

Mind Money

Mind-Money, ex. Zerich Securities, is a modern European broker. We provide services to clients from 25 countries. We established our company under the laws of the Republic of Cyprus on 23 July 2009, under the registration number **HE 252803**.

Speaker – Yuliya Handoshko, CEO



High-Yield Bond Investment factors:

1 Credit Analysis

Thorough credit analysis is essential when investing in high-yield bonds. Investors need to carefully assess the creditworthiness of the issuing company and determine the likelihood of default.

2 Diversification

Diversification is a crucial strategy when investing in high-yield bonds. By spreading investments across a diverse portfolio of bonds issued by different companies and industries, investors can mitigate risk.

3 Yield-to-Worst Analysis

Investors should consider the yield-to-worst metric when evaluating high-yield bonds. This metric helps assess the potential downside risk of a bond investment.

4 Event-Driven Investing

Event-driven investing involves taking advantage of specific events or situations that affect high-yield bonds' prices.

High-Yield Bond Investment factors:

5 **Covenant Analysis**

Investors should carefully analyze all covenants to understand the issuer's financial flexibility and potential risks associated with the bonds.

6 **Distressed Debt Investing**

This strategy involves investing in the debt of companies that are experiencing financial distress or undergoing restructuring,

7 **Duration Management**

Duration measures the sensitivity of a bond's price to changes in interest rates. High-yield bond investors may adjust the duration of their portfolios to manage this risk.

8 **Sector Rotation**

Investors may employ sector rotation strategies to capitalize on trends in different industries. During economic downturns, certain sectors may perform better than others.

Wanda Commercial Properties, 7.25%, USD XS1023280271



China's largest mall operator and a major owner of commercial office real estate. It manages 472 shopping centers, with an impressive 98.7% occupancy rate in 2022. The company generates stable rental income, and its rental income grew by 4.7% YoY. Included in Dalian Wanda Group.

Reasons of the decline:

1. Dalian Wanda Group's liquidity issues forced the sale of 20 shopping centers, causing a temporary setback for Wanda Commercial Properties.
2. Zhuhai Wanda's IPO uncertainty delayed share buybacks, impacting Wanda Commercial's balance sheet.
3. Fitch downgraded Wanda Commercial Properties due to share repurchase obligations, but delayed payments may restore the rating.

