Corporate Credit Monthly Update

March 2018

« March proved to be another rough month »

Pierre Giai-Levra, Chairman of Anaxis Asset Management

March proved to be another rough month for European credit. The trade war threat between the US and China, a tech tantrum centred on Facebook but spreading across the rest of the sector, tighter monetary policy, reduced quantitative easing amounts and signs of abating global growth all played a part in one way or another.

Although not as volatile February, US financial markets had another bumpy ride in March. This time, interest rates were not to blame for the subdued performance of risky assets. Treasury rates moved lower, with the 10-year down 12 bps in March due to mounting geopolitical tensions and potential tariffs announced by US President Donald Trump. As expected, the Fed hiked interest rates by 25 bps in March, which weighed on the short end of the curve. At the end of the month, the tech sector suffered a sell-off, and investors took the opportunity to sell equities, while High Yield remained more resilient. Despite some fears of a slowdown in the global economy, cyclicals continued to outperform “defensive” sectors in March.

Emerging High Yield markets continued to outperform US HY thanks to a weaker dollar and stronger oil prices. Macroeconomic data was also better than expected on average in EM markets.

Companies in the Spotlight

CMA CGM (Europe)

French shipping group CMA CGM released solid FY 2017 results, although the pace of growth slowed in Q4, largely owing to higher bunker fuel costs. The group stated that the demand environment remains decent, which should support growth in 2019 and 2020. The company has taken the initial steps to improve its digital footprint and acquire niche downstream assets. If successful, this strategy should enable it to stay ahead of rivals. Refinancing is on the agenda, depending on market conditions.

Kinross Gold (US)

Kinross Gold (KCN) was upgraded to BBB- at S&P and its unsecured bonds will be added to Investment Grade indices starting in April. The agency said the gold mining company has generated low leverage over the past few years “despite periods of gold price volatility,” and it expects KCN to continue that trend. This decision by S&P brings KCN’s rating in line with Fitch.

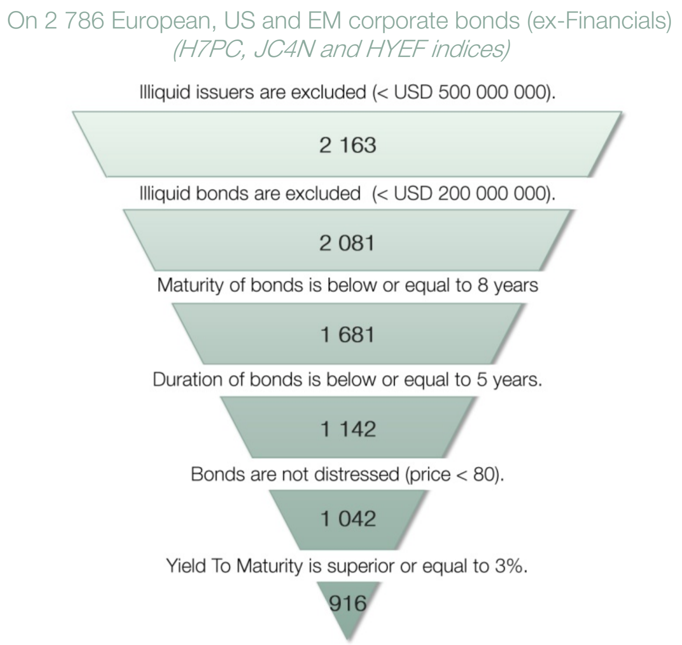
Suzano and Fibria (Emerging Countries)

Suzano and Fibria, Brazil’s two largest pulp producers, will merge to form a world leader with around 14% market share worldwide. Suzano will pay 52.5 Brazilian real and 0.4611 Suzano shares per Fibria share, for a total value of approximately $10.50bn. The announcement was seen as positive for both companies, as it creates a global leader and paves the way for considerable synergies. S&P and Moody’s have affirmed their ratings on Fibria, while Suzano was upgraded to BBB- by S&P.

