

Paris, 15 April 2020

Why fixed maturity bond funds are the ideal way to invest again in the current market climate.

Key points:

- The most optimistic investors are starting to invest again. However, the markets are still difficult to read and we cannot rule out another downturn.
- In the current climate, fixed maturity bond funds are suitable because they offer visibility and a pull to par.
- In 2009, when market conditions were similar to how they are today, Anaxis had already decided to put fixed maturity funds at the heart of its investment strategy in order to provide investors with a solution tailored to their performance and visibility requirements.
- The yields currently offered by Anaxis's fixed maturity funds are comparable with long-term equity returns, i.e. close to 10%, but with a much lower risk. Shareholders are the first to bear losses when problems arise, whereas bondholders are relatively protected and rank second in the queue.
- Fixed maturity funds bring together investors with the same investment horizon, which ensures the stability of the assets of these funds and, therefore, their success.
- In order to cope with the likely increase in corporate default rates, Anaxis has pursued for more than 10 years a bond-picking strategy based on a fundamental analysis of companies, with a preference for resilient sectors because they are not too exposed to economic cycles. This strategy has enabled Anaxis to steer clear of the main defaults on the corporate debt market.
- Since the start of the crisis, Anaxis has introduced additional stress tests for issuers in its portfolio. The results of these tests validate our investment choices. We have nevertheless taken action where required by quickly selling positions in businesses with specific risk factors, such as airlines.
- The yields currently offered by Anaxis's bond funds offset our most pessimistic forecasts in terms of default rates.
- More recently, Anaxis has strengthened the selectivity of its investment process by introducing an ethical sector-based exclusion policy. This policy is also an effective risk management tool. Excluding the oil sector, for example, has helped to cushion the volatility of our funds.
- Anaxis currently has two fixed maturity funds open for subscription: *Diversified Bond Opp. 2025* and *EM Bond Opp. 2024*. These are the ninth and tenth fixed maturity funds managed by Anaxis.

In spite of the ongoing considerable difficulties associated with the coronavirus crisis, particularly in terms of health, investors should already be thinking about re-investing in order to capitalise fully on the recovery when things return to normal.

Corporate bond funds enjoyed record inflows during the last week of March, and applications to open securities accounts are up sharply in several countries, including Germany. The most optimistic investors are clearly already positioning themselves to start investing again.

So what should they do, given that visibility remains limited and some companies are likely to suffer long-lasting effects from the crisis? Our fixed maturity funds, which invest in the segments offering the best risk-reward ratio, are perfect for this scenario, according to the analysis of our market specialists. The current crisis provides yet another reason to invest in these products.

This crisis, however brutal and sudden it is, highlights the benefits of the strategy and positioning adopted by Anaxis Asset Management ever since it was founded more than a decade ago. In fact, it takes Anaxis and its funds back to their roots. Anaxis has been innovating in this segment since 2009, when it launched its first fixed maturity bond fund, *Anaxis Bond Opportunity 2015*. At that time, we were in the midst of the subprime crisis.

Ten years on, the situation is remarkably similar: just like in 2009, investors are wary of bad market timing; prices may fall further, which is dissuading them from resuming trading. As in 2009, fixed maturity bond funds offer visibility as regards their return and a pull to par. Consequently, even if prices continue to fall, the yield on offer at the point of investment provides investors with a clear view of their objective right up to the fund's maturity date, regardless of future market developments.

So what yields are our bond funds currently offering? The sharp market downturn means that they are close to historical equity market levels but with a much lower risk. Shareholders are the first to bear losses when problems arise, whereas bondholders are relatively protected and rank second in the queue. At 31 March 2020, *Anaxis Diversified Bond Opp. 2025* was offering an annualised yield to maturity of nearly 10% in euros.

Moreover, fixed maturity funds bring together investors with the same investment horizon, which makes their assets more stable, even under the present exceptional circumstances. Over 90% of our fixed maturity fund investors remain invested up to maturity. We have not experienced significant outflows from our funds since this crisis began. Consequently, we do not need to raise cash by selling securities at the worst possible moment in challenging market conditions.

However, there is another risk that has resurfaced from 2009: an increase in the corporate default rate. When it launched its first fixed maturity fund, Anaxis had decided to focus on the fundamental analysis of issuers, with a rigorous bond-picking strategy precisely in order to mitigate any possible weakening of companies and to reduce the default risk. It also focused investment on non-cyclical sectors such as telecoms and healthcare, and excluded financial bonds from its universe.

This strategy remains unchanged to this day. And it is more valid than ever. Anaxis implements a bottom-up investment approach based on financial analysis and an assessment of the creditworthiness of issuers. Because of the particular nature of corporate debt, we keep a particularly close eye on balance sheet liquidity and the external risks that might affect cash flow and the repayment ability. We also consider different scenarios before making any investment. By being selective in this way, we managed to avoid the defaults of Rallye and Thomas Cook in 2019, while a large part of the bond funds of other asset management companies suffered losses on those securities.

Since the beginning of the crisis, we have adapted our stress tests to assess the ability of the companies in our portfolios to cope with the consequences of the health crisis. Very early on, we sold a large number of our positions in the most exposed sectors, such as air transportation and tourism. Our stress tests show that our portfolios are well positioned to weather the current crisis. They also strengthen our confidence in our investment choices. As a result, we are retaining most of our positions.

Moreover, the current yield on a fund such as *Diversified Bond Opp. 2025* largely offsets our most pessimistic default rate forecasts. Not investing now would be tantamount to validating these extremely hypothetical forecasts, while the unprecedented monetary and budgetary support should alleviate the impact of the crisis. We see value in certain securities currently available on the market, offering excellent investment opportunities for our fund *Diversified Bond Opp. 2025*.

Anaxis's bond-picking is even more rigorous than in 2009 now that we have a strict policy of excluding certain business sectors such as oil and pesticides. Beyond the ethical commitment not to invest in non-responsible companies, this policy can also be seen as a risk management tool. Specifically, it enables us to avoid the losses associated with the collapse of the oil sector, which is particularly volatile and unpredictable.

You can trust our team of specialists to steer you through these difficult waters: at Anaxis we have been experts in credit analysis for more than 10 years. Our fixed maturity funds offer the visibility and robustness that are badly needed by investors. We currently have two funds available for subscription. One matures in 2024 and focuses on emerging markets; the other offers an extremely diverse allocation for investors willing to commit until 2025.

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.

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Information on fund distribution both in and from Switzerland: The state of the origin of the fund is France. In Switzerland, the representative is ACOLIN Fund Services AG, Leutschenbachstrasse 50 CH-8050 Zurich, whilst the paying agent is Banque Cantonale de Genève, 17, quai de CH-1204 Geneva. The prospectus, the Key Investor Information Documents, the fund regulation as well as the annual and semi-annual reports may be obtained free of charge from the representative. In respect of the units distributed in or from Switzerland, the place of performance and jurisdiction is at the registered office of the representative. Past performance is no indication of current or future performance. The performance data do not take account of the commissions and costs incurred on the issue and redemption of units.