

Subject: RE: [I]  
From: Vahe Stepanian <[REDACTED]>  
Date: Tue, 17 Nov 2015 17:43:01 -0500  
To: Paul Morris <[REDACTED]>  
Cc: Stewart Oldfield <[REDACTED]>, Daniel Sabba <[REDACTED]>, Ariane Dwyer <[REDACTED]>

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Paul – as discussed, please find a list of relevant ideas for Southern Financial on the back of the client's ask below. The CB&S desk analyst looking at CoCos will be sending us a few specific issues in the morning, which we will send along to you once available. In addition to Petrobras, I've attached a piece with top AWM Fixed Income ideas – pgs. 33-44 are specific to top HY ideas. We can highlight the most relevant ideas – planning on speaking to the desk tomorrow.

Give us a call if you have questions.

Thank you,

Vahe

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1) Buy Petrobras '17s. Rationale:

- Since May 2015, Petrobras 10yr spreads have widened by ~400bps and in September S&P downgraded Petrobras to BB
- In October, domestic fuel prices increased and Petrobras announced significant capex and opex cuts for 2015 and 2016. These can be seen as positive signs for the company's future, but may not mitigate its large long term funding gap: Petrobras will need to roll \$60bn and \$104bn of debt maturities in the next four and nine years respectively and sovereign support is not guaranteed
- DB's Brazil credit analyst believes that the company can meet its short term debt maturities through 2017 without resorting to direct support

from the government. DB has revised its forecasts and has upgraded the 3.25% and 3.5% '17s to a Buy rating (please find attached DB Research report). The bonds are currently yielding 7.06% and 7.10% respectively

· Petrobras is one of the largest integrated oil companies worldwide and aims to be one of top 5 globally by 2030

Indicative Terms (as of 11/17/2015):

Client buys	PETBRA 3.250% Notes '17
Maturity	03/17/2017
Amount O/S	\$1.6bn
Rating	Ba2 / BB / BBB- (Mdy/S&P/Fitch)
Price	95.25
Mid Yield	7.06%

	Client buys	PETBRA 3.500% Notes '17
Maturity		02/06/2017
Amount O/S	\$1.75bn	
Rating		Ba2 / BB / BBB- (Mdy/S&P/Fitch)
Price		95.875
Mid Yield		7.10%

2) As you already know, Och Ziff is coming to market with a new issue CL0, OZLM XIV. The desk is hoping to price ahead of the Thanksgiving holiday, for settlement in December.

I've attached the manager pitchbook, but please also find a few high-level bullet points:

· Och Ziff is a leading institutional asset manager with \$46.1bn in

AUM, established investment capability in all major markets and strong international presence with eight global offices

- Launched in May 2012, Institutional Credit Strategies (ICS), is Och-Ziff's asset management platform that investments in performing credit via CLOs and other customized solutions for clients

- The ICS team is lead by the US portfolio manager, Donald Young, and the European portfolio manager, Adeel Shafiqullah. Together they source and execute investment ideas across a broad range of sectors, industries, and regions

- This group has successfully closed 13 U.S. CLOs with a total transaction value of ~\$7bn

- OZLM XIV is anticipated to close mid/late December

- Indicative pricing table:

Class

Rating (Moody's /Fitch)

Par amount

WAL

Coupon

DM

Price

A-1 Notes

[Aaa]/[AAA]

[318,750,000]

[6.1]

L + [1.57]%

L + [1.57]%

Par

## A-2 Notes

[Aa2]/[AA]

[61,500,000]

[7.8]

L + [2.30]%

L + [2.30]%

Par

## B Notes

[A2]/[A]

[25,750,000]

[8.5]

L + [3.15]%

L + [3.20]%

Par

## C Notes

[Baa3]/[BBB]

[30,250,000]

[9.1]

L + [4.35]%

L + [4.85]%

Mid 90s

## D Notes

[Ba3]/[BB]

[23,750,000]

[9.7]