9, rue Scribe 75009 Paris, France | Tel: +33 (0)9 73 87 13 20 | Fax: +33 (0)1 42 65 80 46
Rue du Mont-Blanc 19, 1201 Geneva, Switzerland | Tel: +41 (0)22 716 18 20 | Fax: +41 (0)22 716 18 29
Level 17 Dashwood House, 69 Old Broad Street, EC2M 1QS London | Tel: +44 (0)20 7786 3506 | Fax: +44 (0)20 7786 3507
www.anaxiscapital.com

Anaxis AM Universe

The universe studied by Anaxis AM for the management of its portfolios and the publication of this document is as follows :



Significative Primary Issues

EUR

Issuer	*Coupon*	*Maturity*	*Amount*	*Rating*
Paprec	4.000%	2025	€575M	B1
Teamsystem	4.000%	2023	€550M	B3

US

Issuer	*Coupon*	*Maturity*	*Amount*	*Rating*
Teva Pharma.	6.000%	2024	$1.25Bn	Ba2
Valeant Pharma.	9.250%	2026	$1.5Bn	Caa1

EM

Issuer	*Coupon*	*Maturity*	*Amount*	*Rating*
InRetail Shopping	5.750%	2028	$350M	Ba2
MHP SA	6.950%	2026	$550M	B

Rating Moves

ASML Holding NV	Fitch	↗	A-
Astaldi SpA	Moody's	↗	Caa1
Fiat Chrysler Automobile	Moody's	↗	Ba2
Hellenic Telecom	S&P	↘	BB
Kering	S&P	↗	BBB+
Kraft Heinz Foods Co	S&P	↘	BBB
NH Hotel Group SA	Fitch	↗	BB
Oi SA	S&P	↘	CCC+
Selecta Group BV	Moody's	↗	B3
Tesla Inc.	Moody's	↗	B3

9, rue Scribe 75009 Paris, France
Rue du Mont-Blanc 19, 1201 Geneva, Switzerland
Level 17 Dashwood House, 69 Old Broad Street, EC2M 1QS London
Tel: +33 (0)9 73 87 13 20
Tel: +41 (0)22 716 18 20
Tel: +44 (0)20 7786 3506
Fax: +33 (0)1 42 65 80 46
Fax: +41 (0)22 716 18 29
Fax: +44 (0)20 7786 3507
www.anaxiscapital.com

Macro Economic Events

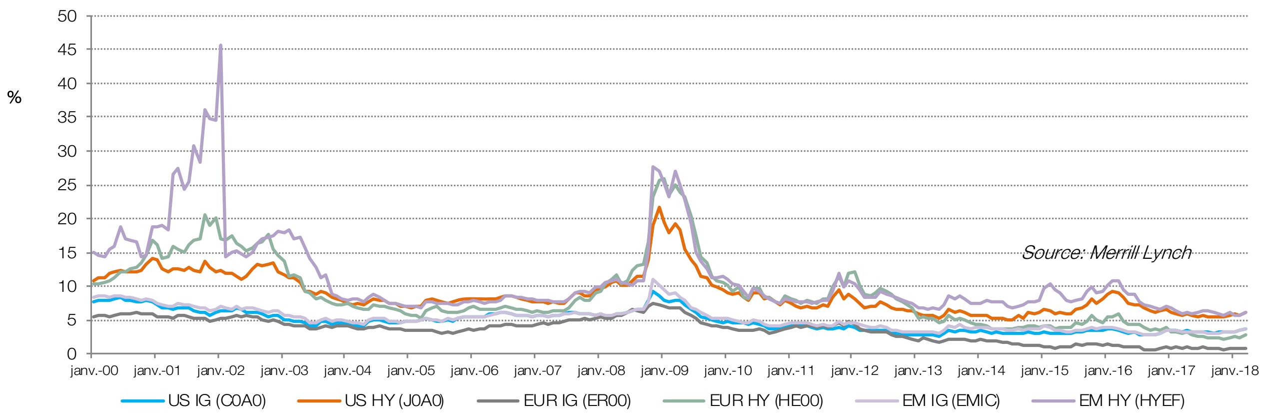
- *Euro zone:* S&P raised its growth forecasts to 2.3% in 2018 and 1.9% in 2019. Not surprisingly, the ECB kept its key rates unchanged.
- *France:* the economy achieved its strongest growth in six years, at +2% in 2017. Moreover, the public deficit came out lower than expected in 2017, at 2.6% of GDP vs. the official consensus of 2.9%. This is the first time since 2007 that France has fallen below the 3% deficit threshold required by the European treaties.
- *United Kingdom:* the EU's Chief Negotiator Michel Barnier and his British counterpart David Davis announced that a compromise had been reached on much of what will become the international Brexit agreement. As expected, the Bank of England left its key rate as-is, although this decision surprised investors by not being unanimous. Two of the nine members of the Monetary Policy Committee believed the time was right to begin raising rates again in the wake of the hike announced in November.
- *Italy:* after two days of talks and intense negotiations, the Italian Parliament elected the presidents of the two Houses, setting the stage for consultations on the formation of a government. Fitch confirmed its BBB rating with a stable outlook.
- *Spain:* S&P raised its rating from BBB+ to A-, maintaining a stable outlook, based on the country's continuously strong economic performance accompanied by a solid current account surplus and ongoing budgetary consolidation.
- *Greece:* the euro zone bailout fund approved a €6.7 billion loan instalment to Greece as part of its third international rescue programme.

