APRIL 23RD TO APRIL 26TH 2018

Supra-Priority of Pensioners

In previous editions of this publication, we have discussed the matter of the supra-priority of pensioners in Canada (October 30th to November 3rd, 2017 and February 26th to March 2nd, 2018 issues). Most notably, following the bankruptcy of Sears Canada, the Federal NDP announced that it will table a bill proposing amendments to both the Bankruptcy and Insolvency Act and the Companies' Creditors Arrangement Act, which would rank pensioners ahead of all other creditors when a company files for bankruptcy. More recently, Gwyn Morgan, former CEO of Encana Corporation, wrote an opinion column in the Financial Post in February adopting a similar point of view.

On March 29th, CBC (Radio-Canada) aired a segment aimed at the Sears Canada bankruptcy and the issue of supra-priority of pensioners came under scrutiny again. Much of the controversy had to do with the fact that the company increased its dividend significantly between 2005-2013, despite its underfunded pension liabilities. A similar situation is underway at Stelco and the company's employees also have no guarantee their pensions will be fully funded. Critics argue that Sears, and other companies like it, broke a "moral contract" with their employees, though, legally speaking, no wrongdoing had occurred. The result: 16,000 Sears Canada employees lost 20% of their pensions' value. While the Ontario Superior Court opened an investigation examining the dividends issued while the pension liabilities went underfunded, there was no mention of supra-priority in the investigation thus far (https://goo.gl/UVF7WV).

Most recently, over the weekend of April 21-22nd, at a Liberal Party convention in Halifax, Justin Trudeau made the matter one of his party's top campaign priorities. Bloomberg reports that "beefing up employee pension rights by prioritizing such plans for funds in bankruptcy cases" made it to a list of the top five policy proposals, from an original list of 30 (https://goo.gl/fD2cHQ).

We continue to monitor the political landscape for possible clues as to the path forward on this contentious and important matter.

Corporate Issuances Year-to-Date

Structure	%	Currency	%	Rating	%	Term	%
Fixed Coupon	73.4	CAD	50.3	AAA	19.7	Short	45.3
Floating Rate	25.7	USD	32.6	AA	18.3	Mid	46.5
Fixed-Floating	0.9	Other	17.1	A	30.6	Long	8.1
				BBB	22.0		
				Non-Investment Grade	8.8		

*Note: In the event of split ratings, the lower rating was used. Non-rated bonds are included in the "Non-Investment Grade" category. Maturities between 0 and 5 years are included in the Short bucket. Maturities over 5 years up to and including 14 years are included in the Mid bucket.

Domestic Issuance

Date	Issuer	S&P/DBRS/ Moody's	Amount	Coupon (%)	Yield (%)	Maturity	Spread over Benchmark	Spread over Curve
04/26/2018	Royal Bank of Canada	AA-/AA/A1	CAD 2.0B	2.949	2.949	05/01/2023	+79.0bps over GOC 1.75% 2023	77.0bps
04/26/2018	Coast Capital Savings Credit Union	-/BBB/-	CAD 200M	5.000	5.000	05/03/2028c23	+284.1bps over GOC 1.75% 2023	282bps
04/25/2018	Chartwell Retirement Residences	-/BBB(low)/-	CAD 150M	4.211	4.211	04/28/2025	+189.5bps over GOC 2.25% 2025	190bps
04/24/2018	WTH Car Rental ULC	-/AAA/-	CAD 150M	3.279	3.279	01/22/2024	+112.5bps over GOC 1.75% 2023	110bps
04/23/2018	Canadian Western Bank	-/A(low)/-	CAD 250M	2.788	3.070	09/13/2021	+99.1bps over GOC 0.75% 2021	99.0bps

International Issuance

Date	Issuer	S&P/DBRS/ Moody's	Amount	Coupon (%)	Yield (%)	Maturity	Spread over Benchmark	Spread over Curve
04/26/2018	Canacol Energy	-/-/B1	USD 320M	7.250	7.250	05/03/2025	+430.5bps over UST 2.875% 2025	430.0bps
04/25/2018	Securitized Term Auto Receivables Trust 2018-1 (A1)	A-1+/-/P-1	USD 138M	2.400	2.400	04/25/2019	-	-
04/25/2018	Securitized Term Auto Receivables Trust 2018-1 (A2)	AAA/-/Aaa	USD 191M	2.807	2.823	05/25/2018	-	23.0bps
04/25/2018	Securitized Term Auto Receivables Trust 2018-1 (A3)	AAA/-/Aaa	USD 111M	3.068	3.087	01/25/2022	-	30.0bps
04/25/2018	Securitized Term Auto Receivables Trust 2018-1 (A4)	AAA/-/Aaa	USD 60M	3.298	3.320	11/25/2022	-	45.0bps
04/24/2018	Royal Bank of Canada	-/-/A1	USD 1.5B	FRN	FRN	04/30/2021	+34.0bps over 3-month LIBOR	-
04/24/2018	Royal Bank of Canada	-/-/A1	USD 1.5B	3.200	3.225	04/30/2021	+60.0bps over UST 2.375% 2021	58.7bps

