, which pressures revenues and margins, the generally high investment needs in order to remain competitive over the longer run (4G rollout) and a highly leveraged balance sheet, similar to the one of peers that also operate under the Liberty Global umbrella. The leverage is not expected to improve and rating upgrades should not be expected, given that most of the earnings are expected to be distributed as dividends towards its shareholder.

On the other hand, the combination of Numericable and SFR, followed by large investments into 4G networks allowed it to become the leading fiber provider with a high quality network. This now allows for capex reductions while at the same time allowing it to offer more bundled and high margin pay-TV services, including mega sport events like the Champions League and Europa League, for which it will have the exclusive distribution rights in 2018 and 2021. At the same time, liquidity and the debt maturity profile look comfortable.

This bond is considered attractive because of its senior secured status, the issuer's valuable assets in France, and the fact that it offers a decent yield, or high risk premium, which increases the likelihood that it will get refinanced and repaid at the first call date, thus making it only a medium-term duration investment.

### SFR GROUP SA 7.375% 01.05.2026

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# IHO VERWALTUNGS GMBH (USD - 4.75% 15.09.2026)

## Consumer Cyclical / Automobiles & Parts

### Bond data

ISIN	USD6710TAC48
Country of risk	Germany
	High Yield Bonds
Currency	USD
Coupon / type	4.75 / pik
Coupon frequency	semi-annual
Coupon spread	-
Next call date	15.09.2021
Maturity	15.09.2026
Payment rank	1st lien
CoCo	no

Ask price	101.95
Yield to maturity	4.48
Yield to worst	4.41
Govt spread to worst	197
Modified duration to worst	5.63
Denomination	200k / 0.001k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	102.95
Initiation yield to worst	4.25
Initiation govt spread	203

### Agency bond ratings

Moody's	Ba1
S&P	BB-
Fitch	BB+
Composite rating	BB

**Moody's average historical cumulative issuer default rate (in %)** 14.69  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

high

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	not available
MSCI ESG Controversies	not available

### Issuer description

Source: Julius Baer Advisory Solutions

IHO Verwaltungs GmbH (IHO) is a German based investment company with stakes in Schaeffler AG (75% of share capital) and Continental AG (36% of share capital). Schaeffler AG manufactures rolling bearings and linear products. It offers precision parts for machines, equipments, vehicles, aviation, and aerospace applications. IHO is ultimately owned by two members of the Schaeffler family.

### Investment rationale

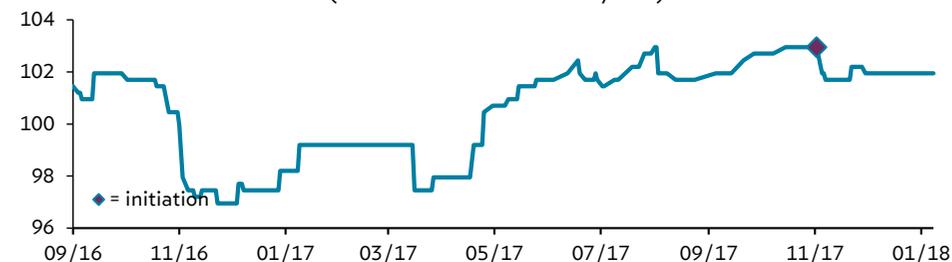
IHO is a holding company with no operational activity and therefore depends upon dividend income to service its debt. Given its private status, the news flow is relatively scarce, the underlying businesses are cyclical and its two main assets, Schaeffler and Continental, are subject to equity market volatility.

On the other hand, dividend income currently covers interest expenses multiple times, and the value of its main assets exceeds its indebtedness. Furthermore, the value of pledges over Schaeffler and Continental shares exceeds the value of its secured indebtedness.

This bond offers relative value over bonds from similarly rated car manufacturers and their suppliers and is considered even more attractive because of the valuable listed stakes in high quality assets pledged to it. IMPORTANT: The coupon PIK (pay-in-kind) feature of this bond allows the company to pay the coupons with new bonds (increase in nominal) instead of cash in case of liquidity unavailability.

### IHO VERWALTUNGS GMBH 4.75% 15.09.2026

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# T-MOBILE USA INC (USD - 5.375% 15.04.2027)

## Telecommunications / Mobile Telecommunication Services

### Bond data

ISIN	US87264AAT25
Country of risk	USA
	High Yield Bonds
Currency	USD
Coupon / type	5.375 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	15.04.2022
Maturity	15.04.2027
Payment rank	Sr Unsecured
CoCo	no

Ask price	107.07
Yield to maturity	4.43
Yield to worst	4.13
Govt spread to worst	188
Modified duration to worst	3.74
Denomination	2k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	106.71
Initiation yield to worst	4.25
Initiation govt spread	229

### Agency bond ratings

Moody's	Ba2
S&P	BB+
Fitch	-
Composite rating	BB

**Moody's average historical cumulative issuer default rate (in %)** 16.28  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

considerable

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	B
MSCI ESG Controversies	Yellow

### Issuer description

Source: Julius Baer Advisory Solutions

T-Mobile US Inc. (TMUS) provides mobile communication services in the US, Puerto Rico and the US Virgin Islands. It offers post-paid and pre-paid wireless voice, messaging and data services and wholesale services. It generated revenues of ca. USD38.3bn in the LTM ended March 2017. Deutsche Telecom (DT) owns 64% of TMUS, while the rest is widely held.

### Investment rationale

Intense competition in a four-player market and high investment requirements to remain competitive over the long run are among the biggest risks.

At the same time, heavy spending on spectrum assets and network modernisation, coupled with innovative offerings and immense marketing efforts, allowed TMUS to become the fastest growing US wireless player (measured by subscriber additions) and the third largest operator by revenues in the US. While its margins are still lower compared to the market leaders Verizon and AT&T, its earnings nevertheless reached record-high levels, which should allow for an improvement of its credit metrics, which are not much weaker relative to its larger peers.

This bond is considered attractive because TMUS' market share, profitability and its financially solid shareholder should make it one of the more solid high-yield issuers. At the same time, it offers a decent yield pick-up over bonds from its larger competitors and therefore implies further outperformance potential relative to them, as TMUS' fundamental picture continues to improve.

### T-MOBILE USA INC 5.375% 15.04.2027

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# BHP BILLITON FIN USA LTD (USD - 6.25% 19.10.2075)

## Materials / Mining

### Bond data

ISIN	USQ12441AA19
Country of risk	Australia
	Low Investment Grade Bonds
Currency	USD
Coupon / type	6.25 / variable
Coupon frequency	semi-annual
Coupon spread	497
Next call date	19.10.2020
Maturity	19.10.2075
Payment rank	Jr Subordinated
CoCo	no

Ask price	108.16
Yield to maturity	6.62
Yield to worst	3.13
Govt spread to worst	105
Modified duration to worst	2.51
Denomination	200k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	109.70
Initiation yield to worst	2.78
Initiation govt spread	101

### Agency bond ratings

Moody's	Baa2
S&P	BBB+
Fitch	A-u
Composite rating	BBB

**Moody's average historical cumulative issuer default rate (in %)** 3.93  
(composite rating until final maturity date)

### Julius Baer research issuer rating

Opportunistic/Buy

### Julius Baer product risk rating

moderate

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	BBB
MSCI ESG Controversies	Red

### Issuer description

Source: Bear Insight Fixed Income Research

Headquartered in Australia and founded in 1885, BHP Billiton is a world-leading resources company operating mineral and petroleum assets. It ranks among the top five companies in iron ore, copper and metallurgical coal. Iron ore and copper are its key segments, which contributed 38% and 21% to 2017 sales, respectively. Most of the company's mining assets are located in Australia and the Americas. BHP Billiton's strategy is to operate long-life, low-cost and expandable assets and diversify them by commodity, geography and market.

### Investment rationale

Risks include the exposure to commodity prices, which in the past behaved in a very volatile manner. This makes cash-flow visibility difficult and expansionary investments very risky, given the typically need long execution time needed, while returns are hard to predict.

Its large diversification with regards to products, asset bases and export regions gives it lots of flexibility to adapt to difficult market environments and was the reason why it was able to navigate through very difficult times without larger damage. Furthermore, it has shown a willingness to defend its goal of maintaining a solid investment-grade rating, e.g. by large dividend cuts (to the discontent of shareholders).

This bond is considered an attractive alternative to BHP's senior bonds, as it offers a multiple of risk compensation in terms of credit spread and in this way allows investment-grade focused investors to be paid an attractive yield for an investment that is considered relatively low risk, given the solid quality of the issuer. **IMPORTANT:** Given its equity-like characteristics (deferrable but cumulative coupons, very low recovery value in the worst case), this subordinated bond can trade in a very volatile manner at times. Hence, it is only suitable for inclusion into well-diversified portfolios.

### BHP BILLITON FIN USA LTD 6.25% 19.10.2075

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# BHP BILLITON FIN USA LTD (USD - 6.75% 19.10.2075)

## Materials / Mining

### Bond data

ISIN	USQ12441AB91
Country of risk	Australia
	Low Investment Grade Bonds
Currency	USD
Coupon / type	6.75 / variable
Coupon frequency	semi-annual
Coupon spread	509
Next call date	20.10.2025
Maturity	19.10.2075
Payment rank	Jr Subordinated
CoCo	no

Ask price	117.44
Yield to maturity	6.10
Yield to worst	4.10
Govt spread to worst	163
Modified duration to worst	6.09
Denomination	200k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	118.05
Initiation yield to worst	4.07
Initiation govt spread	179

### Agency bond ratings

Moody's	Baa2
S&P	BBB+
Fitch	A-u
Composite rating	BBB

**Moody's average historical cumulative issuer default rate (in %)** 3.93  
(composite rating until final maturity date)

### Julius Baer research issuer rating

Opportunistic/Buy

### Julius Baer product risk rating

moderate

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	BBB
MSCI ESG Controversies	Red

### Issuer description

Source: Bear Insight Fixed Income Research

Headquartered in Australia and founded in 1885, BHP Billiton is a world-leading resources company operating mineral and petroleum assets. It ranks among the top five companies in iron ore, copper and metallurgical coal. Iron ore and copper are its key segments, which contributed 38% and 21% to 2017 sales, respectively. Most of the company's mining assets are located in Australia and the Americas. BHP Billiton's strategy is to operate long-life, low-cost and expandable assets and diversify them by commodity, geography and market.

### Investment rationale

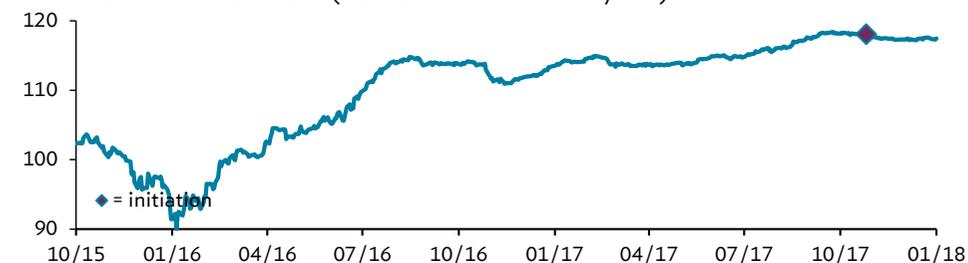
Risks include the exposure to commodity prices, which in the past behaved in a very volatile manner. This makes cash-flow visibility difficult and expansionary investments very risky, given the typically need long execution time needed, while returns are hard to predict.

Its large diversification with regards to products, asset bases and export regions gives it lots of flexibility to adapt to difficult market environments and was the reason why it was able to navigate through very difficult times without larger damage. Furthermore, it has shown a willingness to defend its goal of maintaining a solid investment-grade rating, e.g. by large dividend cuts (to the discontent of shareholders).

This bond is considered an attractive alternative to BHP's senior bonds, as it offers a multiple of risk compensation in terms of credit spread and in this way allows investment-grade focused investors to be paid an attractive yield for an investment that is considered relatively low risk, given the solid quality of the issuer. IMPORTANT: Given its equity-like characteristics (deferrable but cumulative coupons, very low recovery value in the worst case), this subordinated bond can trade in a very volatile manner at times. Hence, it is only suitable for inclusion into well-diversified portfolios.

### BHP BILLITON FIN USA LTD 6.75% 19.10.2075

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# SOFTBANK GROUP CORP (USD - 6% Perpetual)

## Telecommunications / Fixed-line & Integrated Telecommunication Services

### Bond data

ISIN	XS1642682410
Country of risk	Japan
	High Yield Bonds
Currency	USD
Coupon / type	6 / variable
Coupon frequency	semi-annual
Coupon spread	423
Next call date	19.07.2023
Maturity	Perpetual
Payment rank	Subordinated
CoCo	no

Ask price	100.66
Yield to maturity	6.40
Yield to worst	5.86
Govt spread to worst	349
Modified duration to worst	4.50
Denomination	200k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	100.53
Initiation yield to worst	5.89
Initiation govt spread	378

### Agency bond ratings

Moody's	Ba3
S&P	B+
Fitch	-
Composite rating	B+

**Moody's average historical cumulative issuer default rate (in %)** 36.18  
(composite rating until final maturity date)

### Julius Baer research issuer rating

Speculative/Hold

### Julius Baer product risk rating

high

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	BBB
MSCI ESG Controversies	Yellow

### Issuer description

Source: Bear Insight Fixed Income Research

Since 1999, SoftBank Group Corp. (SoftBank) has been operating as a Japanese holding company. Its operations involve providing a wide range of mobile and fixed-line telecommunications, broadband and Internet services. SoftBank conducts its business through both domestic and overseas subsidiaries. SoftBank is the third-largest mobile telecommunications group, in terms of subscribers, in Japan, with a market share of ca. 27% as of 30 September 2016. The company operates mainly in the US (47% of FY 2017 revenue), Japan (45%) and others (8%). Softbank is listed on the Tokyo Stock Exchange, with a market capitalisation of JPY10.24trn as of 4 January 2018.

### Investment rationale

The acquisition of the highly indebted and operationally pressured US-based Sprint Nextel, for USD 21.6 billion in 2013, led its leverage to rise and resulted in credit rating downgrades to high yield. Given the non-approval of the planned merger of Sprint with T-Mobile USA by the regulators, the competitive pressure further deteriorated its credit metrics.

The balance sheet risks are mitigated by Softbank's strong profitability and cash flow generation in its core market, Japan, as well as from significant unrealised gains from its equity stakes in some of the fast growing technology companies (including Alibaba and Yahoo Japan), whose value outweigh the total amount of its debt. A consolidation in the US telecommunications sector again became more likely under the Presidency of Donald Trump and this would help to ease competitive pressure, increase margins and allow for de-leveraging. This bond is considered attractive because: a) its coupon will be adjusted to market rates every five years, which makes it less sensitive to interest rate changes, b) it has a relatively high coupon re-fixing spread, which increases the likelihood of a call on the first call date, and c) it offers a very attractive yield when taking into consideration Softbank's financial flexibility.

IMPORTANT: Given its equity-like characteristics (deferrable but cumulative coupons; very low recovery value in the worst case), and the fact that Softbank's core investments are subject to equity market valuations, this bond can trade in a very volatile manner at times. Hence, it is only suitable for inclusion into well-diversified portfolios of very risk-friendly fixed income (or equity) investors.

