



BCP Securities Emerging Market Bonds



Ben Hough, Corporate Research

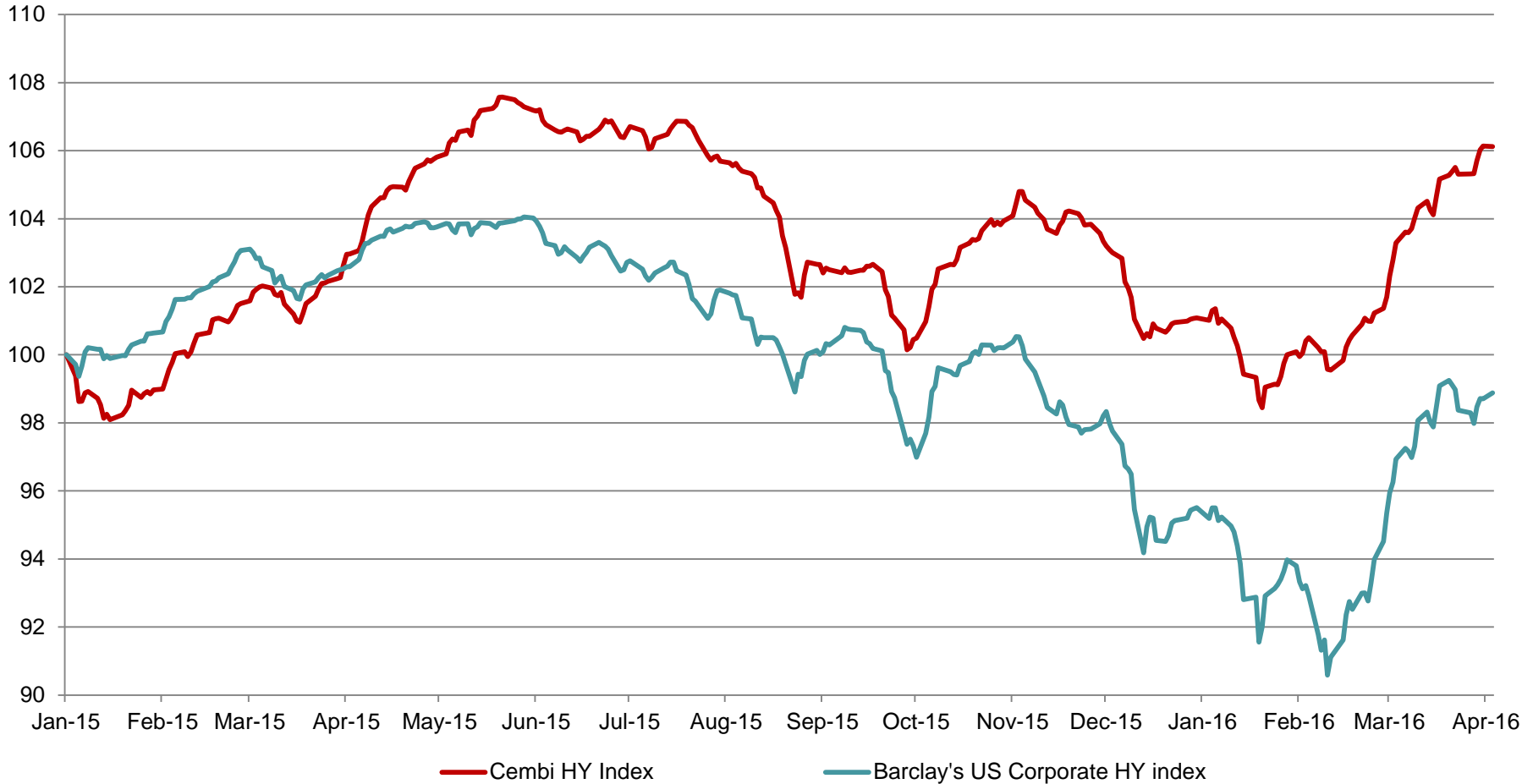
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EM High Yield has Outperformed

