Af2i and BM&I are pleased to present this thematic issue dedicated to bond factors investing. This issue is the result of a joint effort to select and circulate relevant research to investment professionals and to researchers on new and innovative topics. The Research Committee of Af2i aims to develop and disseminate scientific research that may help institutional investors and their partners to put in place the best practices based on up to date and rigorous research. Why this topic has been chosen, who contributed to it and what are the specific aspects addressed in the four contributions is briefly outlined below.

More than 70% of the actual portfolios of French institutional investors are invested in bonds according to the Af2i annual survey which covered in 2020 more than 2.5 trillion euros of assets. Moreover interest rate are at an all time low and new consideration on climate, social issues and governance have clearly gained momentum and become thus mainstream. Investigating factor investing on bonds is therefore of great interest and high relevance to French institutional investors. Factor investing has been developed for almost 20 years on stock portfolios following Fama and French research and based on factor models used extensively since the 90’s by quant managers as well as risk managers. On the other hand, bond factors research is yet far less developed even if there are a number of commonalities with stock factors, in particular for corporate bonds.

Af2i therefore issued a call for research to its members and partners in order to gather existing and newly developed research on bond factor investing. Four contributors responded positively to that call and will present some of their analysis during a seminar that shall take place September 14th 2021 after being postponed by a year due to the sanitary situation. This thematic issue of BM&I is the result of this project.

In “Out-performing corporate bonds indices with factor investing” Thomas Heckel, Zine Amghar, Isaac Haik, Olivier Laplénéie et Raul Leote de Carvalho adapt to bonds several classical factor pertaining to equities and analyse results on investment grade and high yield US and European bonds. In “Factor Investing and ESG in the Corporate Bond Market Before and During the COVID-19 Crisis” Mohamed Ben Slimane, Jean-Marie Dumas and Takaya Sekine analyse the impact of the outburst of the Covid crisis on the effect of the factors and the ESG criteria. In “Continuous Innovation in Factor Credit Strategies” Patrick Houweling, Robbert-Jan ‘t Hoen and Frederik Muskens analyse bond factors in emerging markets and present textual factor analysis in US markets. Finally, in “Fixed Income Factor Portfolios For Institutional Investors” Jay Raol, Saswat Sarangi, Benton Chambers and Amritpal Sidhu consider implementing bond factor investments in an institutional investor context, with a reference to the “Norway model”.

We would like to thank the authors for their contributions, the Af2i partners for their help in particular Robeco would suggested that project. We hope you may find this thematic issue on bond factor investing useful and enjoyable. Yours reactions and ideas on future topics for other issues are welcome.