### SOFTBANK GROUP CORP 6% Perpetual

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# ELECTRICITE DE FRANCE SA (USD - 5.625% Perpetual)

## Utilities / Electric Utilities

### Bond data

ISIN	USF2893TAM83
Country of risk	France
	High Yield Bonds
Currency	USD
Coupon / type	5.625 / variable
Coupon frequency	semi-annual
Coupon spread	304
Next call date	22.01.2024
Maturity	Perpetual
Payment rank	Jr Subordinated
CoCo	no

Ask price	103.62
Yield to maturity	5.39
Yield to worst	4.92
Govt spread to worst	253
Modified duration to worst	4.94
Denomination	100k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	105.81
Initiation yield to worst	4.54
Initiation govt spread	238

### Agency bond ratings

Moody's	Baa3
S&P	BB
Fitch	BBB
Composite rating	BB+

**Moody's average historical cumulative issuer default rate (in %)** 16.28  
(composite rating until final maturity date)

### Julius Baer research issuer rating

Opportunistic/Hold

### Julius Baer product risk rating

considerable

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	A
MSCI ESG Controversies	Orange

### Issuer description

Source: Bear Insight Fixed Income Research

Founded in April 1946, Paris-based Electricité de France (EDF) is one of the largest integrated utility companies in Europe that generates, transmits, distributes and supplies electricity. As of 30 December 2016, the group had a net installed capacity of 132 gigawatts, comprising nuclear (55%), thermal (23%) and hydropower and renewables (22%). It operates under five business segments: France (69% of FY 2016 EBITDA), the UK (10%), Italy (4%), Other International (4%) and Other Activities (13%).

### Investment rationale

The low power price environment in its main markets and enormous planned investments over the next years will keep its fundamentals under pressure. Also, we cannot rule out risks related to the construction of the new technology Hinkley Point C nuclear power project in the UK.

The risks are mitigated by its asset diversification, dominant market position in France and the fact that it is the largest regional employer, making it an important and strategic company, which is reflected in the shareholder structure. The likelihood of financial support from the state, if needed, is high and was witnessed in early 2017, when the government fully subscribed to the proposed EUR 4 billion capital increase to bolster EDF's capital base.

This bond is considered an attractive alternative to EDF's senior bonds as it offers a multiple of risk compensation in terms of credit spread and thus allows low-investment-grade focused investors to get paid an attractive yield for an investment that is considered relatively low risk. This view is based on the high likelihood of ongoing financial support from the French government. Investors need to be aware, though, that operational/fundamental pressures could eventually result in the rating of this bond falling into high-yield territory.

IMPORTANT: Given its equity-like characteristics (deferrable but cumulative coupons; very low recovery value in the worst case), this subordinated bond can trade in a very volatile manner at times. Hence, it is only suitable for inclusion into well-diversified portfolios.

### ELECTRICITE DE FRANCE SA 5.625% Perpetual

Price chart in % of face value (since issuance or max. 5 years)

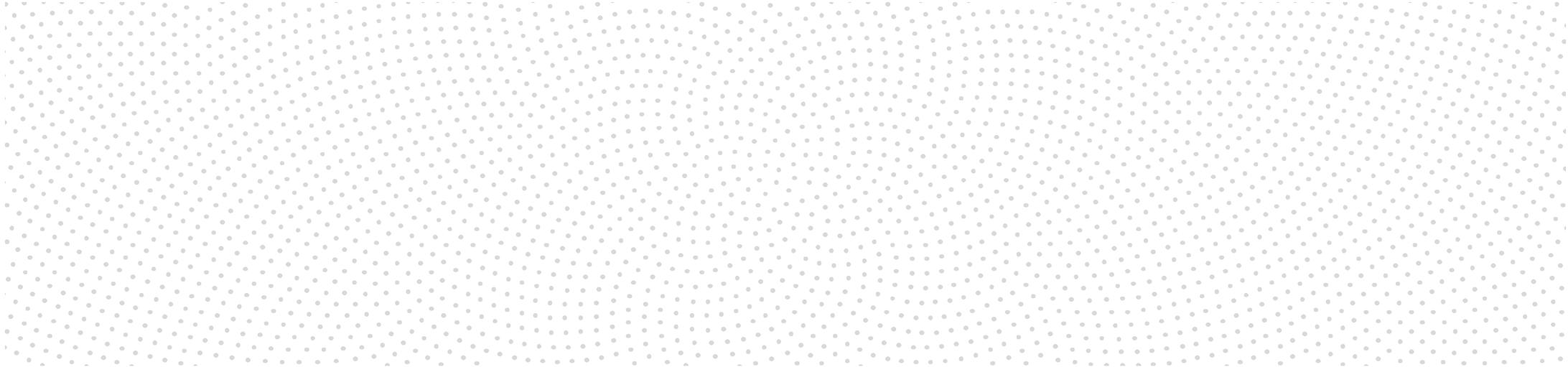


Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# BOND DETAILS

EUR Emerging Markets



# TURKIYE VAKIFLAR BANKASI (EUR - 3.5% 17.06.2019)

## Financials / Banks

### Bond data

ISIN	XS1077629225
Country of risk	Turkey
	Emerging Market Bonds
Currency	EUR
Coupon / type	3.5 / fixed
Coupon frequency	annual
Coupon spread	-
Next call date	
Maturity	17.06.2019
Payment rank	Sr Unsecured
CoCo	no

Ask price	103.07
Yield to maturity	1.29
Yield to worst	1.29
Govt spread to worst	186
Modified duration to worst	1.36
Denomination	100k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	102.43
Initiation yield to worst	1.93
Initiation govt spread	266

### Agency bond ratings

Moody's	Ba1
S&P	-
Fitch	BB+
Composite rating	BB+

**Moody's average historical cumulative issuer default rate (in %)** 2.58  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

considerable

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	BB
MSCI ESG Controversies	Green

### Issuer description

Source: Julius Baer Advisory Solutions

Turkiye Vakiflar Bankasi TAO (VAKBN) is a full-service commercial bank based in Turkey. It is the seventh-largest bank in the country, with assets of ca. TRY219.1bn (USD62.3bn) as of December 2016. It provides various financial services, including insurance, leasing, securities brokerage and asset management. General Directorate of Foundations, fully owned by the Turkish government, and Vakifbank Pension Fund are its largest shareholders with stakes of ca. 58% and 16% respectively. The rest is widely held.

### Investment rationale

Non-performing loans are above-sector average, provisioning of such loans is weak compared to peers and capitalisation is also below-sector average, but at least comfortable enough for the time being. On the other hand, its link to the Turkish government allows it to offer services to, and to receive savings deposits from, state enterprises, which reduces the dependence on wholesale borrowing. Despite the difficult political situation, this bond is attractive from a risk/reward perspective. It offers a relatively high yield, while the likelihood of state support (if needed) and the bond's relatively short duration are expected to keep its volatility low relative to other Turkish bonds.

### TURKIYE VAKIFLAR BANKASI 3.5% 17.06.2019

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET



# PETROBRAS GLOBAL FINANCE (EUR - 3.75% 14.01.2021)

## Oil & Gas / Oil & Gas Integrated

### Bond data

ISIN	XS0982711987
Country of risk	Brazil
	Emerging Market Bonds
Currency	EUR
Coupon / type	3.75 / fixed
Coupon frequency	annual
Coupon spread	-
Next call date	
Maturity	14.01.2021
Payment rank	Sr Unsecured
CoCo	no

Ask price	107.42
Yield to maturity	1.21
Yield to worst	1.21
Govt spread to worst	165
Modified duration to worst	2.85
Denomination	100k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	107.65
Initiation yield to worst	1.27
Initiation govt spread	189

### Agency bond ratings

Moody's	Ba3
S&P	BB-
Fitch	BB
Composite rating	BB-

**Moody's average historical cumulative issuer default rate (in %)** 4.49  
(composite rating until final maturity date)

### Julius Baer research issuer rating

Speculative/Buy

### Julius Baer product risk rating

high

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	BB
MSCI ESG Controversies	Red

### Issuer description

Source: Bear Insign Fixed Income Research

Petroleo Brasileiro (Petrobras) is Brazil's largest integrated oil and gas company. It deals in the exploration and production of oil and natural gas, with total output mainly from offshore fields. Production of oil and gas in 2016 stood at 2.8m barrel of oil equivalent per day (boepd) and proved hydrocarbon reserves stood at 9.7bn barrels of oil equivalent at end-2016. The company deals in the refining and sale of oil products and petrochemicals in the midstream and downstream segments. It owns and operates almost the entire domestic refining capacity of 2.2m barrels/day. It also transports and distributes natural gas and produces biofuels.

### Investment rationale

The high indebtedness of the company, the bribery scandal surrounding it and the downgrade of the sovereign to high yield led to high volatility in its bonds in 2015.

Since then, the company has made very good progress in tackling its huge debt burden, and its liquidity has much improved. While this has already had a very positive impact on the bonds, the latter continue to offer attractive yields when taking into consideration the company's importance to the Brazilian economy and the high likelihood of timely financial support from the government.

This bond is considered attractive given its relatively low cash price compared to other Petrobras bonds in EUR, the medium-term duration and the still decent credit spread.

Investors should be aware of the company's involvement in a political corruption scandal beginning in 2014. Such events could unexpectedly resurface again in the future.

### PETROBRAS GLOBAL FINANCE 3.75% 14.01.2021

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# BRF SA (EUR - 2.75% 03.06.2022)

## Consumer Defensive / Food & Beverages

### Bond data

ISIN	XS1242327168
Country of risk	Brazil
	Emerging Market Bonds
Currency	EUR
Coupon / type	2.75 / fixed
Coupon frequency	annual
Coupon spread	-
Next call date	
Maturity	03.06.2022
Payment rank	Sr Unsecured
CoCo	no

Ask price	104.24
Yield to maturity	1.73
Yield to worst	1.73
Govt spread to worst	193
Modified duration to worst	4.05
Denomination	100k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	104.27
Initiation yield to worst	1.76
Initiation govt spread	216

### Agency bond ratings

Moody's	Ba1
S&P	BBB-
Fitch	BBB-
Composite rating	BB+

**Moody's average historical cumulative issuer default rate (in %)** 8.39  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

considerable

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	BBB
MSCI ESG Controversies	Orange

### Issuer description

Source: Julius Baer Advisory Solutions

BRF S.A. (BRFSBZ) is one of the largest food conglomerates in Brazil, ranks among the top-10 food companies globally and is the world's largest poultry producer. Apart from poultry it produces and sells pork, beef cuts, milk, dairy products and processed food products under several brands. BRFSBZ generated revenues of BRL32.9bn (USD10.2bn) for the LTM ended June 2017. Tarpon Gestora (ca. 12% stake), Fundacao Petrobras (ca. 12%) and Caixa de Previdencia (ca. 11%) own a majority of shares in BRFSBZ, while the rest is widely held.

### Investment rationale

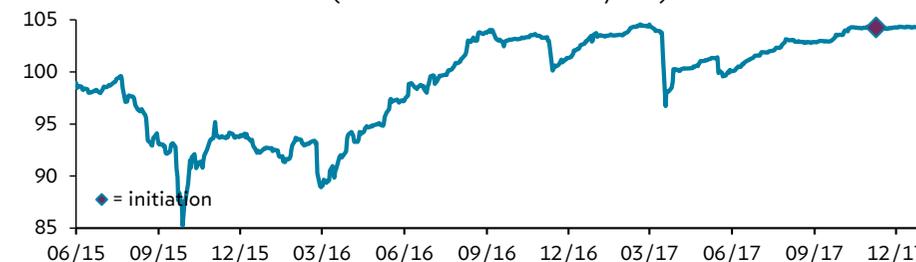
The recessionary environment in Brazil and higher competition led to a substantial deterioration of its so far very high margins and very solid credit metrics. While a management reshuffle and a new strategy were expected to bring it back on track over the medium term, allegations of involvement in the Brazilian meat scandal will delay this process - and this despite the fact that BRF denied any wrongdoing and that such sales only represented a small fraction of its business.

In the meantime, the risks are mitigated by its highly liquid balance sheet with minimal short- to medium-term debt redemptions, which would allow it to cope with a larger fine and a period of lower sales, which is not our base case scenario. The company aims to achieve a 2.5x leverage target by the end of 2018, and recent results look promising. Given the importance of the meat sector to Brazil, sanitary standards are likely to improve going forward, benefiting the whole sector.

While the issuer is considered attractive due to its significant size and international diversification, this bond offers an attractive yield because of the scandal surrounding the issuer. However, it is only suitable for risk-friendly investors who can live with elevated volatility and credit rating pressure and who are able to continue holding the bond even if it were to be downgraded to high yield.

### BRF SA 2.75% 03.06.2022

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET



# PROVINCIA DE BUENOS AIRE (EUR - 5.375% 20.01.2023)

## Government / Municipal

### Bond data

ISIN	XS1649634034
Country of risk	Argentina
	Emerging Market Bonds
Currency	EUR
Coupon / type	5.375 / fixed
Coupon frequency	annual
Coupon spread	-
Next call date	
Maturity	20.01.2023
Payment rank	Sr Unsecured
CoCo	no
Ask price	106.37
Yield to maturity	3.95
Yield to worst	3.95
Govt spread to worst	404
Modified duration to worst	4.26
Denomination	100k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	19.12.2017
Initiation price	106.71
Initiation yield to worst	3.89
Initiation govt spread	415

### Agency bond ratings

Moody's	B2
S&P	B+
Fitch	-
Composite rating	B

**Moody's average historical cumulative issuer default rate (in %)** 25.56  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

high

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	not available
MSCI ESG Controversies	not available

### Issuer description

Source: Julius Baer Advisory Solutions

The province of Buenos Aires (Buenos) is Argentina's largest province by population and land area. Buenos accounted for the major portion of Argentina's GDP, which was USD177.2bn in FY 2015. The province broadly represents Argentina's economy and ranks among the wealthiest provinces in the country.

### Investment rationale

Main risks include Buenos Aires' high indebtedness (approx. 50% of total revenues) relative to other provinces in Argentina, the currency mismatch (majority of debt denominated in hard currency) and political uncertainty. Also investors should not expect much improvement on the fiscal front in the short term. On the other hand the fundamental picture is improving a lot in Argentina and the province enjoys a diversified economy. Given its large size it is important for the country and as such likely to benefit from federal government support, if needed, also because the province's current Governor Maria Eugenia Vidal is close to current President Macri. Because of the decent yield pick-up this bond is considered attractive relative to Argentina's sovereign bond in EUR and also relative to other similarly rated EUR-denominated emerging market bonds. Given the country risk, this bond should only be included in adequately diversified portfolios.

### PROVINCIA DE BUENOS AIRE 5.375% 20.01.2023

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# SAPPI PAPIER HOLDNG GMBH (EUR - 4% 01.04.2023)

## Materials / Forestry & Paper

### Bond data

ISIN	XS1383922876
Country of risk	South Africa
	Emerging Market Bonds
Currency	EUR
Coupon / type	4 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	01.04.2019
Maturity	01.04.2023
Payment rank	Sr Unsecured
CoCo	no

Ask price	105.63
Yield to maturity	2.83
Yield to worst	0.94
Govt spread to worst	151
Modified duration to worst	1.17
Denomination	100k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	106.21
Initiation yield to worst	0.91
Initiation govt spread	162

### Agency bond ratings

Moody's	Ba2
S&P	BB
Fitch	-
Composite rating	BB

**Moody's average historical cumulative issuer default rate (in %)** 10.13  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

considerable

### Julius Baer issuer scores

<b>Issuer overall score</b>	■	■	■	■	■	■	■	■	■
<b>Fundamental score</b>	■	■	■	■	■	■	■	■	■
Financial score	■	■	■	■	■	■	■	■	■
Operational score	■	■	■	■	■	■	■	■	■
Country score	■	■	■	■	■	■	■	■	■
<b>Market signal score</b>	■	■	■	■	■	■	■	■	■

### Sustainability rating

MSCI ESG research rating	BB
MSCI ESG Controversies	Green

### Issuer description

Source: Julius Baer Advisory Solutions

Sappi Ltd (SAPPI) operates as a holding company that provides wood fibre-based solutions. SAPPI is a leading global producer of coated fine paper, speciality packaging paper and dissolving wood pulp. It has presence in Europe, North America, South Africa and Asia. It generated revenues of ca. ZAR71.1bn (USD5.2bn) for the LTM ended June 2017. SAPPI's shares are widely held.

### Investment rationale

The business is highly cyclical and the sector has been fighting with declining demand and huge overcapacities for many years, which led to declining revenues, margin volatilities and much weaker fundamentals in the past.

