



The High-Yield Debt Market



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High-Yield Bonds



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What is it anyways?

- I.e. Junk Bond
- High yielding bond with low credit rating
- < BBB rating from S&P or < Baa from Moody's
- Higher return to compensate for higher risks
- Usually issued by companies that is highly leveraged or experiencing financial difficulties



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Risks of High Yield Bonds

- Default Risk
- Interest Rate Risk
- Economic Risk



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How to invest?

- Through a broker or a dealer
- Buying shares in mutual funds or ETFs with a high yield bond focus
- Read through company prospectus



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Terms to take note



- Covenant protections
- Payment terms
- Call provisions

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Conclusion

- Understand the potential risk and rewards
- Assess your risk appetite
- Investment objectives
- Net income and net worth
- Understanding of markets





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