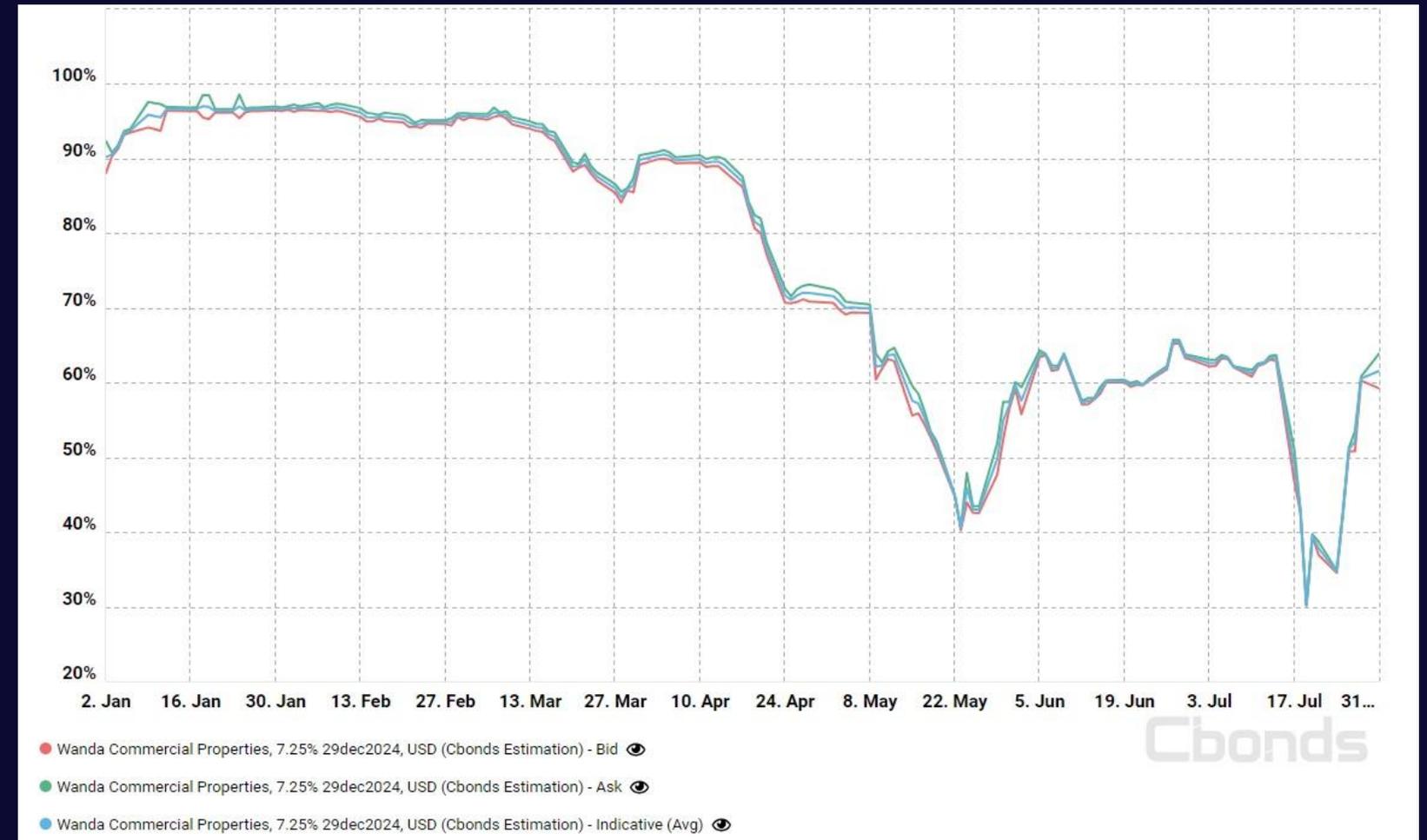


Chart from January to August 2023

Wanda Commercial Properties, 7.25%, USD XS1023280271



Our analysts' assessment:

1. Wanda Commercial Properties has no cross-default on the bonds of Wanda Group.
2. Wanda Commercial Properties has cash on its balance sheet totaling 28 billion CNY, with short-term debt of 22 billion. Most of the short-term debt (19 billion out of 22) consists of bank loans secured by property rights to several shopping centers, the appraised value of which exceeds the debt amount threefold (LTV ratio of 33%). Therefore, if the company decides to use the accumulated cash differently, these loans will be refinanced.
3. The valuation of the company's investment real estate is 457 billion yuan, with total company debt of 179 billion CNY.