On the other hand, its high vertical integration makes it less dependent upon supplies and input costs. Investments aimed at increasing capacities for higher margin products (dissolving wood pulp: used in the textile, food, pharma or the cosmetic industry) that provide growth potential, together with a rigorous focus cost, helped to reduce its once weak credit metrics to nowadays relatively solid levels and to reach a comfortable liquidity that covers debt-related payments for the next few years. Sappi enjoys a good and long-term track record among high-yield investors and a continued improvement of its credit metrics is expected, which should lead to credit rating upgrades. Hence, while this bond is fairly priced versus rating peers, it is nevertheless considered to be an attractively yielding low volatility instrument given the high likelihood of it being repaid at the first call date.

### SAPPI PAPIER HOLDNG GMBH 4% 01.04.2023

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# REPUBLIC OF INDONESIA (EUR - 2.625% 14.06.2023)

## Government / Sovereign

### Bond data

ISIN	XS1432493879
Country of risk	Indonesia
	Emerging Market Bonds
Currency	EUR
Coupon / type	2.625 / fixed
Coupon frequency	annual
Coupon spread	-
Next call date	
Maturity	14.06.2023
Payment rank	Sr Unsecured
CoCo	no

Ask price	109.25
Yield to maturity	0.86
Yield to worst	0.86
Govt spread to worst	91
Modified duration to worst	5.01
Denomination	100k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	107.46
Initiation yield to worst	1.23
Initiation govt spread	147

### Agency bond ratings

Moody's	Baa3
S&P	BBB-
Fitch	BBB
Composite rating	BBB-

**Moody's average historical cumulative issuer default rate (in %)** 2.06  
(composite rating until final maturity date)

### Julius Baer research issuer rating

Opportunistic/Hold

### Julius Baer product risk rating

considerable

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
External vulnerability score	■ ■ ■ ■ ■
Internal stability score	■ ■ ■ ■ ■
Governance score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	not available
MSCI ESG Controversies	not available

### Issuer description

Source: Bear Insight Fixed Income Research

Indonesia is one of the founding member of ASEAN and is likely to benefit from its membership in the ASEAN Economic Community (AEC), which promotes free flow of goods, services, capital and skilled labour across the region. Indonesia is also a member of various international bodies such as the International Monetary Fund (IMF) and World Bank. Its major trading partners includes China (11.6% of 2016 exports, Hold/Conservative), the US (11.2%, not covered) and Japan (11.1%, not covered).

### Investment rationale

Major risks include the dependency upon global commodity markets, more specifically coal, which in the commodity downturn resulted in an increase of the unemployment rate, a weakening of the banking sector's loan books, a deteriorating fiscal balance and increasing gross external debt.

On the other hand, domestic demand is strong and significant infrastructure investments should boost economic growth in the medium term. Furthermore, privatisation and tax amnesty programmes are underway to increase revenues.

The yield of this bond is attractive relative to all other investment-grade-rated sovereign bonds in EUR with similar duration. Hence, it is considered a suitable means for more risk-friendly investors to outperform similarly rated bonds over the medium term, especially in case Indonesia continues to deliver on its targets and achieves further credit rating upgrades.

### REPUBLIC OF INDONESIA 2.625% 14.06.2023

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET



# PETROLEOS MEXICANOS (EUR - 3.75% 21.02.2024)

## Oil & Gas / Oil & Gas Integrated

### Bond data

ISIN	XS1568874983
Country of risk	Mexico
	Emerging Market Bonds
Currency	EUR
Coupon / type	3.75 / fixed
Coupon frequency	annual
Coupon spread	-
Next call date	
Maturity	21.02.2024
Payment rank	Sr Unsecured
CoCo	no

Ask price	108.90
Yield to maturity	2.17
Yield to worst	2.17
Govt spread to worst	212
Modified duration to worst	5.30
Denomination	100k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	107.23
Initiation yield to worst	2.49
Initiation govt spread	263

### Agency bond ratings

Moody's	Baa3
S&P	BBB+
Fitch	BBB+
Composite rating	BBB

**Moody's average historical cumulative issuer default rate (in %)** 2.47  
(composite rating until final maturity date)

### Julius Baer research issuer rating

Opportunistic/Hold

### Julius Baer product risk rating

moderate

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	CCC
MSCI ESG Controversies	Red

### Issuer description

Source: Bear Insight Fixed Income Research

Mexico-based Pemex is a state-owned oil company with fully integrated operations in oil and gas exploration and production, refining, distribution and retail marketing and petrochemicals. It is the eighth-largest crude oil producer worldwide, with average production of 1'996k barrels per day (bpd) in the LTM ended September 2017. With proved reserves of 8.3bn barrels of oil equivalent as of 31 December 2016, it has a reserve life of 8.0 years. The company is the sole producer of crude oil, natural gas and refined products in Mexico. Pemex exports ca. 50% of its crude oil production, mainly to the US.

### Investment rationale

The high tax burden to fund the state's budget and overly favourable employment and pension terms led to steadily increasing and currently high debt. However, the energy reform should reduce capex needs and bring new technology into the country. Tax rate reductions will bring further relief to preserve cash with the aim of diminishing the debt pile. The end goal of the government is to make Pemex a profitable and independently operating company going forward, and this may include capital injections according to the country's finance ministry. This bond offers an attractive way to get exposed to one of the largest emerging market economies and to receive some extra yield over the Mexican sovereign bond curve.

### PETROLEOS MEXICANOS 3.75% 21.02.2024

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET



# CEMEX FINANCE LLC (EUR - 4.625% 15.06.2024)

## Industrials / Construction & Materials

### Bond data

ISIN	XS1433214449
Country of risk	Mexico
	Emerging Market Bonds
Currency	EUR
Coupon / type	4.625 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	15.06.2020
Maturity	15.06.2024
Payment rank	1st lien
CoCo	no

Ask price	108.95
Yield to maturity	3.07
Yield to worst	1.76
Govt spread to worst	229
Modified duration to worst	2.28
Denomination	100k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	109.44
Initiation yield to worst	1.76
Initiation govt spread	245

### Agency bond ratings

Moody's	-
S&P	BB
Fitch	BB-
Composite rating	BB-

**Moody's average historical cumulative issuer default rate (in %)** 11.67  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

considerable

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	BB
MSCI ESG Controversies	Yellow

### Issuer description

Source: Julius Baer Advisory Solutions

Cemex Sab de CV (CEMEX) is a Mexico-based producer and distributor of cement, ready-mix concrete and aggregates. It is the world's top-3 cement producer and has operations in roughly 50 countries. CEMEX also offers services such as construction financing and other technical support. It generated revenues of ca. MXN260.5bn (USD13.5bn) for the LTM ended June 2017. Its shares are widely held.

### Investment rationale

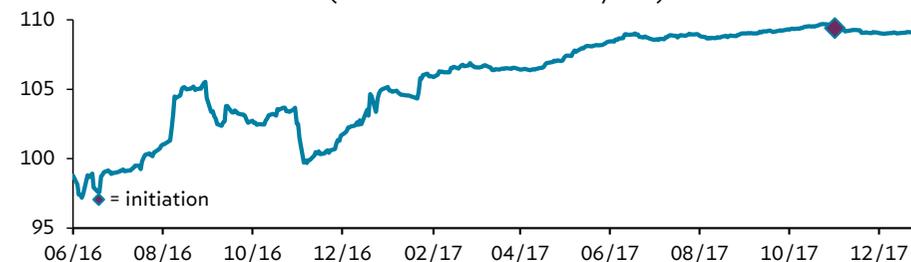
The company was close to defaulting as a result of a very expensive acquisition just at the top of the cycle, shortly before the global financial crisis broke out. A stringent focus on costs and ongoing divestments allowed it to slowly but steadily reduce indebtedness and to refinance upcoming debt maturities with the issuance of longer-dated bonds.

While today the size of its debt is still substantial and the weakness of the Mexican peso negatively impacted its earnings and credit metrics again in 2016, its liquidity and debt schedule look comfortable. Also, it has a large exposure to the US market, where the expected massive increase in infrastructure spending over the next years should be positive for Cemex.

This bond is considered attractive given that it offers a yield pick-up over US-based high-yield peers and should continue to perform well in case Cemex deleverages further, as expected. Therefore, it remains a candidate for a credit rating upgrade.

### CEMEX FINANCE LLC 4.625% 15.06.2024

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET



# REPUBLIC OF ARGENTINA (EUR - 5% 15.01.2027)

## Government / Sovereign

### Bond data

ISIN	XS1503160498
Country of risk	Argentina
	Emerging Market Bonds
Currency	EUR
Coupon / type	5 / fixed
Coupon frequency	annual
Coupon spread	-
Next call date	
Maturity	15.01.2027
Payment rank	Unsecured
CoCo	no

Ask price	102.90
Yield to maturity	4.60
Yield to worst	4.60
Govt spread to worst	418
Modified duration to worst	7.15
Denomination	100k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	100.05
Initiation yield to worst	4.99
Initiation govt spread	469

### Agency bond ratings

Moody's	B2
S&P	B+
Fitch	-
Composite rating	B

**Moody's average historical cumulative issuer default rate (in %)** 36.18  
(composite rating until final maturity date)

### Julius Baer research issuer rating

Speculative/Hold

### Julius Baer product risk rating

high

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
External vulnerability score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Internal stability score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Governance score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	not available
MSCI ESG Controversies	not available

### Issuer description

Source: Bear Insight Fixed Income Research

Argentina has maintained strong relations with major economies in Latin America, such as Brazil (Hold/Oppportunistic) and Chile (not covered). It is a member of international bodies such as the World Trade Organisation, the International Monetary Fund and the United Nations. Its major trading partners are Brazil (15.6% of total exports in 2016), the US (7.8%, not covered), China (7.7%, Buy/Quality) and Chile (4%).

### Investment rationale

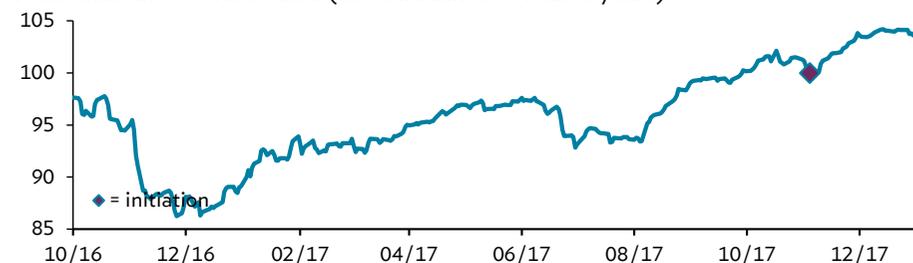
Investors need to be aware of Argentina's history of defaulting on its obligations, that debt restructurings have taken an unusually long time, that it has only emerged from default a few years ago and that its B credit rating is a reflection of the investment risks.

On the other hand, its current president, Mauricio Macri, has started his term by quickly coping with the debt-holdout situation, allowing the country to return to international bond markets to fund ambitious growth programmes and reforms, among other things. Authorities have not disappointed and the economic outlook remains positive, given the recent growth and inflation data, which helped to substantially improve investor confidence in the country to the benefit of longer-term growth.

In anticipation of and since the resolution with the holdout creditors, most Argentine bonds have performed in a stellar manner, reaching yield levels consistent with bonds from higher-rated sovereign bonds. Its EUR-denominated bonds, however, offer over 100 basis points of additional risk compensation over their USD counterparts, which can be interpreted as a reflection of less appetite or more scepticism from euro investors towards Argentina's recovery. We do not share this view and hence consider this bond not only attractively priced but one of the rare high-yielding sovereign bonds with an improving fundamental story behind it, which is expected to lead to credit rating upgrades over the medium term.

### REPUBLIC OF ARGENTINA 5% 15.01.2027

Price chart in % of face value (since issuance or max. 5 years)

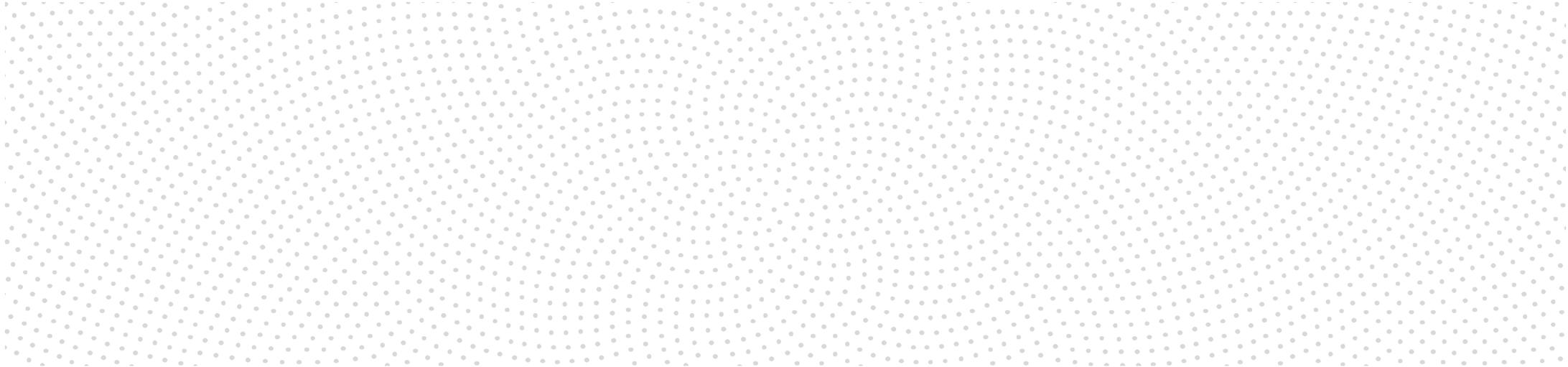


Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# BOND DETAILS

EUR Investment Grade, Crossover and High Yield



# OTE PLC (EUR - 3.5% 09.07.2020)

## Telecommunications / Fixed-line & Integrated Telecommunication Services

### Bond data

ISIN	XS1086785182
Country of risk	Greece
	High Yield Bonds
Currency	EUR
Coupon / type	3.5 / fixed
Coupon frequency	annual
Coupon spread	-
Next call date	
Maturity	09.07.2020
Payment rank	Sr Unsecured
CoCo	no

Ask price	106.27
Yield to maturity	0.92
Yield to worst	0.92
Govt spread to worst	144
Modified duration to worst	2.35
Denomination	100k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	106.27
Initiation yield to worst	1.09
Initiation govt spread	177

### Agency bond ratings

Moody's	B3u
S&P	B+
Fitch	-
Composite rating	NR

**Moody's average historical cumulative issuer default rate (in %)** n/a  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

high

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	A
MSCI ESG Controversies	Green

### Issuer description

Source: Julius Baer Advisory Solutions

Hellenic Telecommunications Organisation SA (HTOGA) provides telecommunication services in Greece and mobile telephony services in Albania and Romania. It also operates in the Greek real estate market and distributes technology-related products in Southeast Europe. It reported revenues of ca. EUR4bn for the LTM ended June 2017. Deutsche Telekom with a stake of ca. 40% is the largest shareholder of HTOGA, while the rest is widely held.

### Investment rationale

Risks include the weak economic background in Greece, the country's still very high indebtedness and likelihood of another sovereign debt restructuring and/or a potential exit from the EU coupled with the introduction of a new competitive currency.

However, as a result of ongoing economic difficulties, HTOGA entirely focused on cash-flow generation and today enjoys a very liquid balance sheet with probably the best credit metrics in the whole sector. This, coupled with the fact that most of the cash is held outside Greece, allows the company to better cope with the worst-case scenario than most other Greek issuers.

This bond is considered attractive given its relatively short duration, the yield pick-up offered over bonds from international peers, the fact that if domiciled outside Greece it would enjoy a solid investment-grade rating and, last but not least, because of its financially robust majority shareholder, which is expected to be willing and able to provide support, if ever needed.

Given the domicile, investors need to be aware of potentially very high volatility during the investment period and therefore this bond should only be bought into a well diversified portfolio from risk-friendly investors.

