

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

Global Strategic Bond Fund

Rates and credit markets push out expectations of a slowdown

- Labour markets remain strong despite economic data heading weaker
- Historically high allocation to US high yield and emerging market debt as risk assets continue to be the strongest performing fixed income asset class year to date
- Carrying zero UK duration exposure to protect from UK underperformance

Nick Hayes

Portfolio Manager, Global Strategic Bonds strategy

What's happening?

- Fixed income volatility during the month remained high with interest rate sensitive bond yields moving higher but credit risk outperforming.
- Concerns of further central bank rate rises resurfaced for the government bond market with the Bank of England raising interest rates by 50bp, and the market moved to price in further hikes from the Fed.
- European economic data was disappointing, with some similar signs of slowdown in US, but inflation, and employment data remains robust and is the point of most concern for central banks and bond markets alike.
- Despite the persistent inflation concerns, and prevailing view that economic data is heading weaker, risk assets continue to perform well. High yield spreads have held up very well year to date, brushing off concerns around rising default levels.

Fund in focus

Assets under management	£143 m
Duration	6.05 years
Yield ¹	6.36%
Running yield ¹	4.24%
Spread to government ²	236
Number of holdings	274
Launch date	19/10/2020

Net performance (GBP)

One month	-0.57%
Three months	-1.12%
One year	+1.49%
2023 YTD	-0.82%
Since launch (cumulative)	-10.28%

Source: AXA IM as at 30/06/2023. The data is shown for the AXA Global Strategic Bond Fund. Performance is based on the Z share class net of ongoing charges (50bps), dividends reinvested. **Past performance is not a reliable indicator of future results.**

Portfolio positioning and performance

- Defensive (29%):** We continue to run higher duration exposure of > 6 years, concentrated in both US treasuries and towards the shorter end of the curve. We have reduced our UK duration exposure close to zero as it continues its underperformance.
- Intermediate (30%):** Marginal reduction in allocation to investment grade credit on the month, coming out of our exposure to European credit in favour of US equivalent. BBB credit remains the most attractive option in our view with a combination of attractive credit spreads, with high absolute yields given the move in government bonds year to date.
- Aggressive (41%):** We increased exposure to high yield and emerging market debt again during the month to 42%, having been as low as 34% at the end of last year. Performance in lower rated credit continues to perform well as the expectations for deterioration in credit fundamentals is pushed further out. While default levels are starting to pick up, it is generally perceived as orderly and well within market expectations.

Outlook

- The first half of 2023 has proven to be more resilient from a credit risk perspective, with greater reward for those that have taken greater credit risk, government bonds have traded in a wide range of yields but 10-year US treasuries pretty much ending where they started and shorter dated bonds underperforming.
- At the half year point markets are increasingly pricing out a weakening of economic growth, and that the central banks have more to do, and that a soft landing for the economy is increasingly likely. With that as a backdrop we continue to think that markets could be disappointed given the magnitude of financial policy tightening and more importantly the speed of the change in financial conditions.
- Over the last few quarters, we have seen an increase in credit events, as businesses deal with higher interest rates and elevated volatility. Considering this we continue to hold more duration risk, which should benefit with the theme of disinflation and signs that central banks are approaching the peak.
- Further down the credit curve the fund has benefited from higher exposure to credit risk, but this is the area of the fund that we are spending most time reviewing and for the moment find it difficult to justify further additions.



Strategy breakdown

Defensive	28.7%
Intermediate	30.2%
Aggressive	41.2%
Total	100.0%



Defensive breakdown

US Government Bonds	9.5%
Core Europe Government Bonds	7.2%
Inflation-Linked Bonds	5.3%
Cash	6.7%



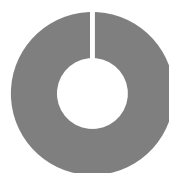
Intermediate breakdown

US IG Credit	8.9%
Euro & Sterling IG Credit	21.3%



Aggressive breakdown

Emerging Markets (HC12.8%/LC0%/FX0%)	12.8%
US High Yield	21.9%
European High Yield	6.5%



Derivatives breakdown

Bond Futures	36.2%
Credit Default Swaps	0.00%

Credit rating breakdown

Category	Rating	Total
Defensive	Cash	6.7%
	AAA	5.9%
	AA	16.1%
	Total	28.7%
Intermediate	AA	0.8%
	A	5.6%
	BBB	23.8%
	Total	30.2%
Aggressive	AA	0.0%
	A	0.4%
	BBB	3.3%
	BB	17.0%
	B	14.8%
	CCC & Below	5.7%
	Not rated	0.0%
	Total	41.2%
Total		100.00%

(1) Yield figures quoted will vary in the future and are not guaranteed. Yield calculated to maturity, assuming next call date, using local currency yields.

