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How does the Anaxis' management team manage the credit risk on its fixed maturity funds?

Anaxis Asset Management was born in the wake of the 2008 financial crisis. This enabled us to develop a robust approach to credit risk management from the outset. This management is not based on monitoring trends or stop-losses. On the contrary, we believe that a robust approach is essential in the construction of the portfolio itself. Therefore, we take this into account when building portfolios and analyzing companies.

We take a decidedly bottom-up approach. Not all issuers are the same and each must be analyzed in detail. We apply all the techniques of financial analysis and balance sheet and income statement modeling, while always keeping a clear objective in mind: visibility. This means that we look for companies that offer good visibility in terms of environment, strategy and cash flow. We also seek to avoid risks beyond the companies' control, particularly cyclicity, currency fluctuations, and sensitivity to changes in raw material prices. The final area of analysis for our selection relates to environmental risks, and we exclude a certain number of sectors that we consider to be unacceptable in terms of ethical management.

Once we have made our selection, we perform regular tests, i.e., stress tests on all our positions. These stress tests are an essential aspect of risk management, especially in an environment of economic difficulties, such as the one we have been experiencing recently. In our stress tests, we model the evolution in revenues and study the impact in terms of EBITDA and leverage according to each company's specific characteristics. In particular, we take into account the flexibility of the cost structure and exposure to oil prices, and we assess balance sheet liquidity based on cash flows, available credit lines and repayment schedules. The portfolio construction reflects our conservative approach to credit risk. We aim to balance exposures and to ensure that the portfolios are well diversified.

- Resilient business model
- Competitive environment (barriers to entry, concentration & market structure, products)
- Commercial and financial strategy
- Quality of the management and corporate governance
- SWOT Analysis (Strengths, Weaknesses, Opportunities, Threats)
- Responsible approach: sectoral exclusion policy to reduce business and litigation risks
- Financial analysis and valuation
- Covenant analysis

Another point to emphasize is that at Anaxis we also consider ESG criteria as risk management tools. This is an essential key point: we believe that these tools are necessary for good credit risk management. In particular, from our perspective, financing new projects in fossil fuels or polluting industries poses a significant risk to investors because of the financial risks associated with them. We are talking about transition and ethics and financial risk, and these sectors are not suitable investments from our point of view. This is why we have implemented a strict exclusion policy to protect our portfolios from these sectors. For other sectors, environmental factors are considered at the level of our bottom-up analysis to exclude issuers exposed to substantial risk, for example, due to their specific business activity or their lack of vigilance in their practices.

Topics examined from this ESG perspective include the depreciation of obsolete assets, the use of outdated technology, the impact of regulatory changes, and the materialization of health risks and industrial accidents, which can also lead to high compensation claims. These risks are numerous and can therefore have a very significant financial impact. This is the reason why we include them in our economic analysis.

We are also careful to avoid financing economic activities of governments guilty of serious human rights violations, more specifically in our Emerging 2024 fund. We therefore also analyze who the shareholders and financial beneficiaries of the companies we finance are.

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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