### OTE PLC 3.5% 09.07.2020

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# MOTOR OIL FINANCE PLC (EUR - 3.25% 01.04.2022)

## Financials / Financial Services

### Bond data

ISIN	XS1586710185
Country of risk	Greece
	High Yield Bonds
Currency	EUR
Coupon / type	3.25 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	01.04.2019
Maturity	01.04.2022
Payment rank	Sr Unsecured
CoCo	no

Ask price	103.64
Yield to maturity	2.33
Yield to worst	1.53
Govt spread to worst	210
Modified duration to worst	1.17
Denomination	100k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	103.65
Initiation yield to worst	1.74
Initiation govt spread	245

### Agency bond ratings

Moody's	-
S&P	-
Fitch	-
Composite rating	not rated

**Moody's average historical cumulative issuer default rate (in %)** n/a  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

high

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	not available
MSCI ESG Controversies	not available

### Issuer description

Source: Julius Baer Advisory Solutions

MOTOR Oil (Hellas) Corinth Refineries SA (MOC) engages in oil refinery and the distribution of petroleum products, among others, via Greece's second largest retail gasoline network. It provides gasoline, fuel, bitumen and lubricants. MOC generated revenues of EUR7.4bn for the LTM ended June 2017 through its Refinery's Activities, Sales to Gas Stations and Services business segments. Petroventure Holdings Ltd, controlled by the Vardinoyannis Family (who founded the company in 1972), is the largest shareholder, with a stake of 48%. The rest is widely held.

### Investment rationale

Risks include the domicile in fundamentally weak Greece, a cyclical business, inventories exposed to crude oil prices and volatile margins/earnings.

The risks are mitigated by a very solid balance sheet, high liquidity (all of it based outside Greece) and geographical diversification (exports account for the majority of sales). The modern and complex refineries operate with high margins allowing it to even generate positive free cash flows in 2014/2015. The experienced management has been with the company for decades and has shown its ability to operate even during most difficult times.

While not officially rated, its credit metrics comply with an investment-grade credit rating, although its smaller size and asset concentration justify a BB rating. Compared to European bonds in this rating category, this bond looks attractive in regards to yields and therefore is expected to outperform the broader market.

Given the domicile, investors need to be aware of potentially very high volatility during the investment period and therefore this bond should only be bought into a well diversified portfolio from risk friendly investors.

### MOTOR OIL FINANCE PLC 3.25% 01.04.2022

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET





# IHO VERWALTUNGS GMBH (EUR - 3.25% 15.09.2023)

## Consumer Cyclical / Automobiles & Parts

### Bond data

ISIN	XS1490153886
Country of risk	Germany
	High Yield Bonds
Currency	EUR
Coupon / type	3.25 / pik
Coupon frequency	semi-annual
Coupon spread	-
Next call date	15.09.2019
Maturity	15.09.2023
Payment rank	1st lien
CoCo	no

Ask price	104.86
Yield to maturity	2.33
Yield to worst	1.26
Govt spread to worst	184
Modified duration to worst	1.61
Denomination	100k / 0.001k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	105.40
Initiation yield to worst	1.15
Initiation govt spread	191

### Agency bond ratings

Moody's	Ba1
S&P	BB-
Fitch	BB+
Composite rating	BB

**Moody's average historical cumulative issuer default rate (in %)** 10.13  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

high

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	not available
MSCI ESG Controversies	not available

### Issuer description

Source: Julius Baer Advisory Solutions

IHO Verwaltungs GmbH (IHO) is a German based investment company with stakes in Schaeffler AG (75% of share capital) and Continental AG (36% of share capital). Schaeffler AG manufactures rolling bearings and linear products. It offers precision parts for machines, equipments, vehicles, aviation, and aerospace applications. IHO is ultimately owned by two members of the Schaeffler family.

### Investment rationale

IHO is a holding company with no operational activity and therefore depends upon dividend income to service its debt. Given its private status, the news flow is relatively scarce, the underlying businesses are cyclical and its two main assets, Schaeffler and Continental, are subject to equity market volatility.

On the other hand, dividend income currently covers interest expenses multiple times, and the value of its main assets exceeds its indebtedness. Furthermore, the value of pledges over Schaeffler and Continental shares exceeds the value of its secured indebtedness.

This bond offers relative value over bonds from similarly rated car manufacturers and their suppliers and is considered even more attractive because of the valuable listed stakes in high quality assets pledged to it. IMPORTANT: The coupon PIK (pay-in-kind) feature of this bond allows the company to pay the coupons with new bonds (increase in nominal) instead of cash in case of liquidity unavailability.

### IHO VERWALTUNGS GMBH 3.25% 15.09.2023

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET



# SMURFIT KAPPA ACQUISITIO (EUR - 2.375% 01.02.2024)

## Materials / Forestry & Paper

### Bond data

ISIN	XS1555147369
Country of risk	Ireland
	High Yield Bonds
Currency	EUR
Coupon / type	2.375 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	01.11.2023
Maturity	01.02.2024
Payment rank	Sr Unsecured
CoCo	no

Ask price	105.68
Yield to maturity	1.39
Yield to worst	1.36
Govt spread to worst	134
Modified duration to worst	5.36
Denomination	100k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	105.88
Initiation yield to worst	1.35
Initiation govt spread	153

### Agency bond ratings

Moody's	Ba1
S&P	BB+
Fitch	BB+
Composite rating	BB+

**Moody's average historical cumulative issuer default rate (in %)** 11.67  
(composite rating until final maturity date)

### Julius Baer research issuer rating

Speculative/Buy

### Julius Baer product risk rating

considerable

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	BBB
MSCI ESG Controversies	Yellow

### Issuer description

Source: Bear Insight Fixed Income Research

Smurfit Kappa is one of the world's largest manufacturers of paper-based packaging products. The company's products include containerboards, solid boards, graphic boards, and corrugated and solid board packaging products. Smurfit Kappa is the European leader in corrugated box manufacturing and the second-largest globally in corrugated box packaging. It operates in 21 countries in Europe (75% of sales) and 13 in the Americas (25%). Smurfit Kappa also owns forest plantations in Colombia and Venezuela, with a combined holding of 103,000 hectares.

### Investment rationale

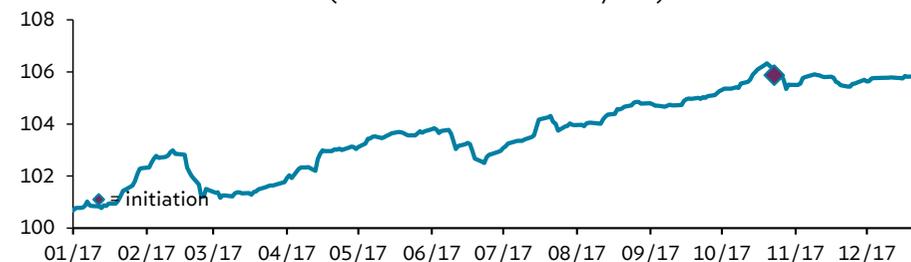
Key risks include its exposure to volatile raw materials and energy prices, which can negatively impact margins as they account for over 50% of its costs. High competition, high investment requirements and the product concentration are additional risks, as is its exposure to economically challenged countries such as Venezuela and Argentina.

The risks are mitigated by its leading position in paper packaging, strong geographical and customer diversification, steady free cash flow generation and prudent financial policies to ensure robust credit metrics. Furthermore, the business is considered relatively defensive as about 60% of its products are used for food, beverage and household consumer products. Recent acquisitions will allow for an enhancement of its product offering, while the company remains committed to a BB+ credit rating.

This bond is considered attractive because it offers a decent compensation for a risk that due to the rather defensive nature of the business is deemed rather low.

### SMURFIT KAPPA ACQUISITIO 2.375% 01.02.2024

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# ARDAGH PKG FIN/HLDGS USA (EUR - 2.75% 15.03.2024)

## Industrials / Conglomerates & Distributors

### Bond data

ISIN	XS1574148877
Country of risk	Ireland
	High Yield Bonds
Currency	EUR
Coupon / type	2.75 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	15.03.2020
Maturity	15.03.2024
Payment rank	1st lien
CoCo	no
Ask price	103.67
Yield to maturity	2.11
Yield to worst	1.65
Govt spread to worst	221
Modified duration to worst	2.08
Denomination	100k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	103.35
Initiation yield to worst	1.87
Initiation govt spread	258

### Agency bond ratings

Moody's	Ba3
S&P	BB
Fitch	-
Composite rating	BB-

**Moody's average historical cumulative issuer default rate (in %)** 11.67  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

high

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	not available
MSCI ESG Controversies	not available

### Issuer description

Source: Julius Baer Advisory Solutions

Ireland-based Ardagh Packaging Group Ltd (APHL) manufactures glass and metal packaging products for food and beverage and consumer care companies. Ardagh Group SA is its main operating subsidiary. APHL reported revenues of ca. EUR7.7bn for the FY ended December 2016. The company is privately owned, with a majority stake held by Paul Coulson and his family.

### Investment rationale

Rapid acquisition-driven growth over the past decade resulted in the very high total indebtedness of the company (leverage over 5x), a complex organisational structure and credit rating pressure. On the other hand, the food and beverage packaging business has shown extraordinarily strong resilience in economic downturns. In addition, the company has been successful in integrating acquired businesses, enjoys good geographic diversification and an improving competitive position now, which has resulted in recent credit rating upgrades. While the limited yield pick-up offered by Ardagh's senior unsecured bonds make them look unattractive from a risk/reward perspective, the yield of this senior secured bond is considered attractive taking into consideration the company's relatively low net leverage at the secured level, which provides certain downside protection.

### ARDAGH PKG FIN/HLDGS USA 2.75% 15.03.2024

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET



# REPUBLIC OF CYPRUS (EUR - 2.75% 27.06.2024)

## Government / Sovereign

### Bond data

ISIN	XS1637276848
Country of risk	Cyprus
	High Yield Bonds
Currency	EUR
Coupon / type	2.75 / fixed
Coupon frequency	annual
Coupon spread	-
Next call date	
Maturity	27.06.2024
Payment rank	Unsecured
CoCo	no
Ask price	108.83
Yield to maturity	1.31
Yield to worst	1.31
Govt spread to worst	121
Modified duration to worst	5.85
Denomination	1k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	110.01
Initiation yield to worst	1.17
Initiation govt spread	126

### Agency bond ratings

Moody's	Ba3
S&P	-
Fitch	BB
Composite rating	BB-

**Moody's average historical cumulative issuer default rate (in %)** 11.67  
(composite rating until final maturity date)

### Julius Baer research issuer rating

Speculative/Hold

### Julius Baer product risk rating

high

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
External vulnerability score	■ ■ ■ ■ ■
Internal stability score	■ ■ ■ ■ ■
Governance score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	not available
MSCI ESG Controversies	not available

### Issuer description

Source: Bear Insight Fixed Income Research

Cyprus has well-established trade relations with European countries. Cyprus joined the European Union (EU; Buy/Conservative) in 2004 and became a member of the currency union in 2008. Cyprus is also a member of the World Trade Organisation, United Nations and International Monetary Fund (IMF), among others.

### Investment rationale

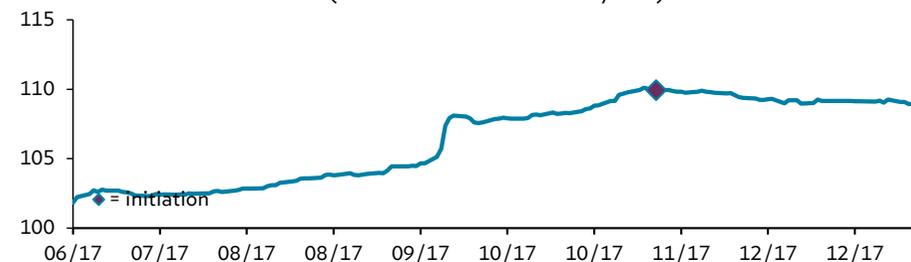
Apart from the economy being small and narrow, the main risks include a weak banking system due to high non-performing loans following the 2013 banking crisis, modest investment levels and high government debt. Furthermore, the long-term implications of Brexit on Cyprus' economy remain uncertain given the close financial and economic ties between Cyprus and the UK.

On the other hand, the economy has recovered strongly from its default in 2013. It returned to positive GDP growth already in 2015, faster than expected, thanks to robust domestic consumption, an improving labour market, strong tourist arrivals, higher private investments and government spending. Other key macro indicators such as inflation and particularly public finances have also improved, which altogether led to many credit rating upgrades and rapidly falling refinancing costs.

This bond is considered attractive because it offers the highest credit spread among peripheral eurozone sovereign bonds, excluding Greece. This leaves room for additional outperformance versus such bonds, especially in case of further credit rating upgrades as a consequence of the ongoing economic improvement. Since it remains a recovery story with all the related risks, this bond is only suitable for inclusion into diversified portfolios of risk-tolerant investors.

### REPUBLIC OF CYPRUS 2.75% 27.06.2024

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# UNITYMEDIA HESSEN / NRW (EUR - 4% 15.01.2025)

## Consumer Cyclical / Media & Publishing

### Bond data

ISIN	XS1150437579
Country of risk	Germany
	High Yield Bonds
Currency	EUR
Coupon / type	4 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	15.01.2020
Maturity	15.01.2025
Payment rank	1st lien
CoCo	no
Ask price	106.60
Yield to maturity	2.95
Yield to worst	1.62
Govt spread to worst	220
Modified duration to worst	1.92
Denomination	100k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	106.64
Initiation yield to worst	1.78
Initiation govt spread	251

### Agency bond ratings

Moody's	Ba3
S&P	BB-
Fitch	BB+
Composite rating	BB-

**Moody's average historical cumulative issuer default rate (in %)** 13.16  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

high

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	A
MSCI ESG Controversies	Green

### Issuer description

Source: Julius Baer Advisory Solutions

Unitymedia KabelBW GmbH (UNITY) is a Germany-based media and telecommunications services provider with market leadership in North Rhine-Westphalia, Hesse and Baden-Württemberg. Its services include Internet access, telephony services and pay-TV satellite platforms, serving ca. 7.2m customers. UNITY is the indirect, wholly owned subsidiary of Liberty Global Plc (LG), the world's largest cable company. UNITY generated sales of EUR2.3bn for the LTM ended March 2017.

### Investment rationale

Risks include the high competition, the generally high investment needs in order to remain competitive over the longer run and the company's highly leveraged balance sheet, similar to the one of its peers that also operate under the Liberty Global umbrella. The leverage is not expected to improve and rating upgrades should not be expected given most of the earnings are expected to be distributed as dividends towards its shareholder.

On the other hand, its high-value multi-play bundles and at the same time the ongoing analog TV switch-off in Germany allow for decent subscriber growth and the generation of very high and stable margins and high free cash flows. Additionally, it has adequate liquidity and, as a result of the ongoing early refinancing of liabilities, a long-term maturity profile with no debt coming due until 2022.

This bond is considered attractive for the following reasons: firstly, its senior secured status and the valuable assets that the issuer holds in Germany give certain downside protection. Secondly, it offers a decent yield for a relatively short investment duration, based on the expectation that the issuer will refinance this bond at the first call date in January 2020. Thirdly, because a long time rumoured combination and/or acquisition by a large international telco player would be supportive for bonds (similar to Vodafone's combination with Ziggo in the Netherlands).