numbers start at index 100 in Jan/15



Note: Barclays index= LF98TRUU index, CEMBI HY index, JBCDN OIG index

Global Economic and Financial Outlook



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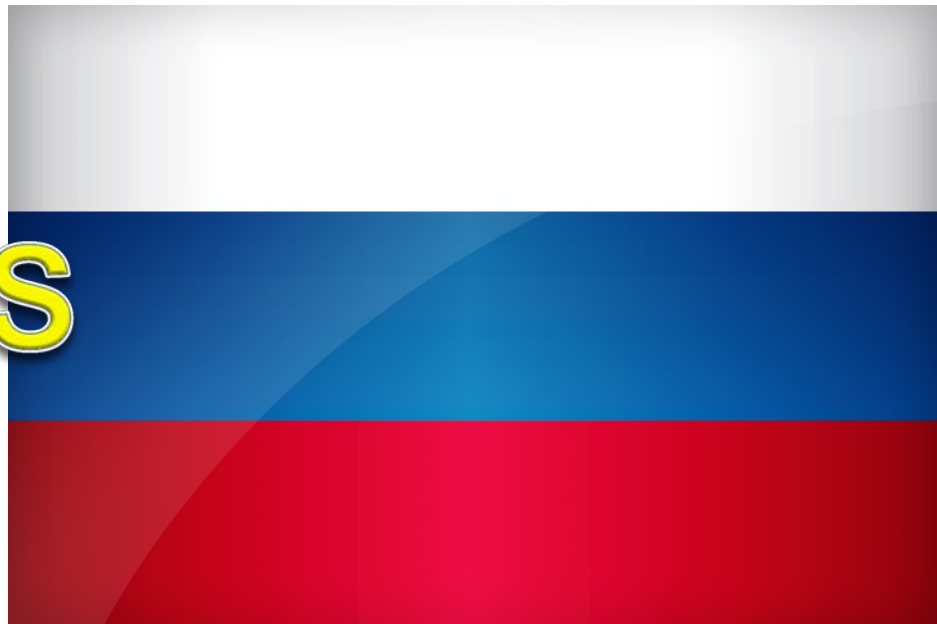
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- Macroeconomic and sovereign research.
- Has held academic positions at Columbia and Yale universities.
- A writer and author, has published on Latin American history and economics.
- Holds more than 27 awards in annual research contests.
- Regularly cited in various newspapers, magazine and television shows, including Business Week, Wall Street Journal, Financial Times, CNBC and CNN.
- Ph.D. from Duke University
- Certificate in International Law, a Master of Business Administration degree, and a Master's Degree in International Relations
- Graduate of the U.S. Naval Academy. Served as aviator in the U.S. Navy flying the A-6 Intruder jet.

If You Like Russia, Then You Will Love...



