

Not for Retail distribution: this document is intended exclusively for Professional, Institutional, Qualified or Wholesale Investors / Clients, as defined by applicable local laws and regulation. Circulation must be restricted accordingly

AXA Global Strategic Bond Fund

Markets price in US election expectations

- Government bond yields rise on expectation of Democratic “blue wave” in US election
- Credit spreads tighten despite further lockdowns, supported by strong technicals
- We added duration to bring our exposure to over 5 years

Nick Hayes

Portfolio Manager, AXA Global Strategic Bond Fund

What’s happening?

- Government bond volatility increased during the month as yields moved back towards their highest yield levels since Q1 2020 on the expectation of a Democratic “blue wave” in Washington, paving the way for higher fiscal stimulus.
- Whilst economic data points towards an economic recovery over the last few months, the UK moved into lockdown and large parts of Europe announced increased restrictions on movement and growing concerns on the impact this will have on growth, although much less than during Q2 of this year.
- That said, credit spreads tightened during the month, supported by the strong technicals and the prospect of further stimulus packages.

Portfolio positioning and performance

- **Defensive (50%):** we added duration, rising above 5 years of exposure, primarily to hedge potential volatility around the US election. We added inflation-linked bonds, bringing our government bond exposure close to 45%. We retain a preference for US treasuries, whilst rotating into long-dated UK gilts out of long-dated German bunds.
- **Intermediate (14%):** developed market credit spreads tightened on the month and posted a small positive return, offsetting the losses on higher government bond yields. We continue to prefer European credit, with a focus on financial bond exposure.

Fund in focus

Assets under management	£38m
Duration	5.37 yrs
Yield ¹	1.98%
Running yield ¹	3.34%
Spread to government ²	183
Number of holdings	141
Launch date	19/10/2020

Net performance (GBP)

Since launch (cumulative)	-0.65%
---------------------------	--------

Source: AXA IM as at 31/10/2020. The data is shown for the AXA Global Strategic Bond Fund. Performance is based on the Z share class net of ongoing charges (54bps), dividends reinvested. **Past performance is not a reliable indicator of future results.**

- **Aggressive (36%):** strong month for emerging markets (12% exposure) and for developed market high yield (21% exposure). US high yield spreads comfortably outperformed European high yield, which benefitted our relative positioning (16% in US high yield versus 5% in European high yield).

Outlook

- As we head towards the end of the year, bond yields are once again testing their higher yield range and credit spreads continue to rally.
- Despite a number of headwinds such as US election volatility and rising global virus cases, the strong monetary stimulus from central banks continues to support risk assets.
- Over the last few months we have slightly reduced exposure to risk assets after strong runs.

Credit rating breakdown

Category	Rating	Total
Defensive	Cash	5.1%
	AAA	19.1%
	AA	25.5%
	Total	49.7%
Intermediate	AA	0.8%
	A	1.7%
	BBB	11.8%
	Total	14.3%
Aggressive	AA	0.0%
	A	0.0%
	BBB	2.9%
	BB	8.7%
	B	14.1%
	CCC & Below	9.6%
	Not rated	0.7%
	Total	36.0%
Total		100.0%

Source: AXA IM as at 31/10/2020.

(1) Yield figures quoted will vary in the future and are not guaranteed.

(2) Average credit spread relative to government bonds.

No assurance can be given that the AXA Global Strategic Bond Fund will be successful. Investors can lose some or all of their capital invested. The AXA Global Strategic Bond Fund is subject to risks including counterparty risk, derivatives risk, geopolitical risk, interest rate risk, securitised assets or CDO assets risk, emerging market risk, liquidity risk, credit risk, risks linked to investments in sovereign debt, high yield bonds risk and contingent convertible bonds (“CoCos”) risk. Further explanation of the risks associated with an investment in this fund can be found in the prospectus.

Portfolio breakdowns

Strategy breakdown

Defensive	49.7%
Intermediate	14.3%
Aggressive	36.0%
Total	100.0%

Defensive breakdown

US Government Bonds	15.1%
Core Europe Government Bonds	15.1%
Rest of World Governments	0.0%
Inflation-Linked Bonds	14.4%
Cash	5.1%

Intermediate breakdown

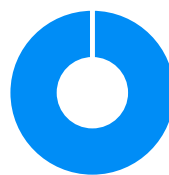
US IG Credit	0.0%
Euro & Sterling IG Credit	14.3%
Periphery Governments	0.0%

Aggressive breakdown

Emerging Markets (HC 0%/LC 0%/FX 0%)	0.0%
US High Yield	30.9%
European High Yield	5.1%

Derivatives breakdown

Bond Futures	0.0%
Credit Default Swaps	-8.1%



Not for Retail distribution: This document is intended exclusively for Professional, Institutional, Qualified or Wholesale Clients / Investors only, as defined by applicable local laws and regulation. Circulation must be restricted accordingly.

Past performance is not a guide to current or future performance, and any performance or return data displayed does not take into account commissions and costs incurred when issuing or redeeming units. The value of investments, and the income from them, can fall as well as rise and investors may not get back the amount originally invested. Exchange-rate fluctuations may also affect the value of their investment.

This document is for informational purposes only and does not constitute investment research or financial analysis relating to transactions in financial instruments as per MIF Directive (2014/65/EU), nor does it constitute on the part of AXA Investment Managers or its affiliated companies an offer to buy or sell any investments, products or services, and should not be considered as solicitation or investment, legal or tax advice, a recommendation for an investment strategy or a personalized recommendation to buy or sell securities. The strategies discussed in this document may not be available in your jurisdiction.

Due to its simplification, this document is partial and opinions, estimates and forecasts herein are subjective and subject to change without notice. There is no guarantee that forecasts made will come to pass. Data, figures, declarations, analysis, predictions and other information in this document is provided based on our state of knowledge at the time of creation of this document. Whilst every care is taken, no representation or warranty (including liability towards third parties), express or implied, is made as to the accuracy, reliability or completeness of the information contained herein. Reliance upon information in this material is at the sole discretion of the recipient. This material does not contain sufficient information to support an investment decision.

Issued in the UK by AXA Investment Managers UK Limited, which is authorised and regulated by the Financial Conduct Authority in the UK. Registered in England and Wales, No: 01431068. Registered Office: 155 Bishopsgate, London, EC2M 3YD (until 31st December 2020); 22 Bishopsgate, London, EC2N 4BQ (from 1st January 2021). In other jurisdictions, this document is issued by AXA Investment Managers SA's affiliates in those countries.