### UNITYMEDIA HESSEN / NRW 4% 15.01.2025

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# SOFTBANK GROUP CORP (EUR - 3.125% 19.09.2025)

## Telecommunications / Fixed-line & Integrated Telecommunication Services

### Bond data

ISIN	XS1684385161
Country of risk	Japan
	High Yield Bonds
Currency	EUR
Coupon / type	3.125 / fixed
Coupon frequency	semi-annual
Coupon spread	-
Next call date	21.06.2025
Maturity	19.09.2025
Payment rank	Sr Unsecured
CoCo	no

Ask price	100.28
Yield to maturity	3.08
Yield to worst	3.11
Govt spread to worst	289
Modified duration to worst	6.52
Denomination	100k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	101.21
Initiation yield to worst	2.97
Initiation govt spread	292

### Agency bond ratings

Moody's	Ba1
S&P	BB+
Fitch	-
Composite rating	BB+

**Moody's average historical cumulative issuer default rate (in %)** 13.16  
(composite rating until final maturity date)

### Julius Baer research issuer rating

Speculative/Hold

### Julius Baer product risk rating

considerable

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	BBB
MSCI ESG Controversies	Yellow

### Issuer description

Source: Bear Insight Fixed Income Research

Since 1999, SoftBank Group Corp. (SoftBank) has been operating as a Japanese holding company. Its operations involve providing a wide range of mobile and fixed-line telecommunications, broadband and Internet services. SoftBank conducts its business through both domestic and overseas subsidiaries. SoftBank is the third-largest mobile telecommunications group, in terms of subscribers, in Japan, with a market share of ca. 27% as of 30 September 2016. The company operates mainly in the US (47% of FY 2017 revenue), Japan (45%) and others (8%). Softbank is listed on the Tokyo Stock Exchange, with a market capitalisation of JPY10.24trn as of 4 January 2018.

### Investment rationale

The acquisition of the highly indebted and operationally pressured US-based Sprint Nextel, for USD 21.6 billion in 2013, led its leverage to rise and resulted in credit rating downgrades to high yield. Given the non-approval of the planned merger of Sprint with T-Mobile USA by the regulators, the competitive pressure further deteriorated its credit metrics.

The balance sheet risks are mitigated by Softbank's strong profitability and cash flow generation in its core market, Japan, as well as from significant unrealised gains from its equity stakes in some of the fast growing technology companies (including Alibaba and Yahoo Japan), whose value outweigh the total amount of its debt. A consolidation in the US telecommunications sector again became more likely under the Presidency of Donald Trump and this would help to ease competitive pressure, increase margins and allow for de-leveraging. This bond is considered the most attractive one within Softbank's EUR bond curve given its relatively low cash price and acceptable duration, while at the same time it offers an attractive compensation when taking into consideration Softbank's financial flexibility.

### SOFTBANK GROUP CORP 3.125% 19.09.2025

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# DE VOLKSBANK NV (EUR - 3.75% 05.11.2025)

## Financials / Banks

### Bond data

ISIN	XS1315151388
Country of risk	Netherlands
	Low Investment Grade Bonds
Currency	EUR
Coupon / type	3.75 / variable
Coupon frequency	annual
Coupon spread	365
Next call date	05.11.2020
Maturity	05.11.2025
Payment rank	Subordinated
CoCo	no
Ask price	108.88
Yield to maturity	2.65
Yield to worst	0.54
Govt spread to worst	102
Modified duration to worst	2.68
Denomination	100k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	108.68
Initiation yield to worst	0.79
Initiation govt spread	144

### Agency bond ratings

Moody's	Baa3
S&P	BBB-
Fitch	BBB+
Composite rating	BBB-

**Moody's average historical cumulative issuer default rate (in %)** 2.91  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

considerable

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	A
MSCI ESG Controversies	Green

### Issuer description

Source: Julius Baer Advisory Solutions

Netherlands-based De Volksbank NV (DEBANK; formerly SNS Bank) is the fourth-largest retail bank in the country, with total assets of EUR61bn as of 30 June 2017. The bank's operations are focused on the Dutch market, targeting retail and small and medium enterprises. It offers mortgage, payments, insurance, investments and other saving products to its customers. The bank is wholly owned by the Dutch government.

### Investment rationale

Risks include the high business concentration in the Netherlands and there to the mortgage business, which is experiencing margin pressure, in addition to exposure to the classic interest-margin business, which currently does not allow for much growth given the low-yield environment.

On the other hand, the economic background should continue to be supportive of the loan book. Also, the bank has returned to profitability and today enjoys a stable retail funding base, a liquid balance sheet and a very strong capitalisation that already surpasses the regulatory minimum requirements for 2019. The bond is considered attractive because it offers a substantial spread pick-up over similarly rated subordinated tier-2 European bank bonds. This allows for further spread compression and outperformance of the bond, especially in the case of further credit rating upgrades, which remain a possibility given positive outlooks by both S&P and Fitch. Further, the bond's coupon re-fixing feature and the related high re-fixing spread of 365 basis points minimise the interest-rate sensitivity and increase the likelihood of the bond being called in November 2020.

### DE VOLKSBANK NV 3.75% 05.11.2025

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# ALLIED IRISH BANKS PLC (EUR - 4.125% 26.11.2025)

## Financials / Banks

### Bond data

ISIN	XS1325125158
Country of risk	Ireland
	High Yield Bonds
Currency	EUR
Coupon / type	4.125 / variable
Coupon frequency	annual
Coupon spread	395
Next call date	26.11.2020
Maturity	26.11.2025
Payment rank	Subordinated
CoCo	no
Ask price	109.57
Yield to maturity	2.87
Yield to worst	0.73
Govt spread to worst	119
Modified duration to worst	2.72
Denomination	100k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	108.88
Initiation yield to worst	1.13
Initiation govt spread	177

### Agency bond ratings

Moody's	Ba2
S&P	BB
Fitch	BB+
Composite rating	BB

**Moody's average historical cumulative issuer default rate (in %)** 13.16  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

considerable

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	A
MSCI ESG Controversies	Yellow

### Issuer description

Source: Julius Baer Advisory Solutions

Allied Irish Banks PLC (AIB) is one of Ireland's largest banks, with total assets of EUR93.8bn as of 31 December 2016. It offers commercial banking, international banking, leasing, insurance and mortgage banking services. The Irish government wholly owns 99.9% of AIB and the rest is widely held.

### Investment rationale

Risks include the still weak asset quality and Brexit-related macroeconomic uncertainties in the UK that could affect Ireland and ultimately its banks.

On the other hand, the economic and operating environment in Ireland has much improved, which has positively impacted the bank's asset quality, profitability, capitalisation and funding costs. Thanks to the latter, the bank has been able to diversify away from wholesale funding and today enjoys a strong funding profile and adequate liquidity buffers.

This bond is considered attractive because the introduction of bank holding structures in Ireland a) reduces the risk in this subordinated bond issued by the operating bank, b) should be supportive for this bond's rating, c) increases the likelihood of this bond being called in November 2020, and d) this is all expected to make this bond a relatively low-risk but still attractively yielding bond relative to other EU bank bonds.

### ALLIED IRISH BANKS PLC 4.125% 26.11.2025

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# UBS AG (EUR - 4.75% 12.02.2026)

## Financials / Banks

### Bond data

ISIN	CH0236733827
Country of risk	Switzerland
	Low Investment Grade Bonds
Currency	EUR
Coupon / type	4.75 / variable
Coupon frequency	annual
Coupon spread	340
Next call date	12.02.2021
Maturity	12.02.2026
Payment rank	Subordinated
CoCo	yes*

Ask price	112.45
Yield to maturity	2.45
Yield to worst	0.64
Govt spread to worst	107
Modified duration to worst	2.81
Denomination	100k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	112.06
Initiation yield to worst	0.96
Initiation govt spread	157

### Agency bond ratings

Moody's	-
S&P	BBB+
Fitch	A-
Composite rating	BBB+

**Moody's average historical cumulative issuer default rate (in %)** 3.39  
(composite rating until final maturity date)

### Julius Baer research issuer rating

Opportunistic/Buy

### Julius Baer product risk rating

high

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	A
MSCI ESG Controversies	Orange

### Issuer description

Source: Bear Insight Fixed Income Research

UBS Group AG (UBS) is the holding company of UBS AG - one of the largest wealth and asset manager globally, with total assets of CHF891bn as of H1 2017. It has presence across 50 countries. The bank is active in private banking, asset management and investment banking. UBS has a strong private banking franchise domestically and in the US.

### Investment rationale

This subordinated Tier-2 CoCo (\*) bond can be written-down to 0% if UBS' core capital ratio falls below 5%, or when it reaches the point of non-viability according to the Swiss financial regulator.

The risk is mitigated by UBS' success in massively reducing the size and risk of its balance sheet. By now this effort resulted in a relatively strong capitalisation and capital buffers high enough to withstand larger losses that could arise under its normal operations.

This bond is considered attractive relative to UBS' senior bonds given its yield pick-up and but relatively low risk of a write-down event. At the same time this bond is supported by the fact that it will lose capital accountability for UBS after 2019 and hence might be in scope of a buyback at a premium to the market price.

\* Investments in CoCo bonds for EEA resident clients are only allowed if their annual income exceeds GBP 100'000 or investable net assets amount to at least GBP 250'000 (or equivalent).

Please find important legal information for CoCo bonds (contingent convertible; absorb losses if a bank's capitalisation falls below a defined level) at the end of this document.

### UBS AG 4.75% 12.02.2026

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# IHO VERWALTUNGS GMBH (EUR - 3.75% 15.09.2026)

## Consumer Cyclical / Automobiles & Parts

### Bond data

ISIN	XS1490159495
Country of risk	Germany
	High Yield Bonds
Currency	EUR
Coupon / type	3.75 / pik
Coupon frequency	semi-annual
Coupon spread	-
Next call date	15.09.2021
Maturity	15.09.2026
Payment rank	1st lien
CoCo	no

Ask price	108.86
Yield to maturity	2.60
Yield to worst	1.75
Govt spread to worst	207
Modified duration to worst	3.41
Denomination	100k / 0.001k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	107.40
Initiation yield to worst	2.21
Initiation govt spread	273

### Agency bond ratings

Moody's	Ba1
S&P	BB-
Fitch	BB+
Composite rating	BB

**Moody's average historical cumulative issuer default rate (in %)** 14.69  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

high

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	not available
MSCI ESG Controversies	not available

### Issuer description

Source: Julius Baer Advisory Solutions

IHO Verwaltungs GmbH (IHO) is a German based investment company with stakes in Schaeffler AG (75% of share capital) and Continental AG (36% of share capital). Schaeffler AG manufactures rolling bearings and linear products. It offers precision parts for machines, equipments, vehicles, aviation, and aerospace applications. IHO is ultimately owned by two members of the Schaeffler family.

### Investment rationale

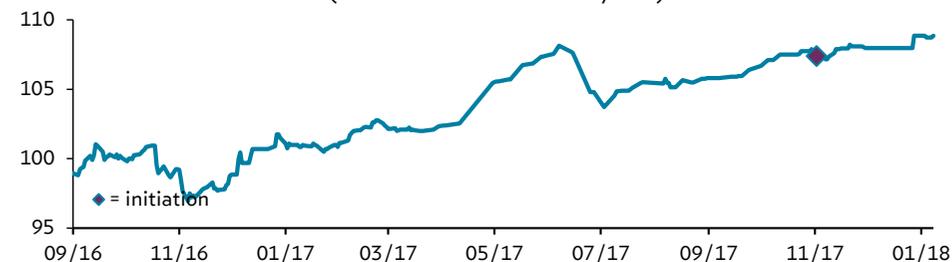
IHO is a holding company with no operational activity and therefore depends upon dividend income to service its debt. Given its private status, the news flow is relatively scarce, the underlying businesses are cyclical and its two main assets, Schaeffler and Continental, are subject to equity market volatility.

On the other hand, dividend income currently covers interest expenses multiple times, and the value of its main assets exceeds its indebtedness. Furthermore, the value of pledges over Schaeffler and Continental shares exceeds the value of its secured indebtedness.

This bond offers relative value over bonds from similarly rated car manufacturers and their suppliers and is considered even more attractive because of the valuable listed stakes in high quality assets pledged to it. **IMPORTANT:** The coupon PIK (pay-in-kind) feature of this bond allows the company to pay the coupons with new bonds (increase in nominal) instead of cash in case of liquidity unavailability.

### IHO VERWALTUNGS GMBH 3.75% 15.09.2026

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# BAYER AG (EUR - 2.375% 02.04.2075)

## Healthcare / Pharmaceuticals

### Bond data

ISIN	DE000A14J611
Country of risk	Germany
	Low Investment Grade Bonds
Currency	EUR
Coupon / type	2.375 / variable
Coupon frequency	annual
Coupon spread	201
Next call date	02.10.2022
Maturity	02.04.2075
Payment rank	Jr Subordinated
CoCo	no

Ask price	103.74
Yield to maturity	2.27
Yield to worst	1.54
Govt spread to worst	168
Modified duration to worst	4.41
Denomination	1k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	103.82
Initiation yield to worst	1.56
Initiation govt spread	190

### Agency bond ratings

Moody's	Baa2
S&P	BBB
Fitch	BBB+u
Composite rating	BBB

**Moody's average historical cumulative issuer default rate (in %)** 3.93  
(composite rating until final maturity date)

### Julius Baer research issuer rating

Opportunistic/Buy

### Julius Baer product risk rating

moderate

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	BBB
MSCI ESG Controversies	Orange

### Issuer description

Source: Bear Insight Fixed Income Research

Bayer AG (Bayer), based in Leverkusen, Germany, manufactures products that include cardiovascular, oncology, haematology and ophthalmology drugs, over-the-counter (OTC) medications, animal health products and crop-protection products. The company also has a 31.5% stake in Covestro, a leading producer of polyurethanes and polycarbonates. In September 2016, Bayer announced the acquisition of US-based Monsanto Co. (Monsanto), which will make Bayer the world's largest seed and agricultural chemical company. The deal is expected to close by early-2018.

### Investment rationale

The main risk currently is the sharp deterioration of its credit metrics associated with the planned acquisition of US-based Monsanto to become the world's leading provider of agro-chemicals. This expectation is based on a purchase price of USD 66 billion and statements that the takeover would at least in half be funded with new debt.

Despite the risks, the deal creates synergies and asset divestments to limit the balance sheet deterioration, which is to be expected given the company's commitment to preserving its solid investment-grade rating. Its solid business and credit rating is the reason why its senior bonds offers very low yields. In contrast, this hybrid pays about 5x the senior bond's risk premium. While this clearly reflects the potential risks associated with the takeover, it is nevertheless considered excessive given Bayer's size, diversification and ability to protect its balance sheet if necessary. This would ultimately also benefit hybrid bonds, which are therefore likely to remain rated 'investment grade', making them an interesting instrument for investment-grade focused investors with a bit more risk appetite. The coupon re-set mechanism is comparable to other hybrid bonds and reduces the sensitivity to interest-rate changes.

IMPORTANT: Given its equity-like characteristics (deferrable but cumulative coupons, very low recovery value in the worst case), this subordinated bond can trade in a very volatile manner at times. Hence, it is only suitable for inclusion into well-diversified portfolios.

### BAYER AG 2.375% 02.04.2075

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# ENERGIAS DE PORTUGAL SA (EUR - 5.375% 16.09.2075)

## Utilities / Electric Utilities

### Bond data

ISIN	PTEDPUOM0024
Country of risk	Portugal High Yield Bonds
Currency	EUR
Coupon / type	5.375 / variable
Coupon frequency	annual
Coupon spread	504
Next call date	16.03.2021
Maturity	16.09.2075
Payment rank	Subordinated
CoCo	no

Ask price	112.25
Yield to maturity	4.78
Yield to worst	1.38
Govt spread to worst	179
Modified duration to worst	2.84
Denomination	100k / 100k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	112.63
Initiation yield to worst	1.46
Initiation govt spread	206

### Agency bond ratings

Moody's	Ba2
S&P	BB
Fitch	BB
Composite rating	BB

**Moody's average historical cumulative issuer default rate (in %)** 16.28  
(composite rating until final maturity date)

### Julius Baer research issuer rating

Speculative/Hold

### Julius Baer product risk rating

considerable

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	AAA
MSCI ESG Controversies	Green

### Issuer description

Source: Bear Insight Fixed Income Research

Energias de Portugal, S.A. (EDP) is Portugal's (Hold/Speculative) largest utility company in terms of clients. It is the leading power generator; owns ca. 99% of the electricity distribution networks and the second-largest gas distribution network in Portugal. EDP has operations in Spain (through Hidroelectrica del Cantabrico; Hold/Opportunistic), Brazil (through its 51% holding in Energias do Brasil, S.A.; Hold/Speculative), Central Europe and the US (not covered). It also has interests in the wind and solar business through its 77.5%-owned subsidiary EDP Renovaveis, S.A. (EDPR; not covered).