VS



Look at the Comparables

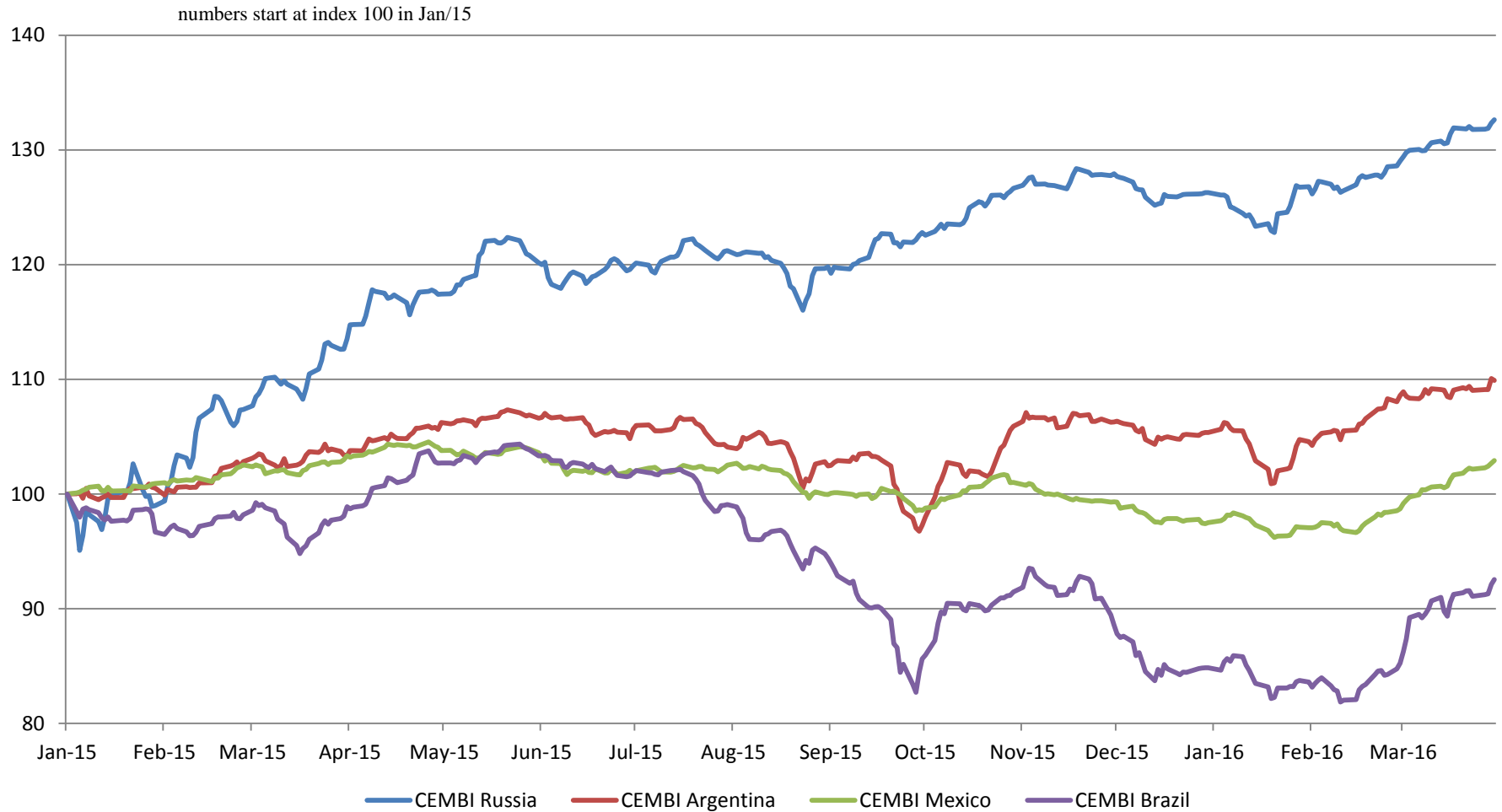
Russia

- 2015 GDP Growth -3.8%
- Reserves \$400 Billion
- Devaluation 45%
- Current Account Change 12.7%
- Fiscal Deficit 14% of GDP
- Foreign Debt to GDP 16%
- Inflation 11%

Brazil

- 2015 GDP Growth -4.09%
- Reserves \$380 Billion
- Devaluation 43%
- Current Account Change 55%
- Fiscal Deficit 11% of GDP
- Foreign Debt to GDP 8%
- Inflation 15%

Brazil Finally Outperforms



Note: indices used = JBCDRU index, JBCDAR index, JBCDMX index, JBCDBR index

For HY Cent AM Index - average px variation: AGROME 19, CAMEBO 22, BANTRB 20, AES Pan 22, BANGUA 22, AES El Salv 23, CEMPRO 23, COMCEL 24

BCP's Quarterly Economic Outlook and Top Picks



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Economic Outlook and Emerging Markets Top Picks: 2Q 2016 6 April 2016

- Brazil: The Future is Now – Dr. Walter Molano, PhD.
- EM Corporate Bond Outlook
- Top Picks for 2Q'16

SUMMARY OF INVESTMENT/TRADE RECOMMENDATIONS (Bonds in USD, unless otherwise noted)

Latin America Outperform

- BEEFBZ Perp (Brazil)
- BRPRSA Perp (Brazil)
- PETBRA 18 (Brazil)
- TAM 21 (Brazil)
- TUPY 24 (Brazil)
- ARRUNI 19 (Mexico)
- FAMSA 20 (Mexico)
- FINDEP 19 (Mexico)

Underperform

- FERROS 20 (Peru)
- ARCO 23 (Argentina)

EMEA Outperform

- STPETE 28 Sub. (Russia)
- MHPSA 20 (Ukraine)

Underperform

- CITKIE 15 (Ukraine)

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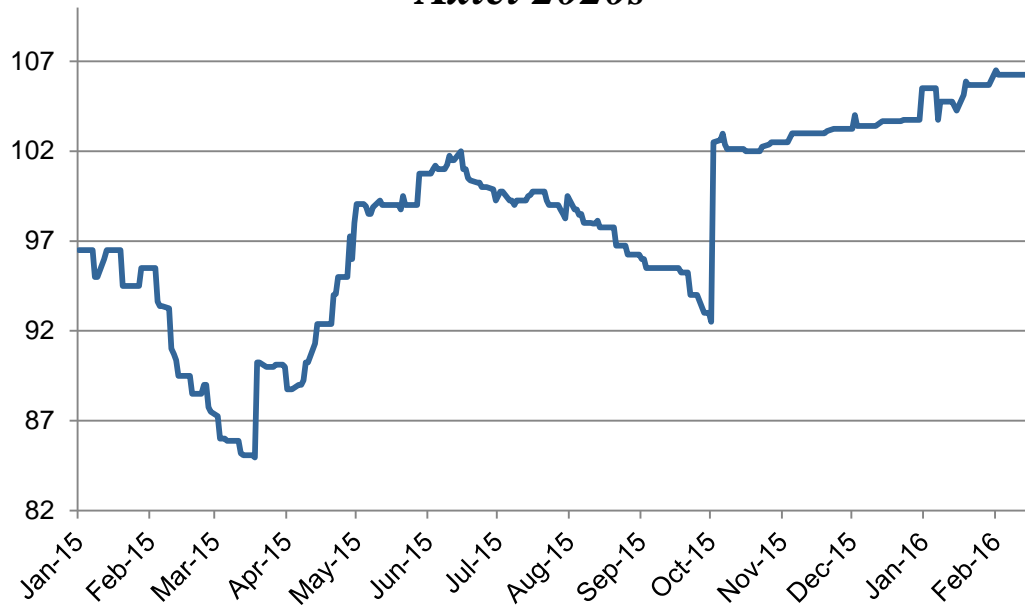
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BCP Top Picks: What's Next After Axtel?

