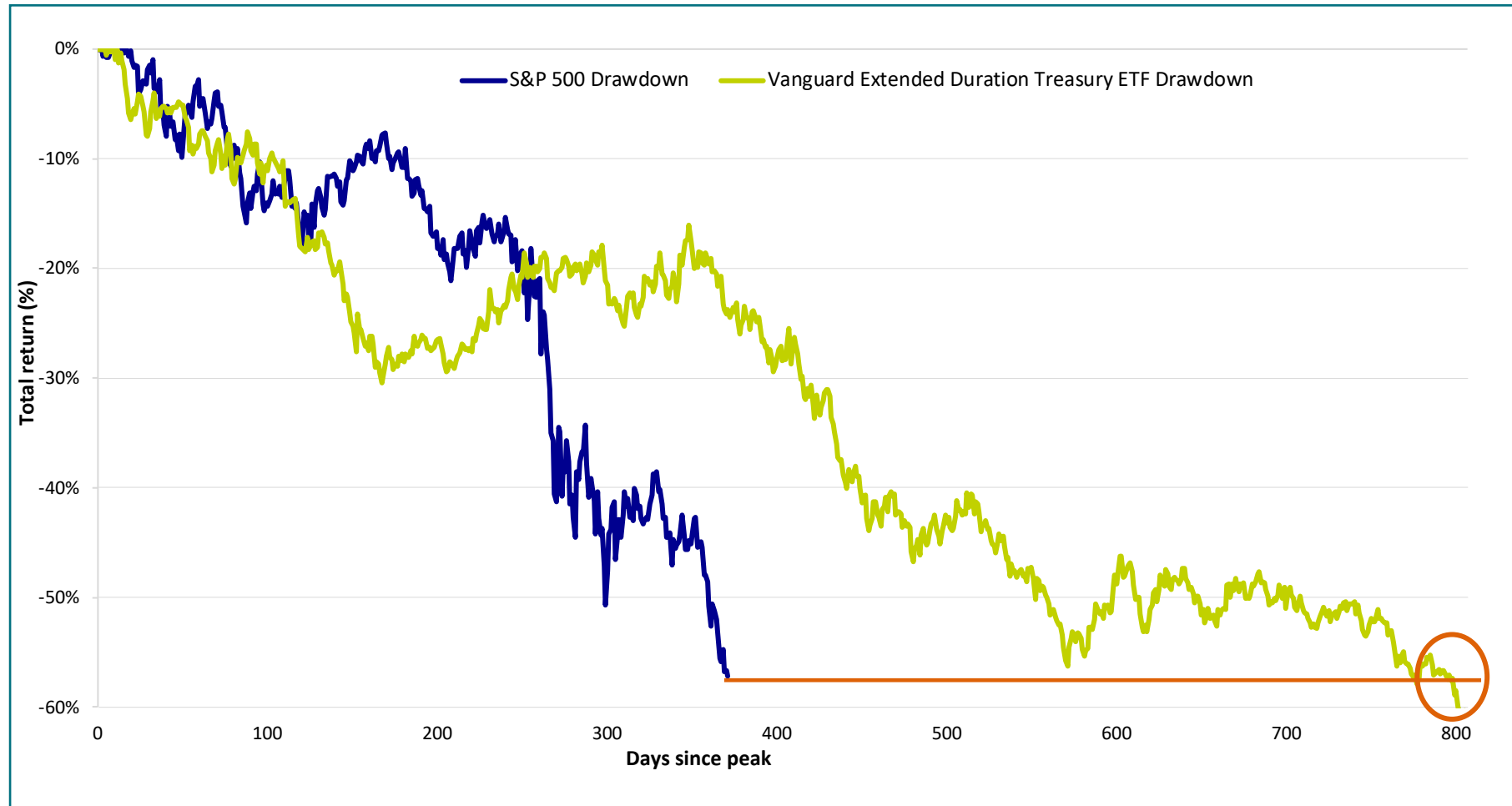


# Fixed-Income Update

**Nick Hayes, Head of Total Return & FI Asset Allocation**  
**Nicolas Trindade, CFA Senior Portfolio Manager**