### Investment rationale

As an EU peripheral company, it faced heavy headwinds both during and after the European sovereign crisis that have not yet completely disappeared. As a result, it has ended up being highly indebted. Still, revenues and earnings from regulated and long-term contracted businesses remain high, which provides cash-flow visibility. Furthermore, it has a diversified asset base, has generated stable EBITDA margins through the cycle and enjoys decent liquidity. Continued divestments, efficiency gains and lower capital expenditure helped to reduce indebtedness and to regain investment-grade rating while the target is a continued net leverage reduction towards 3.0x by 2020. Lastly, it should also be able to rely on its financially powerful shareholder, which has shown willingness to provide multi-billion EUR of funding in the past. This bond is considered attractive because a) its coupon will be adjusted to market rates every five years, which makes it less sensitive to interest-rate changes, b) the fall-away of the equity accountability for EDP after the first call date and the relatively high coupon re-fixing spread increase the likelihood of a call at the first call date, and c) it offers a relatively attractive yield relative to other European corporate hybrid bonds and EDP's senior unsecured bonds, especially when taking into consideration the expected continued fundamental improvement of the issuer.

IMPORTANT: Given its equity-like characteristics (deferrable but cumulative coupons; very low recovery value in the worst case), this subordinated bond can trade in a very volatile manner at times. Hence, it is only suitable for inclusion into well-diversified portfolios of very risk-friendly fixed income (or equity) investors.

### ENERGIAS DE PORTUGAL SA 5.375% 16.09.2075

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# BHP BILLITON FINANCE LTD (EUR - 4.75% 22.04.2076)

## Materials / Mining

### Bond data

ISIN	XS1309436753
Country of risk	Australia
	Low Investment Grade Bonds
Currency	EUR
Coupon / type	4.75 / variable
Coupon frequency	annual
Coupon spread	436
Next call date	22.04.2021
Maturity	22.04.2076
Payment rank	Subordinated
CoCo	no

Ask price	112.45
Yield to maturity	4.17
Yield to worst	0.86
Govt spread to worst	125
Modified duration to worst	2.99
Denomination	100k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	112.89
Initiation yield to worst	0.92
Initiation govt spread	150

### Agency bond ratings

Moody's	Baa2
S&P	BBB+
Fitch	A-u
Composite rating	BBB

**Moody's average historical cumulative issuer default rate (in %)** 3.93  
(composite rating until final maturity date)

### Julius Baer research issuer rating

Opportunistic/Buy

### Julius Baer product risk rating

moderate

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	BBB
MSCI ESG Controversies	Red

### Issuer description

Source: Bear Insight Fixed Income Research

Headquartered in Australia and founded in 1885, BHP Billiton is a world-leading resources company operating mineral and petroleum assets. It ranks among the top five companies in iron ore, copper and metallurgical coal. Iron ore and copper are its key segments, which contributed 38% and 21% to 2017 sales, respectively. Most of the company's mining assets are located in Australia and the Americas. BHP Billiton's strategy is to operate long-life, low-cost and expandable assets and diversify them by commodity, geography and market.

### Investment rationale

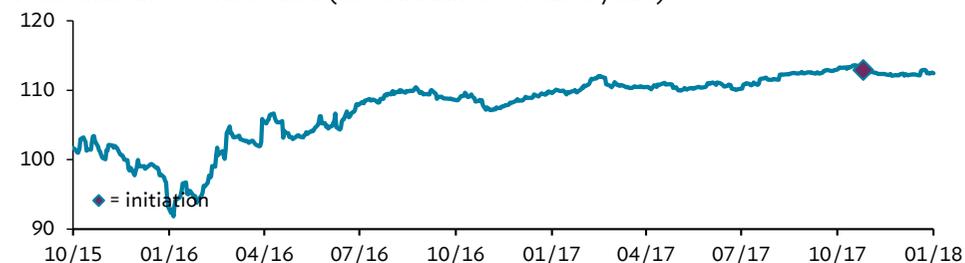
Risks include the exposure to commodity prices, which in the past behaved in a very volatile manner. This makes cash-flow visibility difficult and expansionary investments very risky, given the typically long execution time needed, while returns are hard to predict.

Its large diversification with regards to products, asset bases and export regions gives it lots of flexibility to adapt to difficult market environments and was the reason why it was able to navigate through very difficult times without larger damage. Furthermore, it has shown a willingness to defend its goal of maintaining a solid investment-grade rating, e.g. by large dividend cuts (to the discontent of shareholders).

This bond is considered an attractive alternative to BHP's senior bonds, as it offers a multiple of risk compensation in terms of credit spread and in this way allows investment-grade focused investors to be paid an attractive yield for an investment that is considered relatively low risk, given the solid quality of the issuer. IMPORTANT: Given its equity-like characteristics (deferrable but cumulative coupons, very low recovery value in the worst case), this subordinated bond can trade in a very volatile manner at times. Hence, it is only suitable for inclusion into well-diversified portfolios.

### BHP BILLITON FINANCE LTD 4.75% 22.04.2076

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# BHP BILLITON FINANCE LTD (EUR - 5.625% 22.10.2079)

## Materials / Mining

### Bond data

ISIN	XS1309436910
Country of risk	Australia
	Low Investment Grade Bonds
Currency	EUR
Coupon / type	5.625 / variable
Coupon frequency	annual
Coupon spread	480
Next call date	22.10.2024
Maturity	22.10.2079
Payment rank	Subordinated
CoCo	no

Ask price	123.52
Yield to maturity	4.22
Yield to worst	1.88
Govt spread to worst	174
Modified duration to worst	5.75
Denomination	100k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	124.06
Initiation yield to worst	1.89
Initiation govt spread	193

### Agency bond ratings

Moody's	Baa2
S&P	BBB+
Fitch	A-u
Composite rating	BBB

**Moody's average historical cumulative issuer default rate (in %)** 3.93  
(composite rating until final maturity date)

### Julius Baer research issuer rating

Opportunistic/Buy

### Julius Baer product risk rating

moderate

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	BBB
MSCI ESG Controversies	Red

### Issuer description

Source: Bear Insight Fixed Income Research

Headquartered in Australia and founded in 1885, BHP Billiton is a world-leading resources company operating mineral and petroleum assets. It ranks among the top five companies in iron ore, copper and metallurgical coal. Iron ore and copper are its key segments, which contributed 38% and 21% to 2017 sales, respectively. Most of the company's mining assets are located in Australia and the Americas. BHP Billiton's strategy is to operate long-life, low-cost and expandable assets and diversify them by commodity, geography and market.

### Investment rationale

Risks include the exposure to commodity prices, which in the past behaved in a very volatile manner. This makes cash-flow visibility difficult and expansionary investments very risky, given the typically need long execution time needed, while returns are hard to predict.

Its large diversification with regards to products, asset bases and export regions gives it lots of flexibility to adapt to difficult market environments and was the reason why it was able to navigate through very difficult times without larger damage. Furthermore, it has shown a willingness to defend its goal of maintaining a solid investment-grade rating, e.g. by large dividend cuts (to the discontent of shareholders).

This bond is considered an attractive alternative to BHP's senior bonds, as it offers a multiple of risk compensation in terms of credit spread and in this way allows investment-grade focused investors to be paid an attractive yield for an investment that is considered relatively low risk, given the solid quality of the issuer. IMPORTANT: Given its equity-like characteristics (deferrable but cumulative coupons, very low recovery value in the worst case), this subordinated bond can trade in a very volatile manner at times. Hence, it is only suitable for inclusion into well-diversified portfolios.

### BHP BILLITON FINANCE LTD 5.625% 22.10.2079

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# ARYZTA EURO FINANCE DAC (EUR - 4.5% Perpetual)

## Consumer Defensive / Food & Beverages

### Bond data

ISIN	XS1134780557
Country of risk	Switzerland High Yield Bonds
Currency	EUR
Coupon / type	4.5 / flat
Coupon frequency	annual
Coupon spread	677
Next call date	28.03.2019
Maturity	Perpetual
Payment rank	Subordinated
CoCo	no
Ask price	99.63
Yield to maturity	7.23
Yield to worst	8.16
Govt spread to worst	873
Modified duration to worst	1.06
Denomination	100k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	97.51
Initiation yield to worst	8.77
Initiation govt spread	948

### Agency bond ratings

Moody's	-
S&P	-
Fitch	-
Composite rating	not rated

**Moody's average historical cumulative issuer default rate (in %)** n/a  
(composite rating until final maturity date)

### Julius Baer research issuer rating

not covered

### Julius Baer product risk rating

high

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	not available
MSCI ESG Controversies	not available

### Issuer description

Source: Julius Baer Advisory Solutions

Switzerland-based Aryzta AG (ARYNSW) is the world's largest frozen bakery company. It generated revenues of ca. CHF4.1bn in the fiscal year ended July 2017. Aryzta is active in Europe (47% of sales), North America (46%) and Developing Markets (7%). ARYNSW's shares are widely held by investors.

### Investment rationale

Several acquisitions led to a sharp credit metrics deterioration, while lower demand and competition put pressure on cash flows. This led to the volatile behaviour of its subordinated bonds, which is not expected to disappear unless the almost completely new management provides evidence that the new strategy to focus on its higher-margin core assets and balance-sheet deleveraging succeeds.

The risks are mitigated by the company's comfortable liquidity buffer, by its positive free cash flow generation and by the fact that it has meaningful assets it could divest in order to reduce indebtedness.

This bond is considered attractive because a) its coupon will be adjusted to market rates every five years, which makes it less sensitive to interest-rate changes; b) because the high re-fixing spread of 677 basis points increases the likelihood of the bond being called at the first call date or not long thereafter, depending on the speed of the turnaround, making it a relatively short investment in the best case; and c) because it offers an attractive yield relative to other European corporate hybrid bonds.

IMPORTANT: On 26.09.2017 Aryzta decided to temporarily skip dividend and defer hybrid-bond coupon payments. The latter will accrue at an interest rate of 4.5% (since 21.11.2016), are cumulative and will be paid in full at a later stage, provided its situation improves. Given the equity-like risks and the expected very low recovery value in the worst case, this subordinated bond can trade in a very volatile manner at times and hence is only suitable for inclusion into well-diversified portfolios.

### ARYZTA EURO FINANCE DAC 4.5% Perpetual

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# ELECTRICITE DE FRANCE SA (EUR - 4.125% Perpetual)

## Utilities / Electric Utilities

### Bond data

ISIN	FR0011697010
Country of risk	France
	High Yield Bonds
Currency	EUR
Coupon / type	4.125 / variable
Coupon frequency	annual
Coupon spread	244
Next call date	22.01.2022
Maturity	Perpetual
Payment rank	Jr Subordinated
CoCo	no

Ask price	107.72
Yield to maturity	3.06
Yield to worst	2.10
Govt spread to worst	236
Modified duration to worst	3.57
Denomination	100k / 100k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	108.78
Initiation yield to worst	1.92
Initiation govt spread	238

### Agency bond ratings

Moody's	Baa3
S&P	BB
Fitch	BBB
Composite rating	BB+

**Moody's average historical cumulative issuer default rate (in %)** 16.28  
(composite rating until final maturity date)

### Julius Baer research issuer rating

Opportunistic/Hold

### Julius Baer product risk rating

considerable

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	A
MSCI ESG Controversies	Orange

### Issuer description

Source: Bear Insight Fixed Income Research

Founded in April 1946, Paris-based Electricité de France (EDF) is one of the largest integrated utility companies in Europe that generates, transmits, distributes and supplies electricity. As of 30 December 2016, the group had a net installed capacity of 132 gigawatts, comprising nuclear (55%), thermal (23%) and hydropower and renewables (22%). It operates under five business segments: France (69% of FY 2016 EBITDA), the UK (10%), Italy (4%), Other International (4%) and Other Activities (13%).

### Investment rationale

The low power price environment in its main markets and enormous planned investments over the next years will keep its fundamentals under pressure. Also, we cannot rule out risks related to the construction of the new technology Hinkley Point C nuclear power project in the UK.

The risks are mitigated by its asset diversification, dominant market position in France and the fact that it is the largest regional employer, making it an important and strategic company, which is reflected in the shareholder structure. The likelihood of financial support from the state, if needed, is high and was witnessed in early 2017, when the government fully subscribed to the proposed EUR 4 billion capital increase to bolster EDF's capital base.

This bond is considered an attractive alternative to EDF's senior bonds as it offers a multiple of risk compensation in terms of credit spread and thus allows low-investment-grade focused investors to get paid an attractive yield for an investment that is considered relatively low risk. This view is based on the high likelihood of ongoing financial support from the French government. Investors need to be aware, though, that operational/fundamental pressures could eventually result in the rating of this bond falling into high-yield territory.

IMPORTANT: Given its equity-like characteristics (deferrable but cumulative coupons; very low recovery value in the worst case), this subordinated bond can trade in a very volatile manner at times. Hence, it is only suitable for inclusion into well-diversified portfolios.

### ELECTRICITE DE FRANCE SA 4.125% Perpetual

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# TELEFONICA EUROPE BV (EUR - 3.75% Perpetual)

## Telecommunications / Fixed-line & Integrated Telecommunication Services

### Bond data

ISIN	XS1490960942
Country of risk	Spain
	High Yield Bonds
Currency	EUR
Coupon / type	3.75 / variable
Coupon frequency	annual
Coupon spread	386
Next call date	15.03.2022
Maturity	Perpetual
Payment rank	Jr Subordinated
CoCo	no

Ask price	106.84
Yield to maturity	3.90
Yield to worst	2.02
Govt spread to worst	225
Modified duration to worst	3.74
Denomination	100k / 100k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	106.99
Initiation yield to worst	2.05
Initiation govt spread	248

### Agency bond ratings

Moody's	Ba2
S&P	BB+
Fitch	BB+
Composite rating	BB

### Moody's average historical cumulative issuer default rate (in %)

16.28

(composite rating until final maturity date)

### Julius Baer research issuer rating

Opportunistic/Buy

### Julius Baer product risk rating

considerable

### Julius Baer issuer scores

Issuer overall score	■ ■ ■ ■ ■
Fundamental score	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
Market signal score	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	AA
MSCI ESG Controversies	Yellow

### Issuer description

Source: Bear Insight Fixed Income Research

Spain-based Telefónica SA (Telefonica) is a global integrated telecommunications provider operating in 21 countries across Europe and Latin America (LatAm), with a customer base of 322m. It offers fixed-line and mobile telephone, and Internet and data transmission services to residential and corporate customers through five business units: Telefónica Spain (Mobile and DSL account for market shares of 31% and 43%, respectively, in Spain), Telefónica United Kingdom, Telefónica Germany, Telefónica Brasil and Telefónica Hispanoamérica (includes Argentina, Chile, Peru, Colombia, Mexico, Venezuela and Central America, Ecuador and Uruguay). About 73% of Telefonica's revenues are generated outside of Spain.

### Investment rationale

The main risks include its high exposure to emerging market and related FX risks, intense competition in its main European markets, the generally high investment needs in order to remain competitive over the longer run and a high indebtedness relatively to rating peers.

On the other hand, it has shown strong commitment to maintaining its investment-grade rating and its well-diversified and valuable assets should allow for divestments to achieve this target, if required. Furthermore, its leading position in many markets allows it to generate strong free cash flows, which should support deleveraging and in the meantime enjoy a comfortable liquidity buffer.

This subordinated hybrid bond is considered attractive because it offers among the highest credit spreads in the BB rating segment and because of its relatively low cash price. In addition, it is expected to have a medium-term duration given its relatively high coupon re-fixing spread (if not called) and the fact that it will lose its 50% equity accountability (if not called). In any case, the coupon re-set mechanism reduces the sensitivity to interest rate changes.