(2) Average credit spread relative to government bonds.

(3) Representative account has been selected based on objective, non-performance-based criteria, including, but not limited to the size and the overall duration of the management of the account, the type of investment strategies and the asset selection procedures in place. Therefore, the results portrayed relate only to such accounts and are not indicative of the future performance of such accounts or other accounts, strategies and/or services described herein. In addition, these results may be similar to the applicable GIPS composite results, but they are not identical and are not being presented as such. Account performance will vary based upon the inception date of the account, restrictions on the account, along with other factors, and may not equal the performance of the representative accounts presented herein. The performance results for representative accounts are net of all fees and reflect the reinvestment of dividends or other earnings.

No assurance can be given that the Global Strategic Bonds strategy will be successful. Investors can lose some or all of their

capital invested. The Global Strategic Bonds strategy is subject to risks including credit risk, operational risk and counterparty risk. The strategy is also subject to derivatives and leverage, emerging markets, global investment grade and high yield securities, securitised assets and collateralised debt risks.

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. Due to this and the initial charge that is usually made, an investment is not usually suitable as a short term holding.

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 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.

Please note that the management company reserves the right, at any time, to no longer market the product(s) mentioned in this communication in a European Union country by notification to its authority of supervision in accordance with European passport rules. In the event of dissatisfaction with the products or services, you have the right to make a complaint either with the marketer or directly with the management company (more information on our complaints policy available in English here). You also have the right to take legal or extra-judicial action at any time if you reside in one of the countries of the European Union. The European online dispute resolution platform allows you to enter a complaint form (by clicking [here](#)) and informs you, depending on your jurisdiction, about your means of redress (by clicking [here](#)).

Issued in the U.K. 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.

In Hong Kong, this document is issued by AXA Investment Managers Asia Limited (SFC License No. AAP809), which is authorized and regulated by Securities and Futures Commission. This document is to be used only by persons defined as "professional investor" under Part 1 of Schedule 1 to the Securities and Futures Ordinance (SFO) and other regulations, rules, guidelines or circulars which reference "professional investor" as defined under Part 1 of Schedule 1 to the SFO. This document must not be relied upon by retail investors. Circulation must be restricted accordingly.

In Singapore, this document is issued by AXA Investment Managers Asia (Singapore) Ltd. (Registration No. 199001714W) and is intended for the use of Institutional Investors only as defined in Section 4A of the Securities and Futures Act (Cap. 289) and must not be relied upon by retail investors. Circulation must be restricted accordingly.

For Japanese clients: AXA Investment Managers Japan Ltd., whose registered office and principal place of business is at NBF Platinum Tower 14F 1-17-3 Shirokane, Minato-ku, Tokyo 108-0072, Japan, which is registered with the Financial Services Agency of Japan under the number KANTOZAIMUKYOKUCHO (KINSHO) 16, and is a member of Japan Securities Dealers Association, Type II Financial Instrument Firms Association, Investment Trust Association of Japan and Japan Investment Advisors Association to carry out the regulated activity of Financial Instrument Business under the Financial Instrument Exchange Law of Japan. In Japan, none of the funds mentioned in this document are registered under the Financial Instrument Exchange Law of Japan or Act on Investment Trusts and Investment Corporations. This document is purely for the information purpose for use by Qualified Institutional Investors defined by the Financial Instrument Exchange Law of Japan.

In Korea, AXA Investment Managers Asia (Singapore) Ltd is a registered Cross Border Investment Advisor/Discretionary Investment Management Company under the Financial Investment Services and Capital Markets Act (the "Act"). The activities referenced under the Act are 5-2-2 Investment Advisory Business and 6-2-2 Discretionary Investment Management Business, respectively. Its financial services are available in Korea only to Professional Investors within the meaning of Article 10 of Enforcement Decree of the Financial Investment Services and Capital Markets Act.

To the extent that any fund is mentioned in this document, neither the fund nor AXA IM Asia is making any representation with respect to the eligibility of any recipients of this document to acquire the units/shares in the fund under the laws of Korea, including but without limitation the Foreign Exchange Transaction Act and Regulations thereunder. The units/shares have not been registered under the Financial Investment Services and Capital Markets Act of Korea, and none of the units/shares may be offered, sold or delivered, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to applicable laws and regulations of Korea.

In Taiwan, this document is issued by AXA Investment Managers Asia Limited (SFC License No. AAP809), which is authorized and regulated by Securities and Futures Commission. This document and the information contained herein are intended for the use of professional or institutional investors and should not be relied upon by retail investors. They have been prepared and issued for private informational and educational purposes only at the sole request of the specified recipients, and not intended for general circulation. They are strictly confidential, and must not be reproduced, circulated, distributed, redistributed or otherwise used, in whole or in part, in any way without the prior written consent of AXA IM Asia. They are not intended for distribution to any persons or in any jurisdictions for which it is prohibited.

