

Paris, 17th September 2019

Is liquidity negotiable?

In recent months, several major league European asset managers have been hit with massive redemptions triggered by waning investor confidence. And yet, these firms all boast very strong reputations, top-tier portfolio management infrastructures and solid track records. In each case, it was the presumed illiquidity - weak as it may have been - of one or more funds that was to blame.

Illiquidity, however, is not necessarily a negative attribute for a financial asset. After all, illiquid assets typically offer an additional risk premium. Adding them to a fund can thus boost its risk-reward.

On the downside, it can be problematic when illiquid assets are held by a fund offering daily liquidity because it can potentially generate an imbalance between fund assets and liabilities. What's more, when the concentration ratio is too high it exacerbates the fund's illiquidity and raises questions in terms of the valuation and governance of portfolio companies.

Taking all these risks into account, here at Anaxis we are highly attentive to the liquidity of our portfolios. Over the course of the last ten years, we have developed an entire toolbox for risk management, aimed in particular at assessing the liquidity of each instrument that is (or may be) included in our portfolios. We also work towards being able to sell our positions in their entirety, with a limited price impact, in various market configurations.

To that end, we focus on diversifying the number of lines in each fund, limiting our concentration ratio in each bond, and restricting investments in bonds not rated by S&P, Moody's or Fitch.

The following limits are strictly applied across our entire bond fund range:

- a maximum position per bond of 2% in the High Yield segment and 3.5% in the Investment Grade segment
- a maximum concentration ratio of 2% of the issue volume
- exposure to non-rated bonds < 25%

Although these constraints restrict our investment universe, they speak strongly to the reasonable, transparent and robust portfolio management policy implemented for our investors.

About Anaxis Asset Management

Anaxis specialises in corporate credit for investors who firmly believe in fundamental investing based on in-depth knowledge of issuers. For more than 10 years, Anaxis has focused on corporate credit strategies and has developed comprehensive expertise and methods renowned for their reliability by its clients.

Head of Investment Management:

Pierre Giai-Levra / pgiailevra@anaxiscapital.com / +33 (0)9 73 87 13 20

Press Contact:

Thibault Danquigny / tdanquigny@anaxiscapital.com / +33 (0)9 73 87 13 22