L + [6.35]%

L + [7.85]%

High 90s

Equity

NR

[47,670,000]

N/A

N/A

L + mid teens

3) Per your request, please find a run of bank \$1000 bank preferreds:

Nxt Call	B Px	A Px	B YTC	B CUR	Floats	Notes
AXP	5.20	11/15/19	98 <sup>7</sup> / <sub>8</sub> -99 <sup>3</sup> / <sub>8</sub>	5.518	5.259	+ 342.8 S 2MM
AXP	4.90	03/15/20	96-96 <sup>3</sup> / <sub>4</sub>	5.962	5.104	+ 328.5 S 5MM
BAC	5.20	06/01/23	93 <sup>7</sup> / <sub>8</sub> -94 <sup>3</sup> / <sub>8</sub>	6.231	5.539	+313.5 S 2MM
BAC	5.125	06/17/19	96 <sup>3</sup> / <sub>4</sub> -97 <sup>1</sup> / <sub>4</sub>	6.150	5.297	+338.7 S 5MM
BAC	6.25	09/05/24	100 <sup>7</sup> / <sub>8</sub> -101 <sup>3</sup> / <sub>8</sub>	6.118	6.196	+370.5
BAC	6.50	10/23/24	104 <sup>3</sup> / <sub>4</sub> -105 <sup>1</sup> / <sub>2</sub>	5.810	6.205	+417.4
BAC	8.00	01/30/18	103 <sup>1</sup> / <sub>4</sub> -104	6.382	7.748	+ 363
BAC	8.125	05/15/18	103 <sup>3</sup> / <sub>4</sub> -104 <sup>1</sup> / <sub>4</sub>	6.467	7.831	+ 364 S 2MM

BAC	6.10	03/17/25	100 $\frac{1}{4}$ -100 $\frac{3}{4}$	6.063	6.085	+3.898	
BK	4.95	06/20/20	98 $\frac{7}{8}$ -99 $\frac{3}{8}$	5.227	5.006	+ 342	S 3MM
BK	4.50	06/20/23	92 $\frac{1}{2}$ -93 $\frac{1}{2}$	5.692	4.865	+ 246	Q
C	6.30	05/15/24	97 $\frac{1}{2}$ -98	6.691	6.462	+ 342	

Nxt Call      B Px A Px      B YTC      B CUR      Floats      Notes

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C	6.125	11/15/20	100 $\frac{1}{2}$ -100 $\frac{3}{4}$	6.007	6.095	+ 447.8	Mkt 5x2
C	5.95	N 08/15/20	98 $\frac{1}{2}$ -99	6.318	6.041	+ 409.5	
C	5.95	01/30/23	97 $\frac{5}{8}$ -98 $\frac{3}{8}$	6.365	6.095	+ 407	
C	5.95	05/15/25	95 $\frac{1}{8}$ -95 $\frac{5}{8}$	6.651	6.255	+ 390.5	Mkt 3x2
C	5.90	02/15/23	97 $\frac{5}{8}$ -98 $\frac{3}{8}$	6.312	6.044	+ 423	
C	5.875	03/27/20	98 $\frac{1}{8}$ -98 $\frac{1}{2}$	6.372	5.987	+ 405.9	Mkt 3MM
C	5.80	11/15/19	97 $\frac{3}{4}$ -98 $\frac{1}{2}$	6.449	5.934	+ 409.3	
C	5.35	05/15/23	93 $\frac{1}{2}$ -94 $\frac{1}{2}$	6.459	5.722	+ 347	
COF	5.55	06/01/20	99 $\frac{3}{4}$ -100 $\frac{1}{2}$	5.613	5.564	+ 380	
FITB	4.90	09/30/19	93 $\frac{3}{4}$ -94 $\frac{3}{4}$	6.764	5.227	+313	Q
FITB	5.10	06/30/23	90 $\frac{3}{4}$ -91 $\frac{3}{4}$	6.668	5.620	+ 303	
GS	0	12/18/15	71 $\frac{5}{8}$ -72 $\frac{3}{8}$	582.643	5.585	+ 76.75	