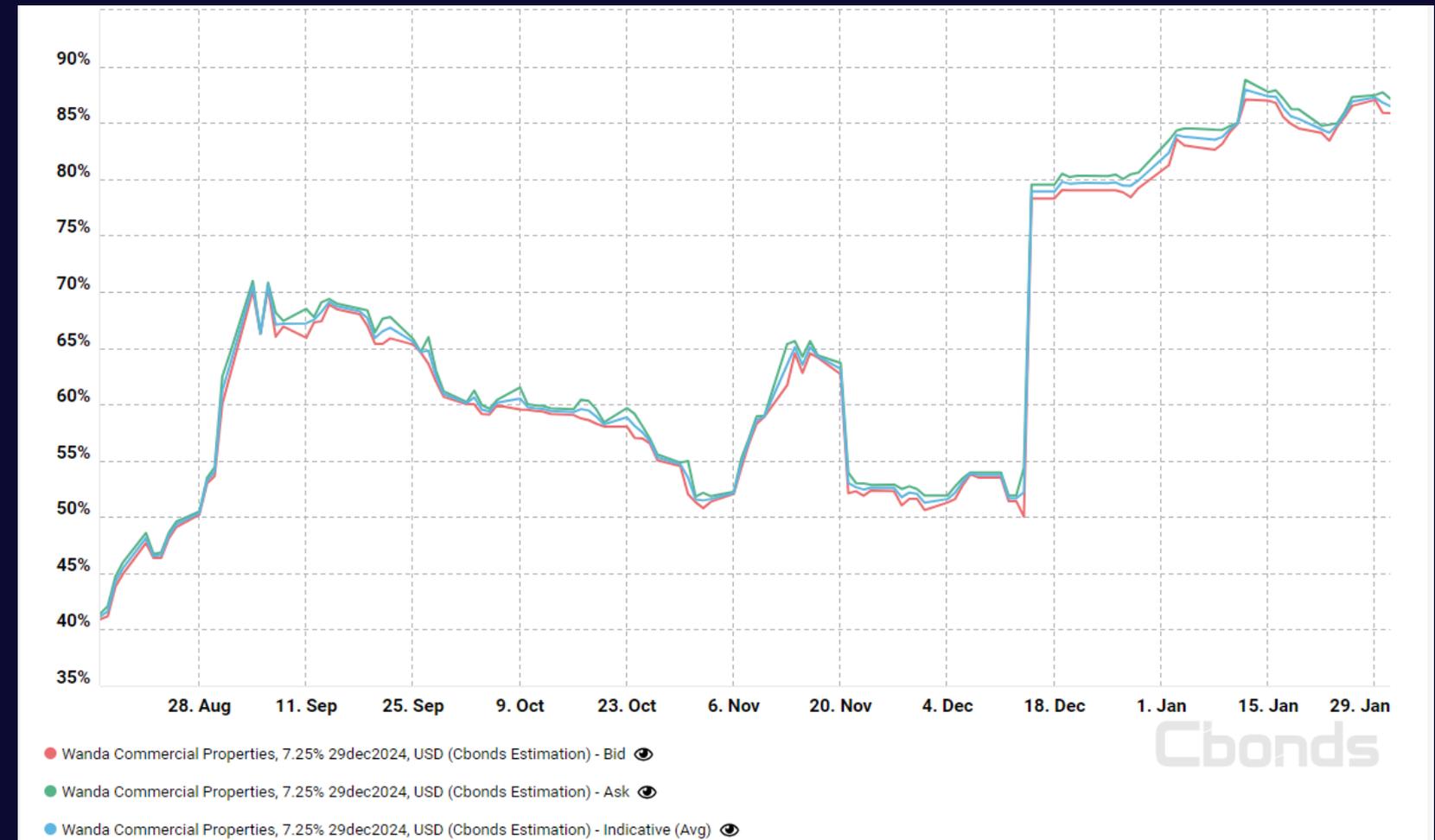


Chart from August to December 2023

Transaction details:

- purchase at 40% of face value in July 2023
- sale in December 2023 at 82%
- profit of over 100% in 4 months.

ECOPETROL 5.875% 28.05.2045, USD, US279158AJ82



ECOPETROL – the biggest Colombian oil company, contributes 10% to the country's GDP. In October 2023, the spread to UST exceeded 600 bps. Risk rating: BB+

Our analysts' assessment:

1. Average lifespan of the company's producing assets is 8.5 years with a replacement ratio of 104%;
2. Break-even point for oil production is at \$36;
3. Maintaining high oil prices;
4. EBITDA profitability exceeds 40%;
5. Total debt/EBITDA ratio is only 1.7X.

Verdict: Expecting to attain IG status, which signifies spread reduction and price growth.

