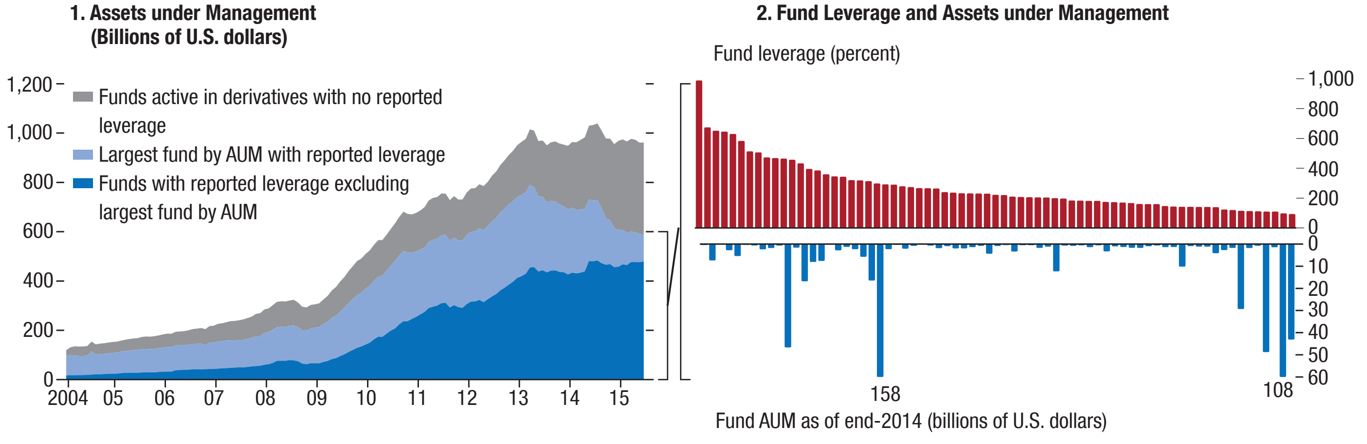
Figure 1.18. Large United States and European Regulated Bond Investment Funds with Derivatives-Embedded Leverage

Growth is strong in the assets under management of selected large regulated bond funds that use derivatives...

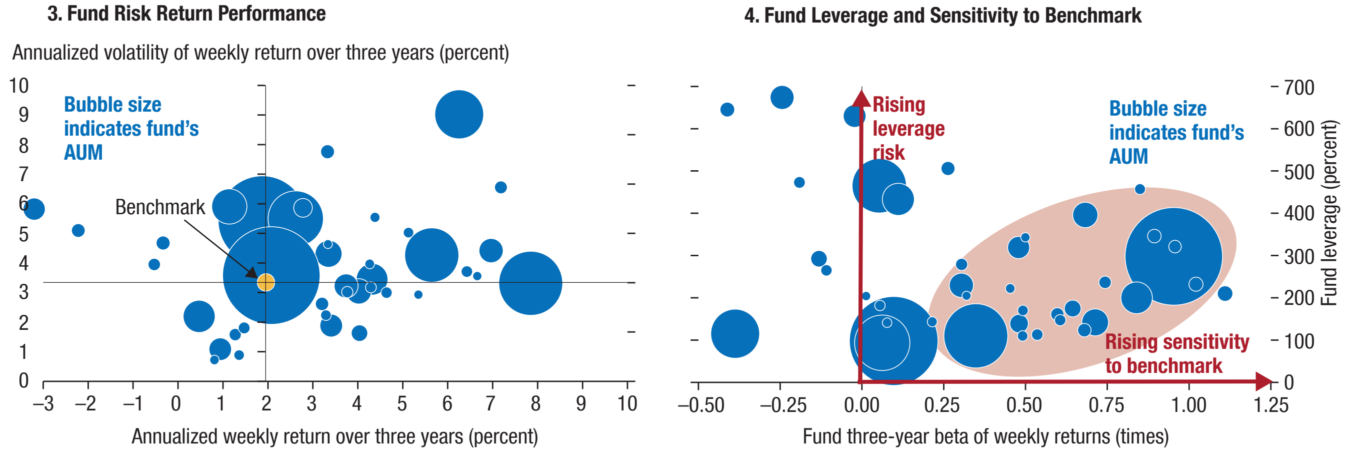
...with embedded leverage exceeding 100 percent of net asset value...



Sources: Bloomberg, L.P.; funds annual reports; and IMF staff calculations.
Note: Includes funds with assets under management (AUM) > $0.5 billion for funds with reported leverage, and AUM > $1 billion for other funds active in derivatives without reported leverage. Reported leverage during the previous year is obtained from the funds' latest annual reports under the Committee of European Securities Regulators' commitment approach. Leverage is defined as notional exposure of derivatives positions adjusted by hedging and netting. The AUM calculation of funds with reported leverage includes the assets of the U.S.-domiciled version of the same European Union–domiciled funds that report leverage. Funds active in derivatives without reported leverage have a minumum 15 separate derivatives lines in their latest annual reports. The sample includes two multistrategy funds that have significant exposure to fixed income.

...and similar risk return performance to U.S. fixed income amid low volatility conditions...

...but those sensitive to U.S. fixed income could be at risk from higher volatility and risk premiums.



Sources: Bloomberg, L.P.; funds annual reports; and IMF staff estimates.
Note: Includes funds with reported leverage and assets under management (AUM) > $1 billion, amounting to total AUM of $550 billion. The beta is a measure of a fund's sensitivity to the benchmark, calculated as the covariance between the fund's return and the benchmark return divided by the variance of the benchmark return. The benchmark is the Barclays U.S. aggregate total return bond index.