**The 29-Year-Old Bond Picker
Vindicated by Call That
Returned 36%**



Axtel 2020s



BCP Top Picks: What's Next After Axtel?

Description	Amt (US\$ MM)	Min Piece	Ratings (M/SP/F)	Mid Price	Mid YTW	Recommendation
ARRUNI 6.25% 07/22/19	\$400	\$200,000	-/ BB/ BB	95.8	7.7%	Market Outperform
POSADA 7.875% 6/30/22	\$350	\$150,000	B2/ B/ B+	98.3	8.2%	Market Outperform
POSADA 7.875% 11/30/17	\$38	\$150,000	B2/ B/ B+	102.5	3.8%	-
FINDEP 7.5% 06/03/19	\$200	\$200,000	-/ BB-/ BB-	91.5	10.8%	Market Outperform
FAMSA 7.25% 06/01/20	\$250	\$2,000	-/ B / B-	91.2	9.9%	Market Outperform

Financiera Independencia (FINDEP)—#1 non-bank personal loans lender in Mexico

Grupo Famsa (FAMSA)—retailer and financial services company with an integrated bank

Grupo Posadas (POSADA)—the largest hotel operator in Mexico

Unfin Financiera (ARRUNI)—the largest independent leasing company in Latin America

"High Octane" Priority List

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Equity Upside... Equity Risks

January 27, 2015



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BCP High Octane – Turning Bullish?

Ratings Changes: Jan 27 to April 11 2016

Ticker	27-Jan Rating	Change	4/11 px
PFAVHC	Speculative Buy		79.0
AJECBV	Positive		44.0
AVINPU	Positive		26.0
ICASA	Positive		21.5
IMPSA	Positive		12.0
MAXTEL	Positive		54.0
PRECN	Positive		19.5
CSOLNO	Neutral	Positive	84.0
FESHRU	Neutral		49.0
GOLLBZ	Neutral		27.0
GPKLN	Neutral		72.5
METINV	Neutral		50.0
ODEBRE	Neutral		23.8
OIBRBZ	Neutral	Positive	28.0
TONOBZ	Neutral		41.5
AHMSA	Negative	Positive	34.0
AUTGIL	Negative		30.0
CSNABZ	Negative	Neutral	42.5
GEOBMM	Negative		1.8
ODBR	Negative		45.0
RBNRL	Negative	Neutral	44.5
ABGSM	Speculative Sell	Neutral	9.5
FXPOLN	Speculative Sell	Neutral	68.5

We cover 30+ credits with prices from 1c to 70c.

Since January 27, we have seven upgrades and no downgrades.

BCP High Octane – Summary

What we like now:

ICASA – 22c, upside to 40c. Punchline coming?

OIBRBZ – 28c, messy, but reward outweighs risk

ODBR – 45c. We are neg. If you aren't, switch to BRL 18s.

What we are looking at:

PRECN – 19c, Better upside at GPKLN or ODEBRE 21?

CSNABZ vs METINV – 50c steel and mining plays

South America Airlines

Heavy Turbulence



2016



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BCP South America Airlines: Heavy Turbulence

AVIANCA – 15%. FCF positive. Catch the fuel tailwind.

TAM – Play the GOLLBZ fleet reduction. 12%.

GOLLBZ – Complexity abounds. Sharpen your pencil.

Petrobras

The US\$128 Billion Elephant in the Room



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February 29, 2016

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Petbra: Our Views

Fundamentals justify support – if needed

- **Reserve base is ample and economic**
- **Massive leverage driven by political interference**
- **Refined product pricing: the problem is now the solution**
- **US\$70 bn financing gap until production increases**
- **Secured debt on the way**

After the rally: check your covenants

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"Market Outperform" – The bond's total return is expected to exceed the total return of the J.P. Morgan Corporate Emerging Markets Bond Index series ("CEMBI") Broad Diversified High-Yield Index over the next 3 – 6 months.

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

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

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

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