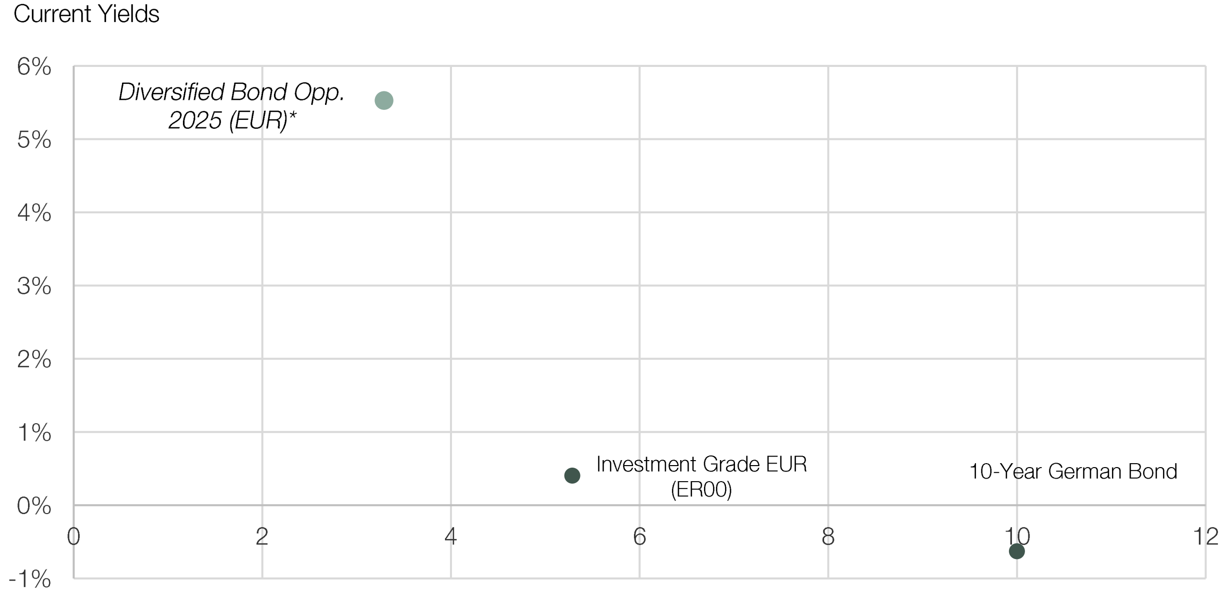
Paris, 18 November 2020

Anaxis Diversified Bond Opp. 2025: a diversified fund for investors searching for yield

The strategy of our fund DIV Bond Opp. 2025 is based on various key elements: at the end of October, the fund was offering a gross yield to maturity of 5.53% in euros after exchange rate effects on foreign currency positions. Moreover, the fund benefits from a relatively short duration of 3.29 years and therefore has moderate sensitivity to credit spreads. Finally, diversification plays an important role, with more than 160 positions in the portfolio, in line with the entire Anaxis range of funds.

Geographically, DIV Bond Opp. 2025 is a global fund with a bias: two-thirds of the companies are European, while the other third is shared among the United States and the Emerging Markets. Why is it split this way ? Not only did we identify most of the value at the time of the fund's creation at the end of 2018 within the European market, but it is also in this segment that credit spreads have been the most attractive. The universe has evolved, but we want to maintain the current structure, with diversification within the United States and the Emerging Markets, which in our view, offer a wide range of interesting opportunities. Our allocation is therefore not expected to change over the life of the fund, as we have primarily a carry strategy. Hence, the majority of bonds will be held until the fund's maturity date. We also want Europe to remain the fund's core zone, given our clients' expectations.

From a sector allocation point of view, resilient sectors are overweighted in the fund to limit volatility and credit risks. The focus is on healthcare, business services, communications and food industries and this has been of great benefit during the crisis. Moreover, we have excluded the financial and non ESG sectors, such as oil, which has meant that we have been able to avoid losses during the past few months.



*Gross yield, before management fees.

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Our Diversified 2025 fund entered the crisis with almost 15% liquidity. Two reasons explain this liquidity pocket at the beginning of the crisis: the very early resale of specific positions in sectors that were inevitably going to suffer from the situation, mainly in transport and tourism, and the subscriptions that the fund benefited from. We did not invest this cash immediately, given the markets' nervousness, which allowed us to take advantage of the widening of credit spreads to seize several opportunities at desirable levels.

Thus, we opened a position on Sappi, a major world producer of wood fibers. This company benefits from excellent liquidity and low debt. We bought the stock at a heavily discounted price in sympathy with the market, at 77% of par.

The second example of opportunity was Team System, one Europe's leading IT providers, ERP software and training services. Its business model has withstood the crisis very well, with few contract cancellations and 80% of its business revenues of a recurring nature. The issuer benefits from moderate debt and excellent liquidity, enabling it to withstand possible contraction in margins and cash generation. We purchased this bond at 94% of par.

Finally, in the United States, Ingram Micro, a global distributor of technology products, computers, TVs, video games and cloud services, also benefits from very good liquidity and an unchanged operating outlook. In this context, we took the opportunity to buy the bond at 95% par.

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