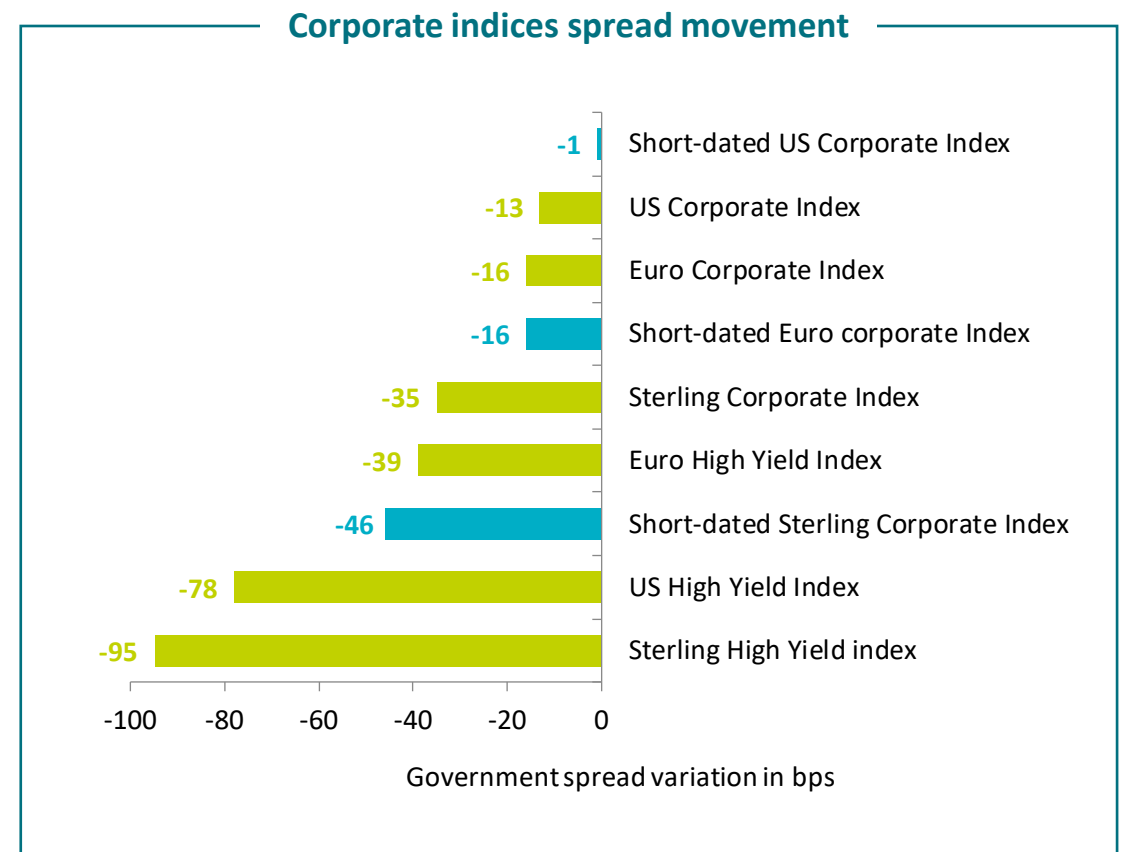
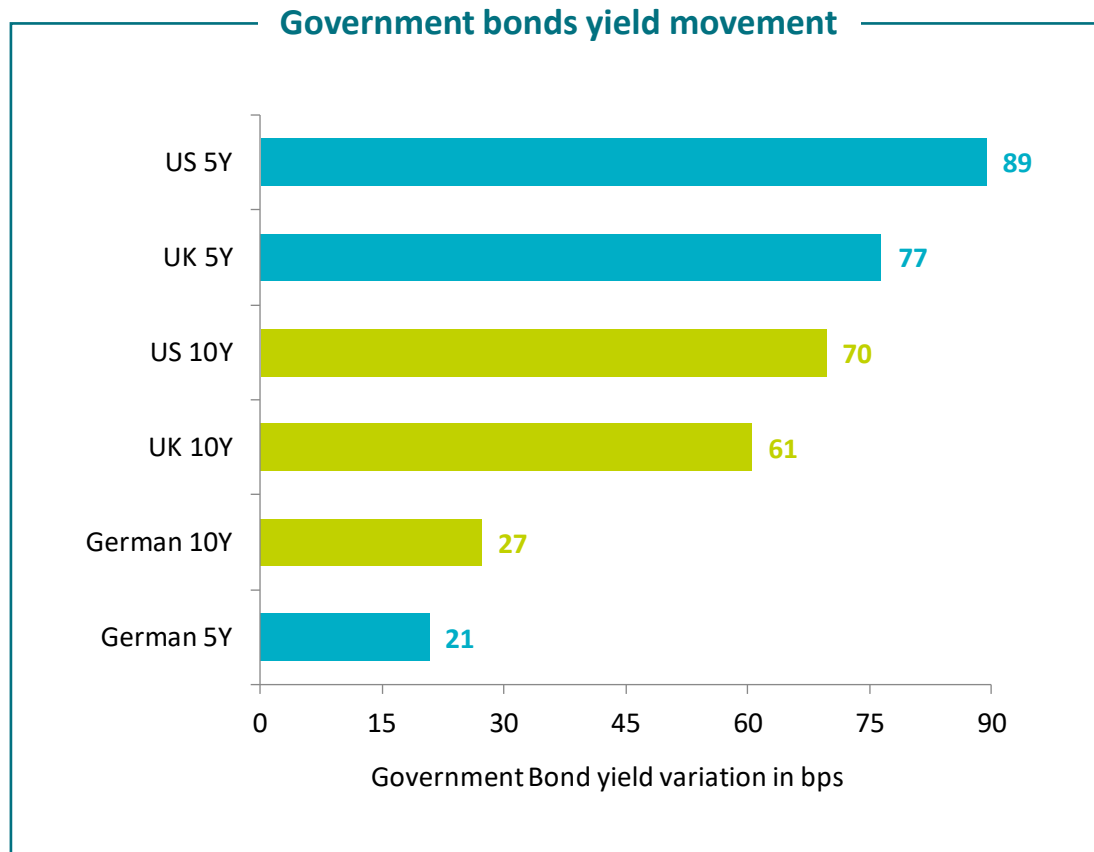
October 2023

# Total drawdown in US Treasury Bonds now exceeds stock market drawdown