

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

## The “reflation trade” gathers pace

- US 10-year treasuries went through 1% in yield following improved economic data
- Inflation break-evens moved higher as inflation-linked bonds outperformed nominals
- We spent the month adding to credit spread opportunities in the portfolio

**Nick Hayes**

**Portfolio Manager, AXA Global Strategic Bond Fund**

### What’s happening?

- US 10-year treasuries moved up through 1% yield for the first time since March 20, as US rates underperformed UK and European equivalents. UK 10-year gilts closed the month at 0.33% in yield, +13bps higher than at 2020 end.
- Renewed focus on the “reflationary trade” as credit spreads tightened and markets looked towards later in the year when vaccine distribution is well underway and many economies should unlock.
- Global economic data improved which, albeit still volatile, supported the recovery trade. Major focus over coming months will be on the inflation data which should print higher, although expectations are for the pick-up to peak in the first half of the year.

### Portfolio positioning and performance

- **Defensive (41%):** the portfolio’s duration of c.5 years detracted from monthly performance as US yields moved higher and dragged returns negative. Our 11% exposure to inflation-linked bonds outperformed their nominal equivalents as break-evens moved higher. Overall allocation to Defensive assets was down at 41% from 50% in October 20, emphasising the shift in risk profile over recent months.

### Fund in focus

Assets under management	£56m
Duration	4.90 yrs
Yield <sup>1</sup>	1.77%
Running yield <sup>1</sup>	3.26%
Spread to government <sup>2</sup>	163
Number of holdings	215
Launch date	19/10/2020

### Net performance (GBP)

One month	-0.30%
Three months	+1.46%
Since launch (cumulative)	+0.80%

Source: AXA IM as at 31/01/2021. 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.**

- **Intermediate (24%):** we added to both US and European/UK credit in the secondary market in order to add credit spread to the portfolio. Particular focus was on corporate hybrid bonds from utility and telecommunication issuers.
- **Aggressive (35%):** exposure to high yield and emerging market assets rose slightly during the month. The new issue market was a central theme, as is customary at the start of the year, with a variety of new deals offering us opportunities to add spread risk to the portfolio. US high yield returns were strongest against a backdrop of negative returns for credit and government bonds.

## Outlook

- The “reflation trade” gathered pace during January, as government bond yields rose and better returns were seen further down the credit curve. Our core view is that government bond yields will offer attractive investment opportunities as momentum continues towards higher yields, and we wait for chances to add risk.
- Credit and high yield spreads continue to tighten, which is beneficial to performance, but at some stage that risk/reward may point towards higher quality credit opportunities.
- We expect the powerful forces of QE and demand for fixed income assets to be central themes to 2021, potentially driving valuations higher.

## Credit rating breakdown

Category	Rating	Total
Defensive	Cash	6.0%
	AAA	13.7%
	AA	21.1%
	<b>Total</b>	<b>40.8%</b>
Intermediate	AA	0.7%
	A	3.5%
	BBB	20.3%
	BB	0.0%
	<b>Total</b>	<b>24.4%</b>
Aggressive	AA	0.0%
	A	0.3%
	BBB	3.0%
	BB	11.4%
	B	12.9%
	CCC & Below	7.1%
	Not rated	0.3%
	<b>Total</b>	<b>34.8%</b>
<b>Total</b>		<b>100.0%</b>



## Portfolio breakdowns

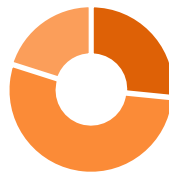
Strategy breakdown	
Defensive	40.8%
Intermediate	24.4%
Aggressive	34.8%
<b>Total</b>	<b>100.0%</b>



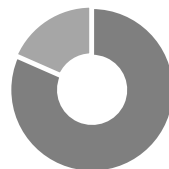
Defensive breakdown	
US Government Bonds	9.5%
Core Europe Government Bonds	14.2%
Rest of World Governments	0.0%
Inflation-Linked Bonds	11.0%
Cash	6.0%



Intermediate breakdown	
US IG Credit	8.8%
Euro & Sterling IG Credit	15.6%
Periphery Governments	0.0%



Aggressive breakdown	
Emerging Markets (HC 9.2%/LC 0%/FX 0%)	9.2%
US High Yield	18.5%
European High Yield	7.0%



Derivatives breakdown	
Bond Futures	-11.5%
Credit Default Swaps	-2.6%

Source: AXA IM as at 31/01/2021.

(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.

---

**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: 22 Bishopsgate, London, EC2N 4BQ. In other jurisdictions, this document is issued by AXA Investment Managers SA's affiliates in those countries.