If any fund is highlighted in this communication (the "Fund"), its offering document or prospectus contains important information on selling restrictions and risk factors, you should read them carefully before entering into any transaction. It is your responsibility to be aware of and to observe all applicable laws and regulations of any relevant jurisdiction. AXA IM Asia does not intend to offer any Fund in any country where such offering is prohibited.

The offer, distribution, sale or re-sale of fund units/shares in Taiwan requires approval from and/or registration with Taiwanese regulatory authorities. To the extent that any units/shares of the Funds are not so licensed or registered, such units/shares are made available in Taiwan on a private placement basis only to banks, bills houses, trust enterprises, financial holding companies and other qualified entities or institutions (collectively, "Qualified Institutions") and other entities and individuals meeting specific criteria ("Other Qualified Investors") pursuant to the private placement provisions of the Rules Governing Offshore Funds. No other offer or sale of such units/shares in Taiwan is permitted. Taiwanese purchasers of such units/shares may not sell or otherwise dispose of their holdings except by redemption, transfer to a Qualified Institution or Other Qualified Investor, transfer by operation of law or other means approved by the Taiwan Financial Supervisory Commission.

For Malaysian investors: as the recognition by the Malaysian Securities Commission pursuant to Section 212 of the Malaysian Capital Markets and Services Act 2007 has not been / will not be obtained nor will this document be lodged or registered with the Malaysian Securities Commission, the shares referred to hereunder (if any) are not being and will not be deemed to be issued, made available, offered for subscription or purchase in Malaysia and neither this document nor any other document or other material in connection therewith should be distributed, caused to be distributed or circulated in Malaysia.

For Thailand investors: nothing in this document shall constitute in any manner whatsoever a proposal to make available, offer for subscription or purchase or to issue an invitation to purchase or subscribe for any securities in Thailand or a proposal to implement any of the foregoing in Thailand nor has this document been approved by or registered with the Securities and Exchange Commission of Thailand ("SEC"). No person receiving a copy of this document may treat the same as constituting an invitation or offer to him in Thailand and such person shall not distribute or make available this document in Thailand. The issuer of this document shall not be liable in any manner whatsoever in the event this document is distributed or made available to any person in Thailand receiving a copy of this document. Since no application for approval has been or will be made to the SEC for the offering of the securities, or for the registration of this document, the securities shall not be offered for subscription or purchased or made available, whether directly or indirectly, in Thailand. It is the sole responsibility of recipients wishing to take any action upon this document to satisfy themselves as to the full observance of the laws of Thailand, to comply with all relevant government and regulatory approvals, and to comply with all applicable laws, including but not limited to exchange control laws.

For Investors in People's Republic of China (PRC): this document does not constitute a public offer of the product, whether by sale or subscription in the PRC. The product is not being offered or sold directly or indirectly in the PRC to or for the benefit of, legal or natural persons of the PRC. Further, no legal or natural persons of the PRC may directly or indirectly purchase any of the product or any beneficial interest herein without obtaining all prior PRC's governmental approvals that are required, whether statutorily or otherwise. Persons who come into possession of this document are required by the issuer and its representatives to observe these restrictions.

For Brunei investors: This document has not been delivered to, licensed or permitted by Autoriti Monetari Brunei Darussalam. Nor has it been registered with the Registrar of Companies. This document is for informational purposes only and does not constitute an invitation or offer to the public. As such, it must not be distributed or redistributed to and may not be relied upon or used by any person in Brunei other than the person to whom it is directly communicated and who belongs to a class of persons as defined under Section 20 of the Brunei Securities Market Order, 2013.

For Filipino investors: The shares or units referred to in this document (if any) have not been registered with the Securities and Exchange Commission under the Securities Regulation Code. Any future offer or sale thereof is subject to registration requirements under the Code unless such offer or sale qualifies as an exempt transaction.

For Vietnam investors: This document does not contemplate an offer to sell the interests in any funds in Vietnam. The document has not been approved by the State Securities Commission of Vietnam or any other competent authorities in Vietnam which takes no responsibility for its contents. No offer to purchase the interests in any funds will be made in Vietnam and this document is intended to be read by the addressee only and must not be passed to, issued to, or shown to the public generally. The value of the interests in any funds, the possibility of gaining profit and the level of risk stipulated in this document is purely for reference purposes only and may change at any time depending on market status. Investment in fund(s) does not carry any assurance that investors will make a profit. Investors should themselves carefully balance the risks and the level of those risks before they make any decision to invest in any funds. It is investors' responsibilities to ensure that they are eligible to make investment in any funds. Investors are responsible for obtaining all applicable approvals and complying with requirements under Vietnamese laws.