IMPORTANT: Given its equity-like characteristics (deferrable but cumulative coupons; very low recovery value in the worst case), this subordinated bond can trade in a very volatile manner at times. Hence, it is only suitable for inclusion into well-diversified portfolios.

### TELEFONICA EUROPE BV 3.75% Perpetual

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# VOLKSWAGEN INTL FIN NV (EUR - 2.5% Perpetual)

## Consumer Cyclical / Automobiles & Parts

### Bond data

ISIN	XS1206540806
Country of risk	Germany
Low Investment Grade Bonds	
Currency	EUR
Coupon / type	2.5 / variable
Coupon frequency	annual
Coupon spread	220
Next call date	20.03.2022
Maturity	Perpetual
Payment rank	Jr Subordinated
CoCo	no

Ask price	103.49
Yield to maturity	2.71
Yield to worst	1.63
Govt spread to worst	186
Modified duration to worst	3.87
Denomination	1k / 1k

### Recommendation details

Bond rating	Buy
Initiation date	10.11.2017
Initiation price	102.85
Initiation yield to worst	1.81
Initiation govt spread	224

### Agency bond ratings

Moody's	Baa2
S&P	BBB-
Fitch	BBB-u
Composite rating	BBB-

**Moody's average historical cumulative issuer default rate (in %)** 3.93  
(composite rating until final maturity date)

### Julius Baer research issuer rating

Opportunistic/Hold

### Julius Baer product risk rating

moderate

### Julius Baer issuer scores

<b>Issuer overall score</b>	■ ■ ■ ■ ■
<b>Fundamental score</b>	■ ■ ■ ■ ■
Financial score	■ ■ ■ ■ ■
Operational score	■ ■ ■ ■ ■
Country score	■ ■ ■ ■ ■
<b>Market signal score</b>	■ ■ ■ ■ ■

### Sustainability rating

MSCI ESG research rating	CCC
MSCI ESG Controversies	Red

### Issuer description

Source: Bear Insight Fixed Income Research

Germany-based Volkswagen (VW) is the world's second-largest automobile manufacturer. The company manufactures mass-market and premium automobiles, along with commercial vehicles, with a total production of 10.3m vehicles in 2016. VW has a portfolio of 12 brands – Audi, Bentley, Bugatti, Lamborghini, Porsche, Skoda, SEAT and VW in the car segment; Ducati in the motorcycle segment; and VW commercial vehicles, MAN and Scania in the truck segment. The company also offers financial services (13% of sales), such as leasing, fleet and rental services.

### Investment rationale

While in general the main risk is the cyclicity of the business, VW has further to cope with the reputational and financial damage related to its emissions testing scandal ('Dieselgate'), which led to several notches of credit rating downgrades.

On the other hand, VW reported good growth in Europe and the US and enjoyed resilient operating margins. In addition, its robust liquidity, solid balance sheet and likely state support (too big to fail) are added positives. Last but not least, history has shown that similarly large companies were able to emerge even stronger and more efficient after such large issues. The fact that VW has so far weathered the storm remarkably well thanks to its cost-saving initiatives and efforts to restore its brand image underpins this view. While the senior bonds of VW have fully recovered from the scandal-related weakness, its subordinated hybrid bonds still have room to catch up. This bond is considered attractive because it ranks among the few hybrid bonds with the highest credit spread in the investment-grade segment, because of its relatively low cash price and the fact that its low minimum denomination allows for inclusion even into smaller portfolios of the more risk-friendly investment-grade investors. The coupon re-set mechanism is similar to that of other hybrid bonds and reduces the sensitivity to interest rate changes.

IMPORTANT: Given its equity-like characteristics (deferrable but cumulative coupons; very low recovery value in the worst case), this subordinated bond can trade in a very volatile manner at times. Hence, it is only suitable for inclusion into well-diversified portfolios.

### VOLKSWAGEN INTL FIN NV 2.5% Perpetual

Price chart in % of face value (since issuance or max. 5 years)



Source: Bloomberg Finance L.P., Julius Baer

Source: Bloomberg Finance L.P., Sungard SA, Julius Baer  
Data as of: 16.01.2018, 13:13 CET

# IMPORTANT LEGAL INFORMATION (1/16)

## Imprint & Appendix

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### IMPRINT

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### APPENDIX

#### Analyst certification:

The analysts hereby certify that views about the companies discussed in this report accurately reflect their personal view about the companies and securities. They further certify that no part of their compensation was, is, or will be directly or indirectly linked to the specific recommendations or views in this report.

#### Methodology:

Please refer to the following link for more information on the research methodology used by Julius Baer analysts:

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#### Price information

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#### Disclosure

Julius Baer and/or its affiliates has managed or co-managed a public offering of securities within the past 12 months for the subject issuer: UBS, Credit Suisse, Deutsche Bank, BNP Paribas, Citigroup

# IMPORTANT LEGAL INFORMATION (2/16)

## Appendix - Julius Baer issuer rating system

### Rating system for fixed income issuer research

Buy	Within its risk category, the issuer is highly recommended due to its financial and business condition (strong balance sheet, income statement, cash flow and good position in the industry). Debt instruments of the issuer are regarded as an attractive investment from a risk/return perspective.
Hold	Maintain position based on stable credit fundamentals and/or average expected return characteristics within peer group.
Sell	The rating is changed to Sell, depending on a significant deterioration in the fundamental data of the issuer in relation to the industry peers. The investment is no longer justified from a risk/return perspective for the relevant category.

### Issuer rating allocation as of 16/01/2018

All bonds in this publication are Buy rated as of the date of this publication and remain in the publication as long as the Buy rating is active.

Buy	50.6%	Hold	45.7%	Sell	3.8%
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### Risk categories for fixed income issuer research

Conservative	Supranational issuers, top-rated sovereign issuers and bodies that are directly and fully guaranteed by these institutions. These issuers are most likely to preserve their top rating throughout the business cycle.
Quality	Sovereigns and corporate issuers that are very likely to service and repay debt within a five-year credit scenario. They are likely to preserve their investment-grade rating throughout a normal business cycle.
Opportunistic	Issuers that are quite likely to service and repay debt within the five-year credit scenario. Such issuers have an attractive risk/return profile in the current credit scenario but are subject to rating downgrade risk and, thus, might be exchanged periodically.
Speculative	Sub-investment-grade issuers in Europe and the USA as well as local issuers in emerging markets. Issuers are likely to service and repay debt in the current credit scenario. Investors must note that these issuers are subject to a higher downgrade and default frequency and that an active management of these positions is crucial.

### Frequency of issuer rating updates

Financial or corporate issuers will be updated as events warrant but no less than semi-annually. Sovereign or supranational issuers will be updated as events warrant but no less than annually.

# IMPORTANT LEGAL INFORMATION (3/16)

## Appendix - Julius Baer issuer score

### Julius Baer issuer scoring

The Julius Baer quantitative scoring system is an automated method based on a proprietary algorithm taking into account both business metrics as well as market-based indicators for issuers of Fixed Income securities or their respective legal guarantor. The scoring results are principally backward looking (and thus are not a guarantee for future performance). Scores always refer to the issuer of Fixed Income securities only and not specifically to their outstanding securities. The scoring scale is 1-6, with 6 being the strongest score and 1 being the weakest.

### Julius Baer issuer scores

(6) 	Based on the business score as well as the market signal score, issuers or guarantors with a score of 6 are expected to be able to service and repay their debt under all circumstances. Julius Baer considers their senior unsecured debt as top quality.
(5) 	Based on the business score as well as the market signal score, issuers or guarantors with a score of 5 are expected to be able to service and repay their debt with a very high probability. Julius Baer considers their senior unsecured debt as high quality.
(4) 	Based on the business score as well as the market signal score, issuers or guarantors with a score of 4 are expected to be able to service and repay their debt with a high probability. Julius Baer considers their senior unsecured debt as safe.
(3) 	Based on the business score as well as the market signal score, issuers or guarantors with a score of 3 are expected to be able to service and repay their debt, but have a small risk of default. Julius Baer considers their senior unsecured debt as slightly risky and only suitable for risk-friendly investors with diversified portfolios.
(2) 	Based on the business score as well as the market signal score, issuers or guarantors with a score of 2 have a non-remote risk of default and may not be able to service and repay their debt. Julius Baer considers their senior unsecured debt as risky and not suitable for capital preservation.
(1) 	Based on the business score as well as the market signal score, issuers or guarantors with a score of 1 have a material risk of default and may not be able to service and repay their debt. Julius Baer considers their senior unsecured debt as highly risky and not suitable for capital preservation.

### Frequency of score updates

Scores of financial or corporate issuers will be updated as events warrant but no less than semi-annually. Scores of sovereign or supranational issuers will be updated as events warrant but no less than annually.

# IMPORTANT LEGAL INFORMATION (4/16)

## Appendix - Single bond rating system / Product risk rating

### Rating system for fixed income research

Buy	The bond is expected to outperform its respective peer group/risk category over a targeted investment period of 6 months up to its repayment.
Hold	The bond is expected to perform in line with its respective peer group/risk category over its remaining lifetime.
Sell	The bond is expected to perform in an extraordinarily weak manner relative to its respective peer group/risk category over its remaining lifetime and investment losses are likely.

### Frequency of single bond rating updates

Buy ratings will be updated as events warrant but no less than bi-weekly. Ratings on bonds that were downgraded to Hold will be updated as events warrant but no less than bi-weekly. Following a downgrade to Sell a bond's rating and assessment will no longer be updated (i.e. termination of coverage).

### Bond rating allocation as of 16/01/2018

All bonds in this publication are Buy rated as of the date of this publication and remain in the publication as long as the Buy rating is active.

Buy	93.2%	Hold	6.8%	Sell	0.0%
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### Julius Baer Product Risk Rating

The Julius Baer Product Risk Rating divides financial instruments into four risk categories taking account of different risk factors, such as volatility, credit default risk, currency risk and other risk factors, depending on the instrument type. The risk category "Low" does not mean "risk free". For a full discussion of the risks associated with an investment, prospective investors should carefully review the official documentations (e.g. Prospectus). For further information please contact your Julius Baer Relationship Manager.

Low	Products of the category "low" tend to experience small fluctuations of the investment value under normal market conditions, resulting in a very limited potential for capital losses but also have limited potential for income and capital growth.
Moderate	Products of the category "moderate" offer a combination of modest income and growth potential but may experience short term losses and moderate fluctuations of the investment value.
Considerable	Products of the category "considerable" may experience the risk of considerable fluctuation of the investment value while offering higher potential for capital growth and income.
High	Products of the category "high" are exposed to significant risk and fluctuation including the loss of the investment value, while providing the potential to maximize long term growth opportunities.

# IMPORTANT LEGAL INFORMATION (5/16)

## Appendix - Credit rating definition

### Credit rating definition

Credit ratings used in our publications follow the definitions and systematic of Moody's ([www.moodys.com](http://www.moodys.com)).

	Moody's		Fitch Ratings	Credit rating definition
Investment-grade	Aaa	AAA	AAA	Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.
	Aa1	AA+	AA+	Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
	Aa2	AA	AA	
	Aa3	AA-	AA-	
	A1	A+	A+	Obligations rated A are considered upper-medium grade and are subject to low credit risk.
	A2	A	A	
	A3	A-	A-	
	Baa1	BBB+	BBB+	Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.
	Baa2	BBB	BBB	
Baa3	BBB-	BBB-		
Non-investment-grade	Ba1	BB+	BB+	Obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk.
	Ba2	BB	BB	
	Ba3	BB-	BB-	
	B1	B+	B+	Obligations rated B are considered speculative and are subject to high credit risk.
	B2	B	B	
	B3	B-	B-	
	Caa1	CCC+	CCC+	Obligations rated Caa are judged to be of poor standing and are subject to very high credit risk.
	Caa2	CCC	CCC	
	Caa3	CCC-	CCC-	
	Ca	CC	CC	Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
		C	C	
	C	D	D	Obligations rated C are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

# IMPORTANT LEGAL INFORMATION (6/16)

## Appendix - Moody's global default rates

Average versus worst 5-year cumulative issuer-weighted global default rates (in %), 1970-2016

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Worst 5-Year Cumulative Default rate period since 1970	Year*
Investment Grade	0.09	0.24	0.45	0.68	0.94	1.21	1.48	1.76	2.07	2.38	2.44	1986
Aaa	0.00	0.01	0.01	0.03	0.09	0.14	0.19	0.25	0.32	0.39	2.35	1983
Aa	0.02	0.06	0.11	0.19	0.30	0.41	0.53	0.63	0.70	0.78	1.83	1984
A	0.05	0.16	0.35	0.54	0.77	1.03	1.30	1.59	1.91	2.22	2.55	1985
Baa	0.18	0.46	0.80	1.22	1.63	2.06	2.47	2.91	3.39	3.93	5.81	1986
Speculative Grade	4.12	8.36	12.36	15.89	18.98	21.65	23.99	26.05	27.96	29.70	31.57	1999
Ba	0.95	2.58	4.49	6.52	8.39	10.13	11.67	13.16	14.69	16.28	22.98	1989
B	3.57	8.44	13.38	17.83	21.91	25.56	28.86	31.64	34.12	36.18	41.08	1989
Caa-C	10.62	18.67	25.44	30.97	35.54	39.05	42.13	45.12	47.96	50.26	66.26	1997
All rated	1.54	3.07	4.47	5.68	6.72	7.60	8.37	9.05	9.70	10.30	12.77	1999

\* Worst of 5-year period

The data shown above is the result of a statistical documentation of corporate defaults among Moody's-rated long-term debt issuers and the performance of Moody's ratings for the year 2016, as well as the historical period since 1970. It is based on a proprietary database of ratings and defaults for industrial and transportation companies, utilities and financial institutions. The database covers the credit experiences of more than 20'000 corporate issuers that had long-term rated bonds, loans and/or deposits between 1970 and 2016.