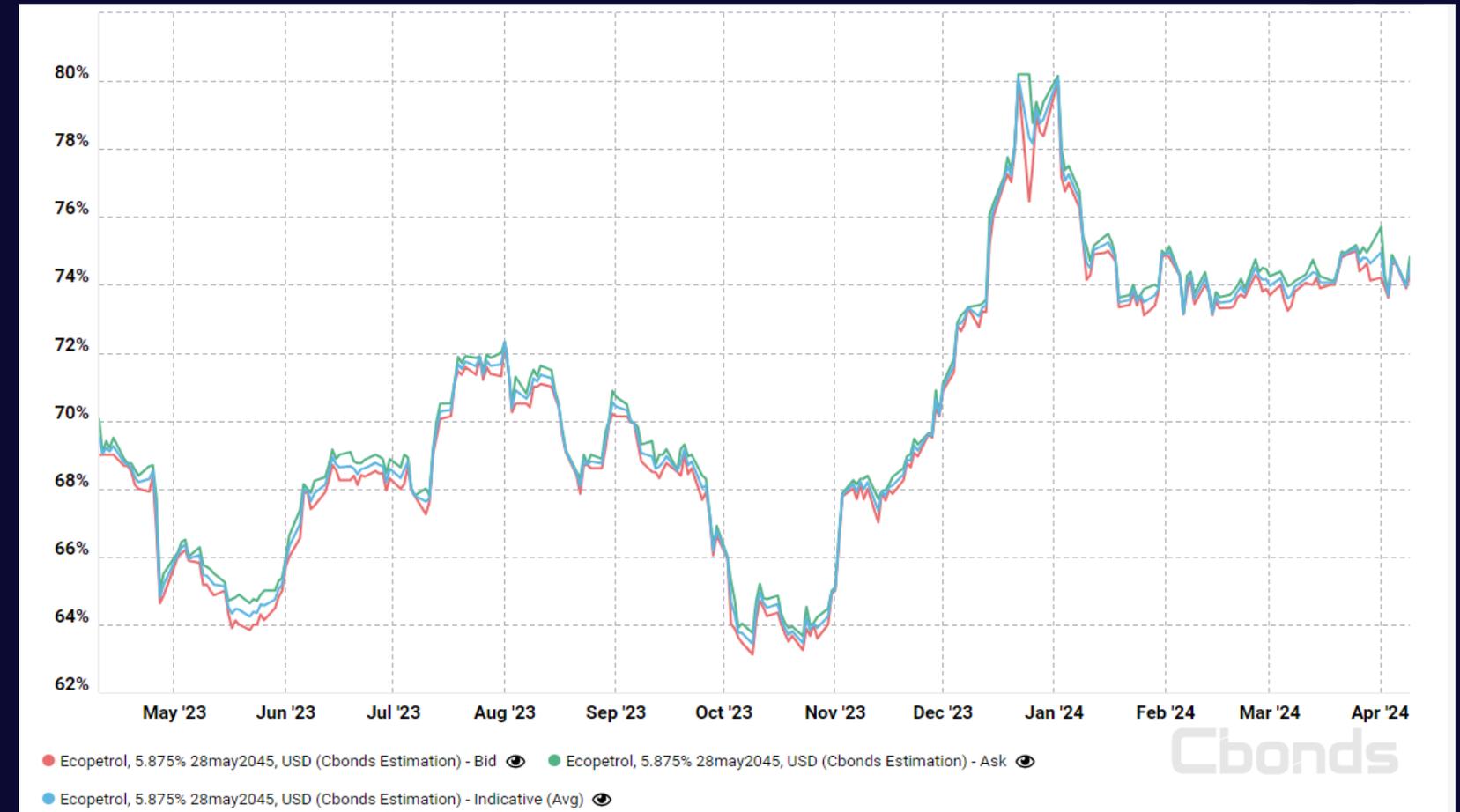


Chart from April to December 2023

Transaction details:

- purchase at 65% of face value in October 2023
- holding position amid the decision to lower the Fed rate
- current profit - 15%, expected 30%.

ADANI PORTS, 4.375% 07/03/2029, USD, USY00130RP42



Adani Ports and SEZ Ltd. is an Indian multinational port operator and logistics company. Has 13 Ports and Terminals, 15000 Hectares of Industrial Land. Risk rating: BBB-

Reason for bond fall:

In January 2023, Hindenburg published a report accusing Adani Group companies of “brazen stock manipulation and accounting fraud.”

Our analysts' assessment:

1. Adani Ports, part of the Adani Group, will initiate a bond buyback program to restore investor confidence amid allegations. The buyback starts with a \$650 million tranche in its port subsidiary;
2. Risk of default is minimal.

