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AXA Global Strategic Bond Fund

Government bond yields stabilise

- The Fed continued to stand firm on the prospect of early interest rate rises
- US treasury yields moved lower, outperforming UK gilts and German bunds
- Credit spreads continued to move tighter, stretching valuations to all-time highs

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What's happening?

- Economic data continued to meet or beat the high expectations of market participants as growth, spending and inflation data moved significantly higher than 12 months ago. However, central banks persisted to dampen expectations for early interest rate rises or the end of QE.
- US treasury yields actually moved lower during the month despite the strong data, suggesting how high market expectations are. This made for positive returns in most fixed income asset classes after a tough start to 2021.
- US 10-year treasury yields ended the month at 1.63%, down from recent highs of 1.75%, outperforming UK and European equivalents – a reversal of recent months. Credit spreads continued to move tighter, pushing yields in certain risk markets to low points in recent history.

Portfolio positioning and performance

- **Defensive (41%):** we remain cautious on duration, with a low 2-year exposure. We continue to like inflation-linked assets, with a 13% exposure, and prefer UK and European government bonds over US equivalents.
- **Intermediate (25%):** we continue to hold 17% in European credit, concentrated in BBB assets, where we find relatively attractive credit spreads, combined with shorter maturities than traditional indices. The remaining 8%

Fund in focus

Assets under management	£59m
Duration	2.02 yrs
Yield (GBP Hedged) ¹	1.17%
Running yield ¹	3.16%
Spread to government ²	107
Number of holdings	218
Launch date	19/10/2020
Net performance (GBP)	
One month	+0.50%
Three months	-0.10%
2021 YTD	-0.40%
Since launch (cumulative)	+0.70%

Source: AXA IM as at 30/04/2021. 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.**

exposure to US credit has a slightly longer maturity, which contributed positively to performance over the month through lower treasury yields and tighter credit spreads.

- **Aggressive (34%):** we added to new issues in technology within our US high yield allocation, making it our largest US high yield sector exposure. Within emerging markets, we continue to prefer corporates over sovereign debt and, within corporates, we are adding to names that will benefit from the rising emerging middle class and consumer sectors, with reduced exposure to oil and commodity as a result.

Outlook

- Following a difficult first quarter, April returns were strong for most parts of fixed income. Government bond yields have stabilised and credit spreads continue to move lower. Whilst economic and inflation data is proving that the recovery is well underway following the extreme shock of 12 months ago, April was a reminder that expectations are very high. If these expectations are not met, then we could easily see further support for government bonds.
- For now, credit and high yield seem to benefit in most scenarios, although with valuations getting more extreme, we have stopped adding to our already high exposure.
- Volatility is generally very low, and any news shocks are being tolerated by markets. Typically, this can only go on for so long with valuations as high as they are. We would view any cheapening of risk assets as an opportunity to add.

Portfolio breakdowns

Strategy breakdown

Defensive	40.7%
Intermediate	25.4%
Aggressive	33.9%
Total	100.0%



Defensive breakdown

US Government Bonds	8.7%
Core Europe Government Bonds	12.9%
Rest of World Governments	0.0%
Inflation-Linked Bonds	13.4%
Cash	5.7%



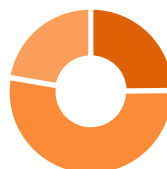
Intermediate breakdown

US IG Credit	8.0%
Euro & Sterling IG Credit	17.4%
Periphery Governments	0.0%



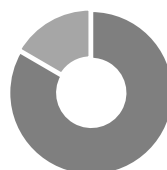
Aggressive breakdown

Emerging Markets (HC 8.4%/LC 0%/FX 0%)	8.4%
US High Yield	17.9%
European High Yield	7.6%



Derivatives breakdown

Bond Futures	-43.7%
Credit Default Swaps	-8.7%



Credit rating breakdown

Category	Rating	Total
Defensive	Cash	5.7%
	AAA	15.7%
	AA	19.3%
	Total	40.7%
Intermediate	AA	1.2%
	A	2.9%
	BBB	21.3%
	Total	25.4%
	Aggressive	AA
A		0.3%
BBB		2.8%
BB		11.4%
B		12.3%
CCC & Below		6.9%
Not rated		0.2%
Total		33.9%
Total	100.0%	

Source: AXA IM as at 30/04/2021.

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

(2) Average credit spread relative to government bonds.

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