- *World:* after the poisoning of a double agent, a large block of Western countries (including 14 in the EU) have decided to embark on coordinated sanctions against Russia by expelling several diplomats.
- *United States:* Trump announced that the US would impose tariffs of 25% on steel imports and 10% on aluminium imports in a bid to protect US domestic industry, sparking fears of an impending trade war. The EU was subsequently exempted from these tariffs, alongside Canada, Mexico, Argentina, Australia, Brazil and South Korea. The Fed raised the fed funds rate by 25 bp to a range of 1.5%-1.75%.
- *Russia:* Putin was re-elected by an overwhelming majority for another six-year term as President.
- *Brazil:* the central bank cut its rates to their lowest level of all time, and hinted that yet another cut is likely to come after its meeting in May, as long as inflation stays put.

Market Data Indices

Market Data Indices		Performance		Duration	Yield	Spread
High Yield		MTD	YTD	DTW	YTW	STW
J0A0	US HY Cash Pay	-0.64%	-0.95%	4.06	6.37%	386
HE00	Euro HY	-0.20%	-0.50%	3.62	2.84%	308
JC4N	US HY BB/B Non-Fncl Constr.	-0.57%	-1.10%	4.19	5.72%	321
H7PC	Euro HY BB-B EUR/GBP Non-Fncl Constr.	-0.20%	-0.56%	3.56	3.06%	312
HYEF	EM HY Ex. Subordinated Financial	-0.41%	-0.50%	3.69	6.28%	395
Investment Grade						
C0A0	US Corporates Master	0.20%	-2.21%	7.00	3.78%	115
ER00	EMU Corporates	-0.09%	-0.36%	5.10	0.88%	95
EMIC	Emerging Markets Corporates	-0.05%	-1.37%	5.16	3.74%	147
Governments						
10Y US	10 Year US Benchmark	1.11%	-2.86%		2.74%	
10Y GE	10 Year German Benchmark	1.55%	-0.70%		0.49%	

Corporate Bond Yield (YTW) by Index



9, rue Scribe 75009 Paris, France
Rue du Mont-Blanc 19, 1201 Geneva, Switzerland
Level 17 Dashwood House, 69 Old Broad Street, EC2M 1QS London
Tel: +33 (0)9 73 87 13 20 Fax: +33 (0)1 42 65 80 46
Tel: +41 (0)22 716 18 20 Fax: +41 (0)22 716 18 29
Tel: +44 (0)20 7786 3506 Fax: +44 (0)20 7786 3507
www.anaxiscapital.com