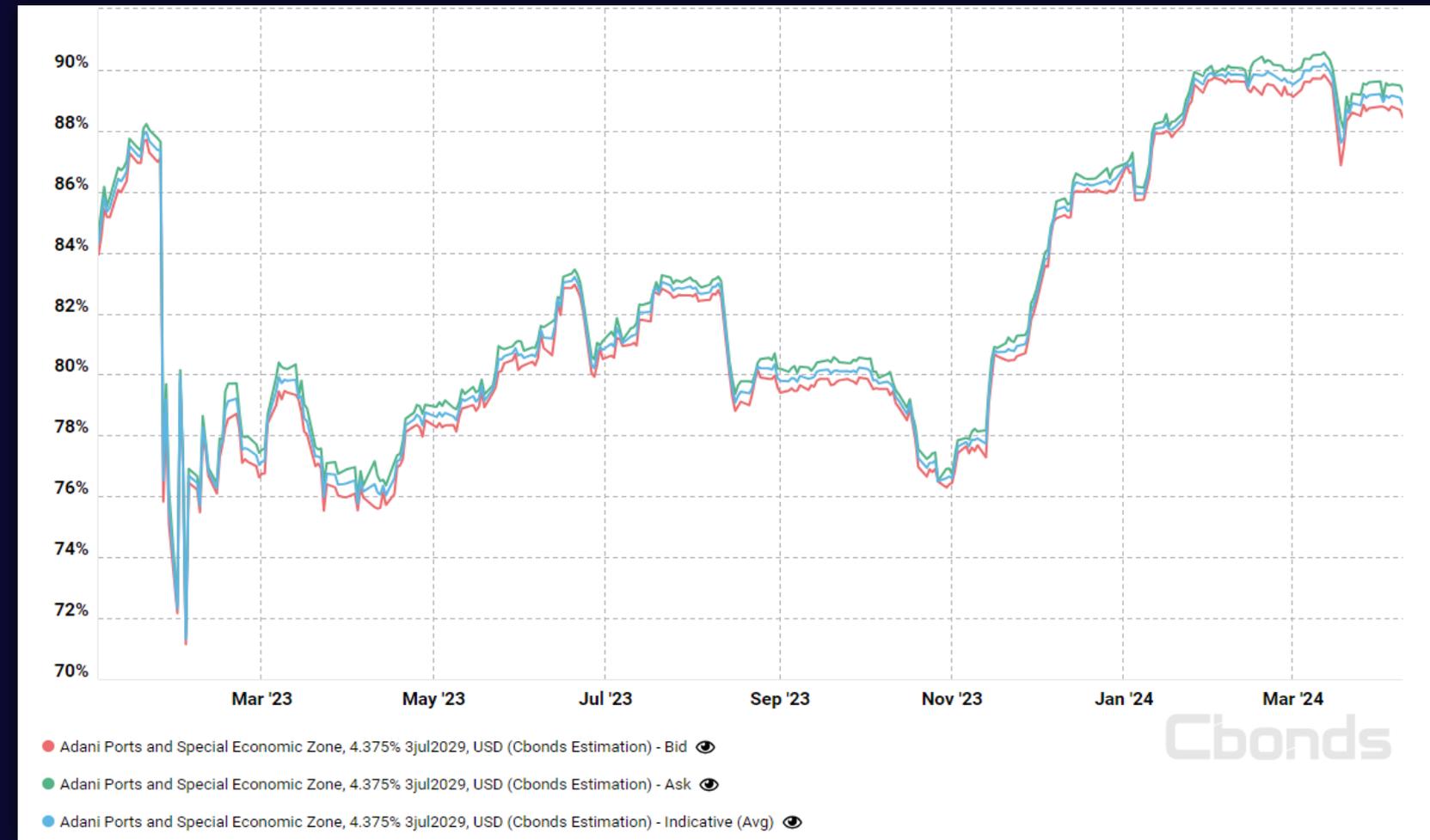


Chart from April to December 2023

Transaction details:

- purchase at price 75% of face value in April 2023
- holding position
- current profit - 17%, expected 25%.

TELEGRAM, 7%, 22.03.2026 USD, XS2317279060



TELEGRAM - Durov's messenger, with an audience of almost 1 billion users. Comparable to WhatsApp, WeChat, Snapchat, etc. There's a covenant: the bond can be converted into Telegram shares upon their IPO. Discount:

- until March 22, 2025 - 15% from the IPO price
- until March 22, 2026 - 20% from the IPO price

Our analysts' assessment:

1. Best profitability metrics among all messengers;
2. Durov will pursue an IPO as debt repayment seems unlikely given the current situation (the company is still unprofitable);
3. Our IPO valuation is \$40 billion (Durov stated \$30 billion) - an excellent opportunity purchase shares at a discount with a growth potential of more than 30%.