**Source:** Moody's rating agency, Julius Baer

# IMPORTANT LEGAL INFORMATION (7/16)

## Appendix - Current status of the USD fixed income market

### USD Fixed Income Asset Classes - Total Return, Excess Return, Yield to Worst and Credit Spread

USD	Credit Rating	Mod. Dur.	Total Return <sup>1</sup>		Excess Return <sup>2</sup>		Yield To Worst (%)						Credit Spread (bp)					
			1m	Y-t-D	1m	Y-t-D	1-3Y	3-5Y	5-7Y	7-10Y	> 10Y	Total	1-3Y	3-5Y	5-7Y	7-10Y	> 10Y	Total
<b>US Treasury</b>	<b>Aaa</b>	<b>6.3</b>	<b>-0.53</b>	<b>-0.69</b>	-	-	<b>1.99</b>	<b>2.24</b>	<b>2.42</b>	<b>2.53</b>	<b>2.79</b>	<b>2.32</b>	-	-	-	-	-	-
<b>US Inflation-linked Bonds*</b>	Aaa	8.2	-0.12	-0.67	0.44	0.03	0.09	0.24	0.37	0.51	0.73	<b>0.43</b>	-	-	-	-	-	-
<b>USD Investment Grade Corporates</b>	<b>A3</b>	<b>7.2</b>	<b>0.03</b>	<b>-0.43</b>	<b>0.69</b>	<b>0.40</b>	<b>2.48</b>	<b>2.89</b>	<b>3.27</b>	<b>3.56</b>	<b>4.13</b>	<b>3.36</b>	<b>50</b>	<b>66</b>	<b>86</b>	<b>104</b>	<b>140</b>	<b>95</b>
USD Financials	A3	5.6	-0.23	-0.48	0.31	0.17	2.48	2.90	3.33	3.60	4.10	<b>3.16</b>	50	67	92	108	137	<b>85</b>
USD Non-Financials	A3	7.9	0.14	-0.41	0.84	0.50	2.48	2.89	3.25	3.54	4.14	<b>3.44</b>	50	65	84	102	140	<b>99</b>
USD AAA	Aaa	10.3	-0.02	-0.81	0.81	0.36	2.18	2.47	2.74	2.93	3.45	<b>3.05</b>	19	22	33	40	68	<b>51</b>
USD AA	Aa3	6.5	-0.11	-0.50	0.46	0.24	2.32	2.61	2.80	3.11	3.74	<b>2.87</b>	34	39	40	58	98	<b>53</b>
USD A	A2	7.1	-0.15	-0.57	0.50	0.25	2.41	2.76	3.07	3.35	3.84	<b>3.13</b>	43	53	65	83	111	<b>74</b>
USD BBB	Baa2	7.3	0.21	-0.28	0.89	0.57	2.65	3.08	3.49	3.78	4.48	<b>3.66</b>	66	85	108	126	175	<b>122</b>
<b>USD High Yield</b>	<b>B1</b>	<b>4.9</b>	<b>0.84</b>	<b>0.74</b>	<b>1.26</b>	<b>1.21</b>	<b>6.08</b>	<b>5.90</b>	<b>5.33</b>	<b>5.52</b>	<b>6.04</b>	<b>5.70</b>	<b>413</b>	<b>377</b>	<b>297</b>	<b>293</b>	<b>337</b>	<b>337</b>
USD BB	Ba2	5.3	0.42	0.41	0.90	0.95	3.30	4.05	4.32	4.74	5.43	<b>4.38</b>	135	188	195	213	275	<b>200</b>
USD B	B2	4.7	0.92	0.83	1.31	1.27	5.00	5.53	5.67	5.97	7.33	<b>5.73</b>	307	341	331	339	471	<b>340</b>
USD CCC	Caa2	3.7	2.04	1.57	2.35	1.92	13.76	10.28	8.46	7.65	9.37	<b>10.07</b>	1'180	820	615	513	675	<b>790</b>
<b>Global Emerging Market Sov. &amp; Corp.</b>	<b>Ba1</b>	<b>5.9</b>	<b>0.35</b>	<b>0.17</b>	<b>1.12</b>	<b>0.81</b>	<b>2.17</b>	<b>3.36</b>	<b>3.41</b>	<b>4.02</b>	<b>5.13</b>	<b>3.68</b>	<b>144</b>	<b>208</b>	<b>186</b>	<b>219</b>	<b>270</b>	<b>208</b>
USD Emerging Markets - Sovereign	Baa3	7.4	0.57	0.10	1.26	0.97	3.49	4.10	4.14	4.80	5.31	<b>4.66</b>	155	188	173	227	258	<b>218</b>
USD EM Liquid Corporates	Baa2	5.2	0.27	0.13	0.77	0.72	3.89	4.42	4.40	4.55	5.02	<b>4.39</b>	190	227	200	200	232	<b>210</b>

\* Inflation linked yields should be interpreted as real yields

<sup>1</sup> Includes the sum of interest income and any change in the market value of the instrument

<sup>2</sup> Total return relative to the total return on the respective risk free investment

Data as of closing on 15/01/2018

Source: Bank of America Merrill Lynch, Julius Baer

# IMPORTANT LEGAL INFORMATION (8/16)

## Appendix - Current status of the EUR fixed income market

### EUR Fixed Income Asset Classes - Total Return, Excess Return, Yield to Worst and Credit Spread

EUR	Credit Rating	Mod. Dur.	Total Return <sup>1</sup>		Excess Return <sup>2</sup>		Yield To Worst (%)					Credit Spread (bp)						
			1m	Y-t-D	1m	Y-t-D	1-3Y	3-5Y	5-7Y	7-10Y	> 10Y	Total	1-3Y	3-5Y	5-7Y	7-10Y	> 10Y	Total
<b>German Government Bonds</b>	<b>Aaa</b>	<b>7.2</b>	<b>-1.47</b>	<b>-0.57</b>	-	-	<b>-0.56</b>	<b>-0.26</b>	<b>0.05</b>	<b>0.38</b>	<b>0.97</b>	<b>0.14</b>	-	-	-	-	-	-
<b>EMU Periphery Government Bonds</b>	Baa2	6.7	-0.85	0.37	0.56	0.91	-0.18	0.39	0.97	1.49	2.55	<b>1.16</b>	39	65	92	111	164	<b>99</b>
<b>EMU Inflation-Linked Gov't Bonds *</b>	A1	8.1	-1.26	-0.07	0.18	0.54	-1.58	-1.13	-0.67	-0.44	0.09	<b>-0.64</b>	-	-	-	-	-	-
<b>EUR Investment Grade Corporates</b>	<b>A3</b>	<b>5.2</b>	<b>-0.75</b>	<b>-0.18</b>	<b>0.43</b>	<b>0.28</b>	<b>0.12</b>	<b>0.49</b>	<b>0.91</b>	<b>1.36</b>	<b>1.76</b>	<b>0.80</b>	<b>67</b>	<b>74</b>	<b>85</b>	<b>97</b>	<b>99</b>	<b>82</b>
<b>EUR Overall Financials</b>	A3	4.5	-0.56	-0.09	0.48	0.30	0.11	0.52	0.96	1.48	1.87	<b>0.73</b>	67	77	90	110	122	<b>85</b>
EUR <b>Senior</b> Financials	A2	4.2	-0.72	-0.21	0.26	0.15	0.06	0.43	0.79	1.10	1.54	<b>0.51</b>	62	68	75	74	88	<b>69</b>
EUR <b>Subordinated</b> Financials	Baa1	4.9	-0.08	0.27	1.03	0.70	0.31	0.87	1.49	1.92	2.35	<b>1.24</b>	85	111	136	152	178	<b>125</b>
EUR <b>Periphery</b> Financials	Baa2	4.0	-0.36	0.02	0.56	0.35	0.10	0.70	1.00	2.15	3.15	<b>0.85</b>	69	92	97	172	247	<b>104</b>
EUR <b>Non-Periphery</b> Financials	A2	4.6	-0.58	-0.11	0.47	0.29	0.11	0.50	0.96	1.41	1.71	<b>0.71</b>	66	76	90	104	107	<b>83</b>
<b>EUR Overall Non-Financials</b>	A3	5.6	-0.86	-0.22	0.40	0.27	0.12	0.47	0.89	1.30	1.74	<b>0.84</b>	66	72	83	91	96	<b>80</b>
EUR <b>Periphery</b> Non-Financials	Baa2	5.2	-0.90	-0.26	0.30	0.21	0.11	0.39	0.91	1.35	1.76	<b>0.81</b>	66	66	86	97	109	<b>82</b>
EUR <b>Non-Periphery</b> Non-Financials	A3	5.7	-0.86	-0.22	0.41	0.28	0.12	0.49	0.89	1.29	1.74	<b>0.84</b>	66	73	82	90	95	<b>80</b>
EUR <b>Subordinated</b> Non-Financials	Baa1	4.9	0.45	0.31	1.54	0.72	0.80	1.48	1.90	2.63	2.81	<b>1.76</b>	122	139	163	214	191	<b>160</b>
EUR AAA	Aaa	7.7	-1.33	-0.42	0.27	0.21	-0.12	0.16	0.63	0.86	1.24	<b>0.71</b>	47	44	49	43	45	<b>45</b>
EUR AA	Aa3	5.4	-0.94	-0.28	0.27	0.19	0.50	0.24	0.55	0.90	1.32	<b>0.50</b>	52	51	52	51	55	<b>52</b>
EUR A	A2	5.1	-0.84	-0.25	0.32	0.20	0.07	0.41	0.77	1.14	1.68	<b>0.66</b>	62	67	72	78	88	<b>71</b>
EUR BBB	Baa2	5.2	-0.63	-0.09	0.55	0.36	0.19	0.63	1.07	1.60	1.98	<b>0.97</b>	74	86	99	121	124	<b>98</b>
<b>EUR High Yield</b>	<b>Ba3</b>	<b>4.5</b>	<b>0.43</b>	<b>0.41</b>	<b>1.31</b>	<b>0.74</b>	<b>1.17</b>	<b>2.53</b>	<b>2.56</b>	<b>2.99</b>	<b>3.81</b>	<b>2.39</b>	<b>172</b>	<b>289</b>	<b>280</b>	<b>273</b>	<b>311</b>	<b>261</b>
EUR BB	Ba2	4.5	0.27	0.34	1.20	0.69	0.76	1.60	2.00	2.61	3.59	<b>1.77</b>	131	190	217	233	286	<b>195</b>
EUR B	B2	4.4	1.01	0.66	1.73	0.92	2.98	4.09	3.66	4.24	-	<b>3.89</b>	344	456	417	407	-	<b>426</b>
EUR CCC	Caa2	4.3	0.43	0.34	1.15	0.62	12.65	6.97	5.30	5.62	-	<b>6.18</b>	1'327	740	555	540	-	<b>643</b>
<b>Global Emerging Market Sov&amp;Corp</b>	<b>Ba1</b>	<b>5.9</b>	<b>0.35</b>	<b>0.17</b>	<b>1.12</b>	<b>0.81</b>	<b>2.17</b>	<b>3.36</b>	<b>3.41</b>	<b>4.02</b>	<b>5.13</b>	<b>3.68</b>	<b>144</b>	<b>208</b>	<b>186</b>	<b>219</b>	<b>270</b>	<b>208</b>
<b>EUR Emerging Markets - Sovereign</b>	Baa1	6.4	0.09	-0.21	1.49	0.33	0.28	0.51	1.15	1.59	3.63	<b>1.64</b>	82	80	110	124	282	<b>148</b>
<b>EUR EM Corporates</b>	Baa2	4.1	-0.05	0.15	0.87	0.49	0.67	0.93	1.75	2.63	2.52	<b>1.30</b>	123	121	173	227	194	<b>148</b>

\* Inflation linked yields should be interpreted as real yields

<sup>1</sup> Includes the sum of interest income and any change in the market value of the instrument

<sup>2</sup> Total return relative to the total return on the respective risk free investment

Data as of closing on 15/01/2018

Source: Bank of America Merrill Lynch, Julius Baer

# IMPORTANT LEGAL INFORMATION (9/16)

## Appendix - Single bond recommendation history

The following single bond recommendation history provides an overview of bonds whose rating has been downgraded to Hold or whose coverage has been terminated within the preceding 12 months. In addition to the active Buy recommendations in this publication, this information provides a bond recommendation history over the preceding 12-months period.

A complete list of all recommendations and recommendation changes on any bonds disseminated within the last 12 months is available from Julius Baer upon request.

ISIN	Issuer	Ccy	Cpn	Maturity	Initiation					Recommendation change				
					Date	Price	YTW	Govt-Spread	Previous Rating	Date	Price	YTW	Govt-Spread	New Rating
<b>USD Emerging Markets</b>														
US71654QBG64	PETROLEOS MEXICANOS	USD	3.5	30.01.2023	10.11.2017	97.92	3.95	189	Buy	16.01.2018	98.08	3.92	159	Hold
Rationale:		Downgraded to Hold due to limited additional outperformance potential relative to Mexican sovereign bonds.												
<b>USD Investment Grade, Crossover and High Yield</b>														
XS1064674127	LENOVO GROUP LTD	USD	4.7	08.05.2019	10.11.2017	102.33	3.08	149	Buy	16.01.2018	101.73	3.33	148	Hold
Rationale:		Downgraded to Hold due to liquidity reasons.												
US268648AP77	EMC CORP	USD	1.875	01.06.2018	10.11.2017	99.77	2.30	93	Buy	19.12.2017	99.91	2.05	69	Hold
Rationale:		Downgraded to Hold as the bond is approaching its final maturity date.												
<b>EUR Emerging Markets</b>														
XS1503160225	REPUBLIC OF ARGENTINA	EUR	3.875	15.01.2022	10.11.2017	103.12	3.06	353	Buy	19.12.2017	103.11	3.07	353	Hold
Rationale:		Downgraded to Hold based on the view of a better risk reward in the bond of The Province of Buenos Aires (EUR 5.375% 2023), which we have added to our High Credit Convictions with immediate effect.												
<b>EUR Investment Grade, Crossover and High Yield</b>														
XS1207054666	REPSOL INTL FINANCE	EUR	3.875	Perpetual	10.11.2017	107.99	1.42	201	Buy	16.01.2018	108.70	1.08	148	Hold
Rationale:		Downgraded to Hold due to limited additional outperformance potential.												
XS1501167164	TOTAL SA	EUR	2.708	Perpetual	10.11.2017	106.75	1.42	167	Buy	16.01.2018	107.22	1.29	134	Hold
Rationale:		Downgraded to Hold due to limited additional outperformance potential.												

# IMPORTANT LEGAL INFORMATION (10/16)

## Appendix - Frequently used abbreviations (1/2)

### Frequently used abbreviations in fixed income research

CFF	Cash flow from financing	CFI	Cash flow from investing	CFO	Cash flow from operation
CoCo	Contingent convertible bonds; absorb losses through nominal write-down or equity conversion if a bank's capitalization falls below a defined level	Country of Risk	Country of the issuer or guarantor credit risk	Cpn	Coupon
EBIT	Earnings before interest and taxes	EBITDA	Earnings before interest, taxes, depreciation and amortisation	FCF	Free cash flow
FFO	Funds from operation	Gov't-spread	Yield difference of the bond over the respective government bond yield curve, measured in basis points	Min '000	Minimum nominal investment size
Modified duration (M. Dur.)	Modified duration. Sensitivity of the bond price to changes in interest rates	Moody's	Moody's rating agency	NC	Next call date (at the issuer's discretion)
NP	Next Put date (at the holder's discretion)	NPL	Non-performing loans	Payment rank	Priority level in which the debt claims are paid by a firm in bankruptcy or liquidation
RCF	Retained cash flow	YTC (yield to call)	Yield to call in basis points	YTM (yield to maturity)	Yield of the bond if held and repaid on the expiration date
YTP (yield to put)	Yield to Put in basis points	YTW (yield to worst)	Excluding default, yield to worst is the lowest of yield to maturity and yield to call		

### General abbreviations

Ccy	Currency	Crossover	A bond rated investment grade by one credit rating agency and high yield by the other (split rating)	EM	Emerging markets
ISIN	International securities identification number	LTM	Last twelve months	N.R.	Not rated by Julius Baer Fixed Income Research

### Unit abbreviations

bn	Billion	mln	Million	k	Thousand
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# IMPORTANT LEGAL INFORMATION (11/16)

## Appendix - Frequently used abbreviations (2/2)

### Frequently used abbreviations in fixed income research

AUD	Australian dollar	AE	United Arab Emirates	IN	Indonesia
BRL	Brazilian real	AR	Argentina	IS	Iceland
CAD	Canadian dollar	AT	Austria	IT	Italy
CHF	Swiss Franc	BE	Belgium	JP	Japan
CNH	Chinese yuan (offshore)	BH	Bahrain	KZ	Kazakhstan
CNY	Chinese yuan (onshore)	BR	Brazil	LU	Luxembourg
CZK	Czech koruna	CA	Canada	MX	Mexico
EUR	Euro	CH	Switzerland	NG	Nigeria
GBP	British Pound	CL	Chile	NL	Netherlands
HUF	Hungarian forint	CN	China	NO	Norway
INR	Indian rupee	CO	Colombia	NZ	New Zealand
JPY	Japanese yen	CY	Cyprus	PA	Panama
KRW	Koreana won	CZ	Czech Republic	PE	Peru
MXN	Mexican peso	DE	Germany	PH	Philippines
MYR	Malaysian ringgit	ES	Spain	PL	Poland
NOK	Norwegian krone	FI	Finland	PT	Portugal
NZD	New Zealand dollar	FR	France	QA	Qatar
PLN	Polish zloty	GB	United Kingdom	RU	Russia
RUB	Russian ruble	GR	Greece	SA	Saudi Arabia
SEK	Swedish krone	HK	Hong Kong	SNAT	Supranational institution
TRY	Turkish lira	HR	Croatia	TR	Turkey
USD	US dollar	ID	Indonesia	US	United States
ZAR	South African rand	IE	Ireland	VE	Venezuela
		IL	Israel	ZA	South Africa

# IMPORTANT LEGAL INFORMATION (12/16)

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