

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

Fed changes tune on “transitory” inflation

- Credit spreads were wider towards month-end following emergence of the Omicron variant
- Fed Chair Powell claimed that “transitory” was no longer appropriate in relation to inflation
- We added duration and implemented a credit hedge as volatility could increase into year-end

Nick Hayes

Portfolio Manager, AXA Global Strategic Bond Fund

What’s happening?

- November was dominated by the emergence of a new Covid variant, subsequently named Omicron, renewing fears around both the sanitary situation and the economic recovery, whilst driving risk assets weaker and government bond yields lower. Credit spreads widened sharply at month-end, with high yield underperforming.
- Away from Covid, the Fed distanced itself from the word “transitory” in relation to ongoing high levels of inflation and moved closer to interest rate rises, which are now priced in for the second half of 2022.
- The Bank of England surprised the market with no action after markets priced in higher yields. UK gilts continue to be more volatile compared with US or German bonds.

Portfolio positioning and performance

- **Defensive (28%):** we added UK and US duration risk towards month-end as bond yields moved lower on risk aversion. However, we reduced our bias towards longer-dated assets as the US treasury curve has flattened significantly this year.

Fund in focus

Assets under management	£72m
Duration	4.27 yrs
Yield (GBP Hedged) ¹	2.68%
Running yield ¹	3.45%
Spread to government ²	195
Number of holdings	241
Launch date	19/10/2020

Net performance (GBP)

One month	-0.40%
Three months	-1.27%
2021 YTD	-0.40%
Since launch (cumulative)	+0.70%

Source: AXA IM as at 30/11/2021. 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 (34%):** activity was relatively quiet in high quality credit with a continued positioning bias towards euro and sterling BBB-rated assets. During the month, we added more exposure to the UK financial services sector via a new issue from an existing name, following a bond tender offer on our previous holding.
- **Aggressive (39%):** slight increase to US high yield over the month as market momentum was positive until the Covid-related volatility towards month-end. We continue to prefer shorter-dated, lower-rated names. Smaller issue sizes have generated decent performance recently.

Outlook

- Government bonds have failed all year to push as high as many would have expected given such negative macroeconomic data. Once more it looks like structural, possibly less price sensitive, demand is still strong and supportive to core yields, albeit they are higher than earlier in 2021.
- An increase in uncertainty around Covid variants presents itself as a renewed risk to the market for the turn of the year. With this in mind, we have added duration and a credit risk hedge as market volumes are expected to be thin at year-end.
- 2022 will presumably have to contend with the twin forces of increasingly hawkish central banks alongside some well flagged tail risks, pointing towards a pick-up in volatility for an asset class that offers low yields after such huge monetary stimulus, hence some caution seems appropriate.

Portfolio breakdowns

Strategy breakdown

Defensive	27.8%
Intermediate	33.6%
Aggressive	38.6%
Total	100.0%



Defensive breakdown

US Government Bonds	11.8%
Core Europe Government Bonds	5.5%
Rest of World Governments	0.0%
Inflation-Linked Bonds	5.1%
Cash	5.3%



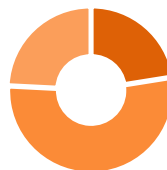
Intermediate breakdown

US IG Credit	10.8%
Euro & Sterling IG Credit	22.8%
Periphery Governments	0.0%



Aggressive breakdown

Emerging Markets (HC 8.7%/LC 0%/FX 0%)	8.7%
US High Yield	20.6%
European High Yield	9.4%



Derivatives breakdown

Bond Futures	-5.7%
Credit Default Swaps	-2.1%



Credit rating breakdown

Category	Rating	Total
Defensive	Cash	5.3%
	AAA	4.3%
	AA	18.1%
	Total	27.8%
Intermediate	AA	1.2%
	A	3.1%
	BBB	29.2%
	Total	33.6%
Aggressive	AA	0.0%
	A	0.2%
	BBB	3.1%
	BB	14.1%
	B	12.9%
	CCC & Below	8.3%
	Not rated	0.2%
	Total	38.6%
Total	100.0%	

Source: AXA IM as at 30/11/2021.

(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.