Nxt Call      B Px A Px      B YTC      B CUR      Floats      Notes

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GS	5.375	05/10/20	99 $\frac{1}{4}$ -99 $\frac{3}{4}$	5.566	5.416	+ 392	
GS	5.70	05/10/19	100 $\frac{1}{4}$ -101	5.619	5.686	+ 388	
JPM	7.90	04/30/18	102 $\frac{7}{8}$ -103 $\frac{3}{8}$	6.604	7.679	+ 347	S 3MM

JPM	6.75	02/01/24	107 $\frac{1}{2}$ -108 $\frac{1}{2}$	5.595	6.279	+ 378	
JPM	5.00	07/01/19	96 $\frac{1}{2}$ -97 $\frac{1}{2}$	6.092	5.181	+ 332	
JPM	6.10	10/01/24	100 $\frac{3}{4}$ -101 $\frac{1}{2}$	5.988	6.055	+ 333	
JPM	6.125	04/30/24	100 $\frac{3}{4}$ -101 $\frac{1}{2}$	6.010	6.079	+ 333	
JPM	5.15	05/01/23	95 $\frac{1}{4}$ -96	5.948	5.407	+ 325	
JPM	6.00	08/01/23	100 $\frac{1}{2}$ -101 $\frac{1}{4}$	5.916	5.970	+ 330	
JPM	5.30	05/01/20	99 $\frac{1}{2}$ -100	5.427	5.327	+ 380	
MS	5.55	07/15/20	99 $\frac{3}{8}$ -99 $\frac{7}{8}$	5.703	5.585	+ 381	S 2MM
MS	5.45	07/15/19	97 $\frac{1}{4}$ -98 $\frac{1}{4}$	6.302	5.604	+ 361	S 3MM

		Nxt Call	B Px A Px	B YTC	B CUR	Floats	Notes
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PNC	4.85	06/01/23	94-95	5.846	5.160	+ 304	Q
PNC	6.75	08/01/21	108-109	5.112	6.250	+ 368	
STI	5.625	12/15/19	100 $\frac{1}{8}$ -100 $\frac{7}{8}$	5.589	5.618	+ 386	
STT	5.25	09/15/20	100 $\frac{1}{8}$ -100 $\frac{7}{8}$	5.218	5.243	+ 359.7	
WFC	5.875	06/15/25	104 $\frac{3}{4}$ -105 $\frac{1}{2}$	5.237	5.609	+399	
WFC	7.98	03/15/18	106-106 $\frac{3}{4}$	5.195	7.528	+ 377	
WFC	0.00	12/18/15	97 $\frac{3}{8}$ -97 $\frac{7}{8}$	44.251	5.720	+ 93	
WFC	5.90	06/15/24	101 $\frac{1}{4}$ -101 $\frac{3}{4}$	5.713	5.827	+ 311	

From: Daniel Sabba  
 Sent: Tuesday, November 17, 2015 3:16 PM  
 To: Paul Morris; Vahe Stepanian  
 Cc: Stewart Oldfield  
 Subject: RE: [I]

As discussed, we will socialize between us some HY bonds in addition to Petrobras.

We will also send cocos from credit desk, bank preferred run from STG, and CLO mezz and equity from Och Ziff.

From: Paul Morris  
Sent: Tuesday, November 17, 2015 1:08 PM  
To: Daniel Sabba; Vahe Stepanian  
Cc: Stewart Oldfield  
Subject: FW: [I]

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Can you think about a list, perhaps getting 10 million to work

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From: jeffrey E. [mailto:[jeevacation@gmail.com](mailto:jeevacation@gmail.com)]  
Sent: Tuesday, November 17, 2015 12:43 PM  
To: Paul Morris  
Subject:

lets look at leveraged preferred or leveraged bonds.

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please note

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