Anaxis Corporate Credit Monthly Update / March 2018

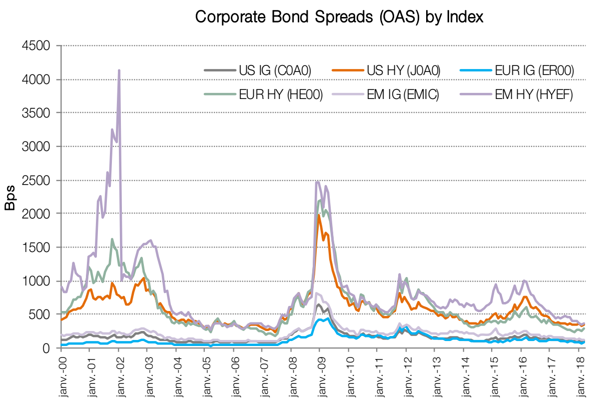
Realized and expected inflation

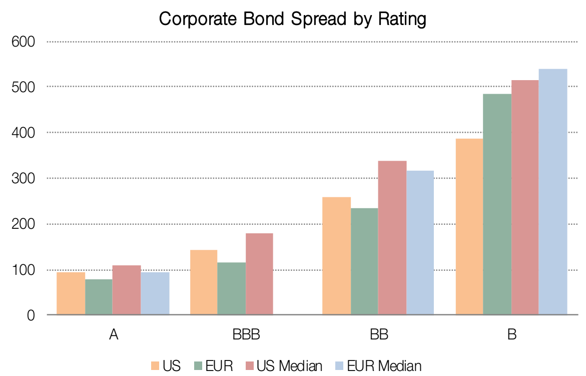
Exp. Inflation	Bloomberg's expected CPI 12M forward	March	February	January	6M	12M
US INF	US CPI Economic Forecast (YoY %)	2.44%	2.30%	2.20%	2.00%	2.50%
EURO INF	Eurozone CPI Economic Forecast (YoY %)	1.50%	1.50%	1.50%	1.50%	1.70%
Realized Inflation		March	February	January	6M	12M
US CPI	US CPI YoY		2.20%	2.10%	2.20%	2.40%
EUR CPI	Eurozone CPI YoY	1.40%	1.20%	1.30%	1.50%	1.50%

Source: Merrill Lynch

Corporate Bond Spreads

Corporate Bond Spreads (STW)		March	February	6M	12M	Median since Oct, 31 2002
C0A0	US Corporates Master	115	100	104	120	138
ER00	EMU Corporates	95	79	96	117	111
EMIC	Emerging Markets Corporates	147	131	138	155	494
J0A0	US HY Cash Pay	386	355	362	400	494
HE00	Euro HY	308	290	271	359	432
HYEF	EM HY Ex. Subordinated Financial	395	365	416	467	494
C0A3	US A	94	80	81	97	108
ER30	EURO A	80	66	82	100	93
EMAQ	EM A	119	107	111	128	95
C0A4	US BBB	143	127	134	153	181
ER40	EURO BBB	114	97	116	143	
EM2B	EM BBB	186	167	175	200	161
JUC1	US BB	258	231	223	269	339
HE10	EURO BB	234	218	223	273	317
EM3C	EM BB	273	249	262	291	341
JUC2	US B	387	361	372	408	516
HE20	EURO B	484	461	357	485	539
EM6B	EM B	437	409	432	497	566





Source: Merrill Lynch

Anaxis Asset Management

Anaxis Asset Management is the Anaxis group's asset management firm specialized in corporate bonds. For more than 10 years Anaxis Group has provided high performance and resilient investment solutions to European investors. Anaxis benefits from a team of experienced and recognized investment professionals. The team adopts a fundamental approach to credit, based on thorough financial analysis and a rigorous control of risks.


Anaxis Asset Management
9 rue Scribe
75009 Paris

+33 (0)9 73 87 13 20
info@anaxiscapital.com

www.anaxiscapital.com


9, rue Scribe 75009 Paris, France — Tel: +33 (0)9 73 87 13 20 — Fax: +33 (0)1 42 65 80 46
Rue du Mont-Blanc 19, 1201 Geneva, Switzerland — Tel: +41 (0)22 716 18 20 — Fax: +41 (0)22 716 18 29
Level 17 Dashwood House, 69 Old Broad Street, EC2M 1QS London — Tel: +44 (0)20 7786 3506 — Fax: +44 (0)20 7786 3507
www.anaxiscapital.com