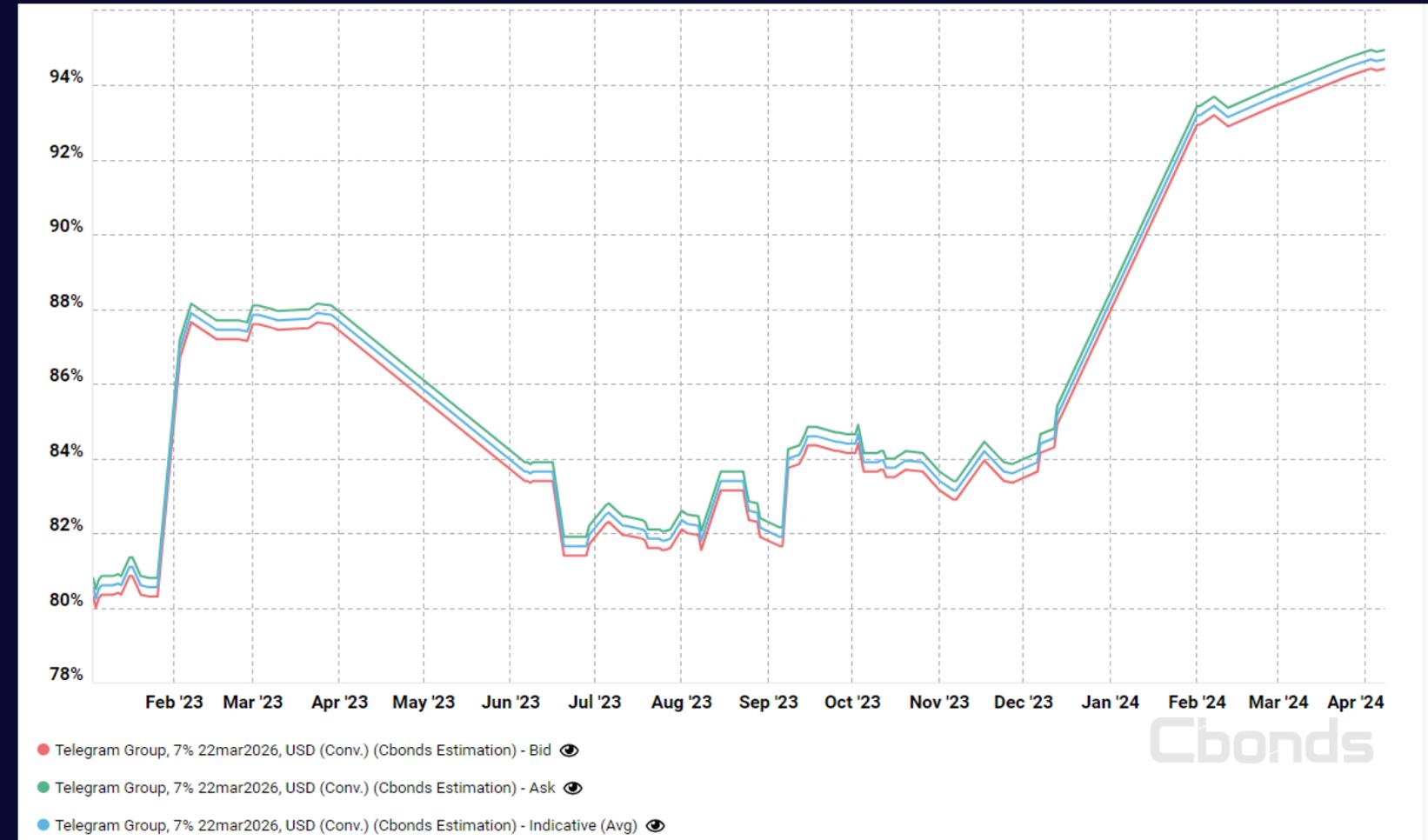


Chart from Jan 23 to today

Transaction details:

- purchase at price 94%
- if the IPO does not take place - yield 10% per annum until maturity
- if it happens, the growth potential is more 30% of the IPO price

High Yield Bonds ETFs

High Yield Bonds ETFs offer investors exposure to debt issued by below investment grade corporations. These ETFs invest in junk bonds, senior loans, as well as international below investment grade debt.

