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How does the Anaxis management team reduce risk in its short duration strategy, especially during the COVID-19 crisis?

Our short duration portfolio focuses on the most liquid part of the reference credit universe, investing solely in large listed bonds (with an average issuance size of more than EUR 500 million) and limiting exposure to bonds that have not been rated by the agencies. Unrated bonds are less liquid as they are out-of-bounds for many institutional investors.

The Anaxis Short Duration fund's strategy is limited to cash bonds with no use of derivatives. We target short- and medium-term bonds, and the portfolio keeps the average maturity of its holdings below three years at all times. The selection process is based on an in-depth fundamental analysis of each issuer, taking a purely bottom-up approach. It is a carry fund whose performance comes almost exclusively from coupon payments. We do not look to speculate on changes in spreads.

The Anaxis management team spends most of its time looking at bond issuers' operational and financial profile in detail. We have a clear preference for business models that can withstand the cycles, and we value cash flow visibility as well as issuers' ability to repay their debts by generating free cash flows. The emphasis is also placed on analysing and critiquing each bond's prospectus to assess the suitability of the guarantees provided. Very importantly, especially in the current circumstances, we pay close attention to studying each issuer's liquidity.

The fund is European, but we seek to remain globally diversified as we think this particularly astute given the depth and liquidity of the US corporate bond market. We rule out a certain number of sectors: finance is one example, but we also exclude all sectors that fail to satisfy our ESG policy. We also limit cyclical sector exposure to 33% of the portfolio, reflecting the fund's goal of keeping volatility low.

The fund's average position is around 0.6% and no position may exceed 2%. Each position is sized on the basis of certain qualitative and quantitative criteria relating to the issuer, as well as the features of the bond.

As a result of its short-term strategy and the aforementioned risk management factors, the Anaxis Short Duration fund has withstood market shocks better than the reference credit universe over the past eight years. The fund has fallen half as far as the market in recent months and rebounded in the same proportions, and is now close to breakeven for the year to date.

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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