Noteworthy Domestic Transactions

April 26, 2018

Issuer	S&P/DBRS/Moody's	Amount	Coupon (%)	Yield (%)	Maturity	Spread over Benchmark	Spread over Curve
Royal Bank of Canada	AA-/AA/A1	CAD 2.0B	2.949	2.949	05/01/2023	+79.0bps over GOC 1.75% 2023	77.0bps

- Fills were said to be around 70-80%, and the bonds traded ~1bp tighter post-issue.
- The transaction appeared to have been priced in the context of secondary market levels, and was previously rumored due to several of the issuer's outstanding bonds maturing recently.
- In terms of out-trades, investors sold 2 and 3 year deposit notes from RBC and Scotia Bank.
- Interestingly, the bonds settle on May 1st, one day after bank quarter end.

April 26, 2018

Issuer	S&P/DBRS/Moody's	Amount	Coupon (%)	Yield (%)	Maturity	Spread over Benchmark	Spread over Curve
Coast Capital Savings Credit Union	-/BBB/-	CAD 200M	5.000	5.000	05/03/2028c23	+284.1bps over GOC 1.75% 2023	282bps

- Original guidance for the coupon was in the area of 5.125% +/-12.5bps.
- The deal was upsized from an original CAD 150M, attracting over 30 investors for an order book that was twice oversubscribed.
- Fills were said to be around 5-10%, and the bonds traded 3-5bps tighter post-issue.
- Proceeds from the transaction will be used for regulatory capital and general corporate purposes.
- The subordinated bonds appear to have been priced ~140bps over NVCC bonds from the major banks.
- The issuer road-showed the transaction extensively prior to launch, and there is some talk that they intend to become a more frequent issuer in the domestic market.

April 25, 2018

Issuer	S&P/DBRS/Moody's	Amount	Coupon (%)	Yield (%)	Maturity	Spread over Benchmark	Spread over Curve
Chartwell Retirement Residences	-/BBB(low)/-	CAD 150M	4.211	4.211	04/28/2025	+189.5bps over GOC 2.25% 2025	190bps

- Original guidance was in the area of +195bps +/- 5bps.
- The deal attracted 46 investors with an order book growing to CAD 1.2B. Investors received fills averaging 5%.
- The bonds contain a 2-month par call and Canada call option at +47.5bps.
- Proceeds from the transaction will be used to repay a portion of the issuer's existing indebtedness under the Trust's secured revolving credit facility.

April 24, 2018

Issuer	S&P/DBRS/Moody's	Amount	Coupon (%)	Yield (%)	Maturity	Spread over Benchmark	Spread over Curve
WTH Car Rental ULC	-/AAA/-	CAD 150M	3.279	3.279	01/22/2024	+112.5bps over GOC 1.75% 2023	110bps

- Original guidance was in the area of +113.0bps +/-3bps over the curve.
- The deal was well-received with the order books closing very quickly following the launch.
- The bonds have a weighted average life (WAL) of 5.01 years and WAL date of 05/04/2023.
- WTH operates in Canada under the Avis, Budget, and ZipCar banners.

April 23, 2018

Issuer	S&P/DBRS/Moody's	Amount	Coupon (%)	Yield (%)	Maturity	Spread over Benchmark	Spread over Curve
Canadian Western Bank	-/A(low)/-	CAD 250M	2.788	3.070	09/13/2021	+99.1bps over GOC 0.75% 2021	99.0bps

- Original guidance for the no-grow re-opening was in the area of +102bps +/-3bps, and the bonds broke 3-4bps tighter post-issue.
- The deal was well received by 49 investors receiving fills as low as 5%, with the order books reaching CAD 1.2B.
- The bonds appeared to be priced in the context of the secondary market, at 30-35bps wider than deposit notes from the major Canadian banks.
- This is now the issuer's largest outstanding bond, with a size of CAD 500M.

Noteworthy Rating Actions

Date	Issuer	Credit Agency	Action	New Rating / Outlook	Previous Rating / Outlook
04/23/2018	Ember Resources Inc.	S&P	Downgrade	CCC+/Negative	B/Stable
04/23/2018	The Stars Group Inc.	S&P	Outlook Revision	B+/Watch Negative	B+/Stable
04/25/2018	Encana Corp.	S&P	Downgrade	BBB-/Stable	BBB/Negative
04/27/2018	Laurentian Bank of Canada	S&P	Outlook Revision	BBB/Negative	BBB/CreditWatch Negative