Top Issuers by AUM	AUM (\$,B)	Average ER %	Average 1YR Return
BlackRock, Inc	37,71	0.37%	8.81%
State Street	22,87	0.45%	8.18%
Invesco	10,69	0.45%	9.89%
First Trust	3,67	0.95%	10.11%
DWS	3,55	0.19%	9.64%

Symbol	ETF Name	Annual Dividend Yield %
HYG	iShares iBoxx \$ High Yield Corporate Bond ETF	5.86%
USHY	iShares Broad USD High Yield Corporate Bond ETF	6.73%
JNK	SPDR Bloomberg High Yield Bond ETF	6.57%
BKLN	Invesco Senior Loan ETF	8.75%

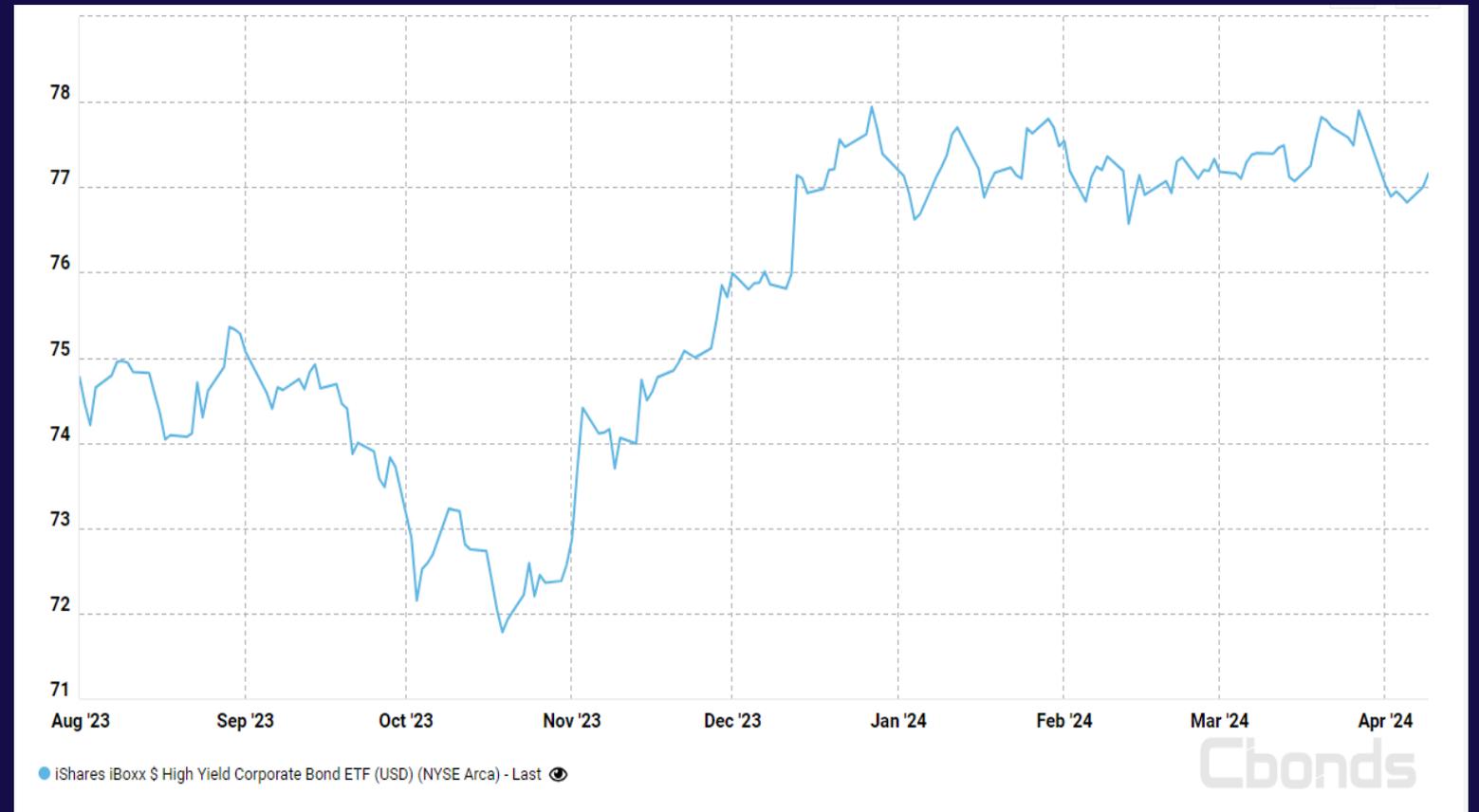


Chart of HYG