



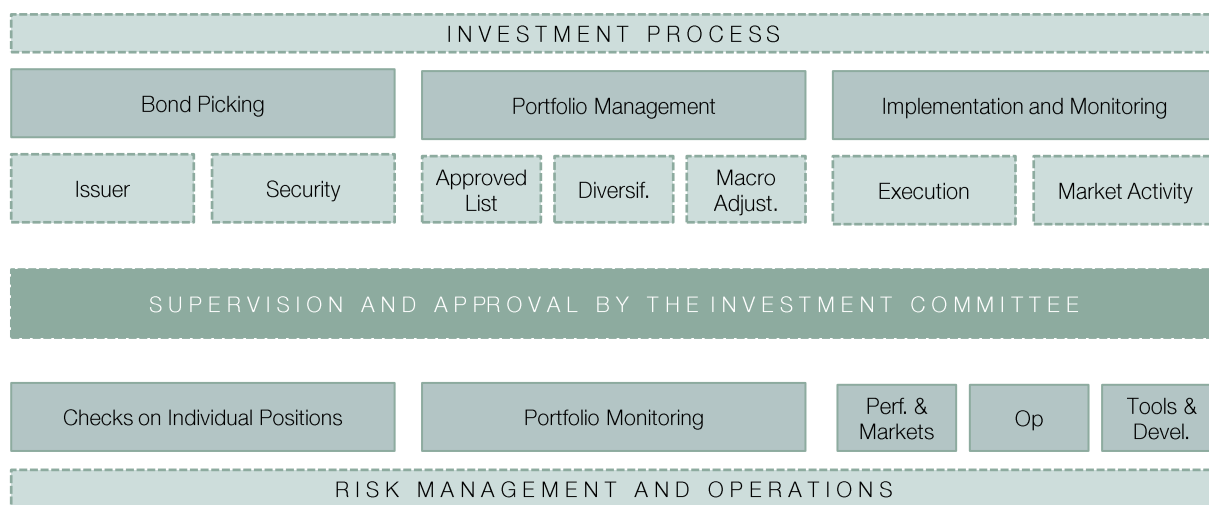
# Anaxis AM Investment Process



## A Fundamental Approach to Corporate Bond Management

- Our approach relies on the fundamental credit analysis of corporate bonds. Our investment process is driven by bottom-up bond picking while ensuring appropriate diversification and risk control at the portfolio level. We disregard indices. We focus rather on individual credit stories. We only buy a bond when we have reached a strong conviction based on an in-depth analysis covering all potential risks factors. As a result, our portfolios may – and usually do – deviate significantly from traditional benchmarks.
- Our ambition is to build robust portfolios able to weather difficult market conditions and deliver attractive yields over medium-term investment horizons. We favour businesses demonstrating high barriers to entry, stable sales, flexible cost structures and conservative balance-sheet management. We exclude financials from our portfolios due to lack of transparency and predictability.
- Our process is highly selective. We have a bias toward the safest bond issues, both in terms of maturity, seniority ranking and lender protection. We do not rely on credit rating agencies' publications. Rather, we build our own view based on a forward-looking approach.
- The rating, sector and country allocations of our portfolios evolve over time as a result of bottom-up management. We also take the macro-economic environment into consideration. The sensitivity to interest rates and other risk factors are closely monitored and may be adjusted if necessary.

## Investment Process Overview



## Role of the Investment Committee

The investment committee oversees the work of the analysis team and defines the priorities. It examines and then approves or rejects the issuers or bonds that may be used within the framework of portfolio management. The committee also decides on the desired evolution of the portfolio. The roles of the investment committee are the following:

- It determines the key allocation targets according to market conditions;
- It follows the composition and performances of the portfolios;
- It monitors market operations.

The investment committee is composed of the managers, the head of risk management and the head of internal control. It meets once a week and whenever necessary. Each meeting is recorded and its decisions are reported.

The heads of risk management and internal control have the right of veto, by which they may, under certain conditions, block a committee decision or impose the liquidation of a position. This veto may be used at any moment.

## Bond Picking

The investment committee defines the priorities of the analysis team. The conclusions of the analysts are submitted to the committee for approval before any investment decision. The points most often examined are listed below.

### Issuer analysis

- ✓ Competitive advantage / barriers to entry
- ✓ Regulatory environment
- ✓ Business model and management experience
- ✓ Shareholder support
- ✓ Operating performance history
- ✓ Financial forecasts and consistency with announced targets
- ✓ Strong balance sheet, adequate and recurrent cash flow

### Individual security analysis

- ✓ Maturity
- ✓ Ranking in the capital structure
- ✓ Financial ratios
- ✓ Legal documentation and covenants
- ✓ Security and asset pledge
- ✓ Issue size and liquidity



## Portfolio Management

The second step in our investment process aims at constructing and managing specific portfolios. The main decisions are made by the investment committee with the oversight of the risk management team. We do not use credit derivatives and systematically hedge currency exposures.

### Approved List

- Securities formally approved by the investment committee
- Restrictions applicable to the portfolio
- Consistency with investment objective

### Diversification

- Sector diversification
- Geographic exposure across various dimensions: domiciliation, sales, revenues, production sites, correlation to sovereign credit spreads
- Concentration on single issuers or groups of related companies
- Individual contributions to risk factors, incl. duration, volatility and liquidity

### Macro Adjustments

- Growth
- Monetary policy and inflation
- Interest rates
- Risk appetite and money flows
- Spread levels
- Default rates
- Primary market activity

## Implementation and Monitoring

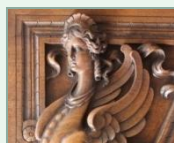
This part of our process covers matters such as the implementation of committee decisions, the execution of required adjustments, the monitoring of market moves and events. It also includes the first level of on-going risk management at both the portfolio and individual position levels.

### Execution

- Review of subscriptions and redemptions
- Calculation of required adjustments
- Negotiation with brokers
- Sourcing in the primary market
- Order execution and booking
- Daily reconciliations with third parties
- Daily checks of risk parameters and portfolio guidelines

### Market Activity

- On-going monitoring of markets and positions
- Analysis of releases and corporate announcements
- Review of special situations and events (re-financing, M&A activity, etc.)
- Identification of unusual flows and price variations



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