during the Great Financial Crisis



Source: AXA IM, ICE, Bloomberg as at 02/10/2023. S&P 500 and Vanguard Treasury ETF drawdown periods are 09/10/2007 to 09/03/2009 and 04/08/2020 to 02/10/2023 respectively.

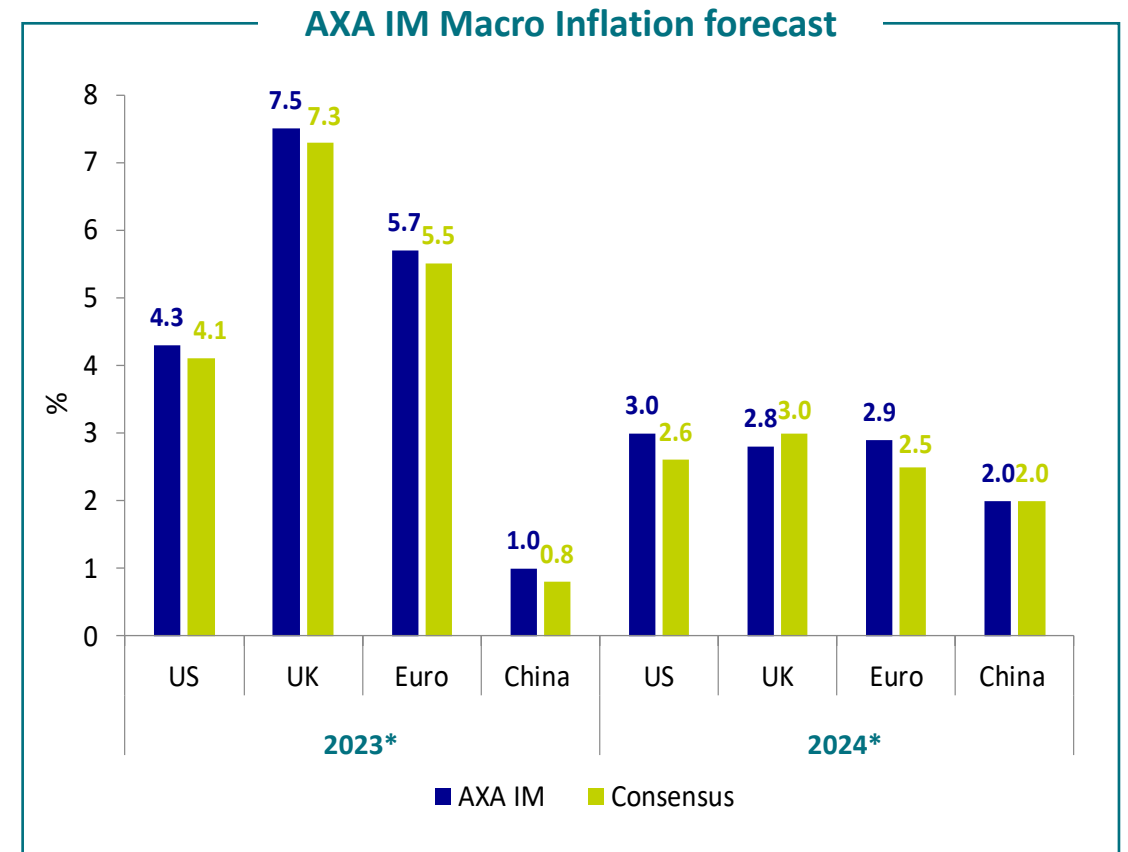
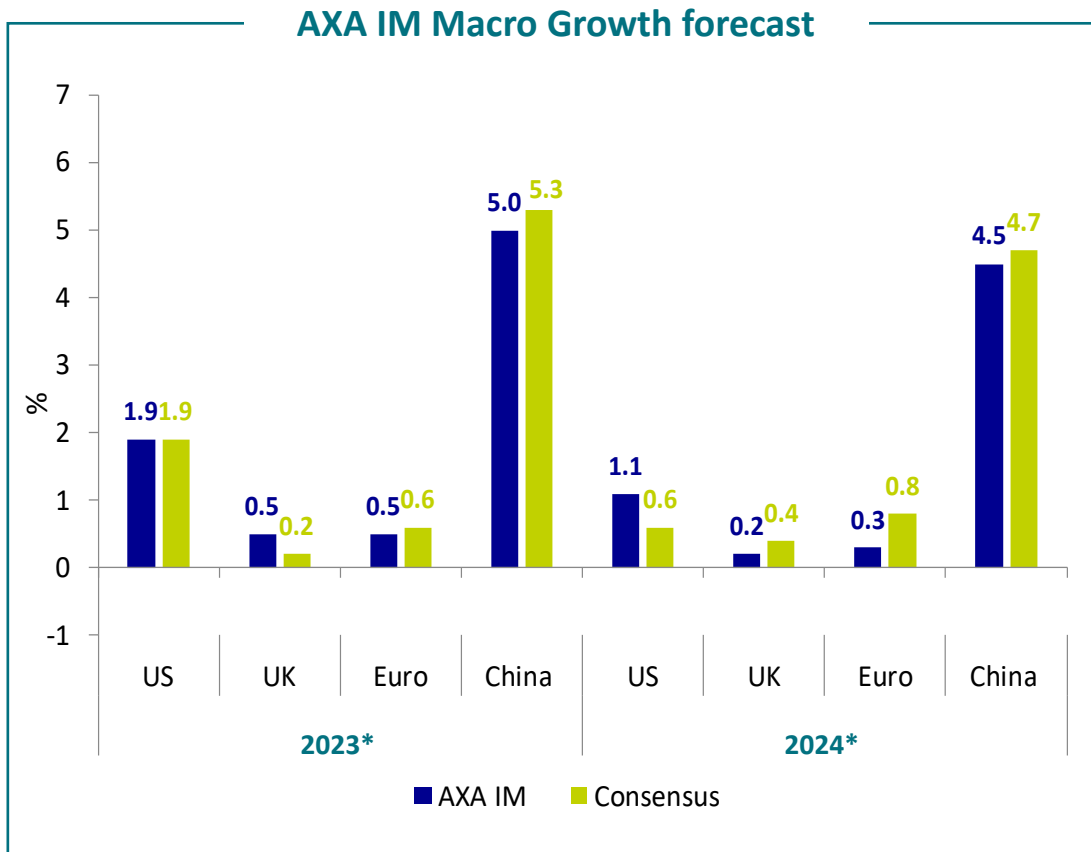
# Government bonds yield and credit spread movements



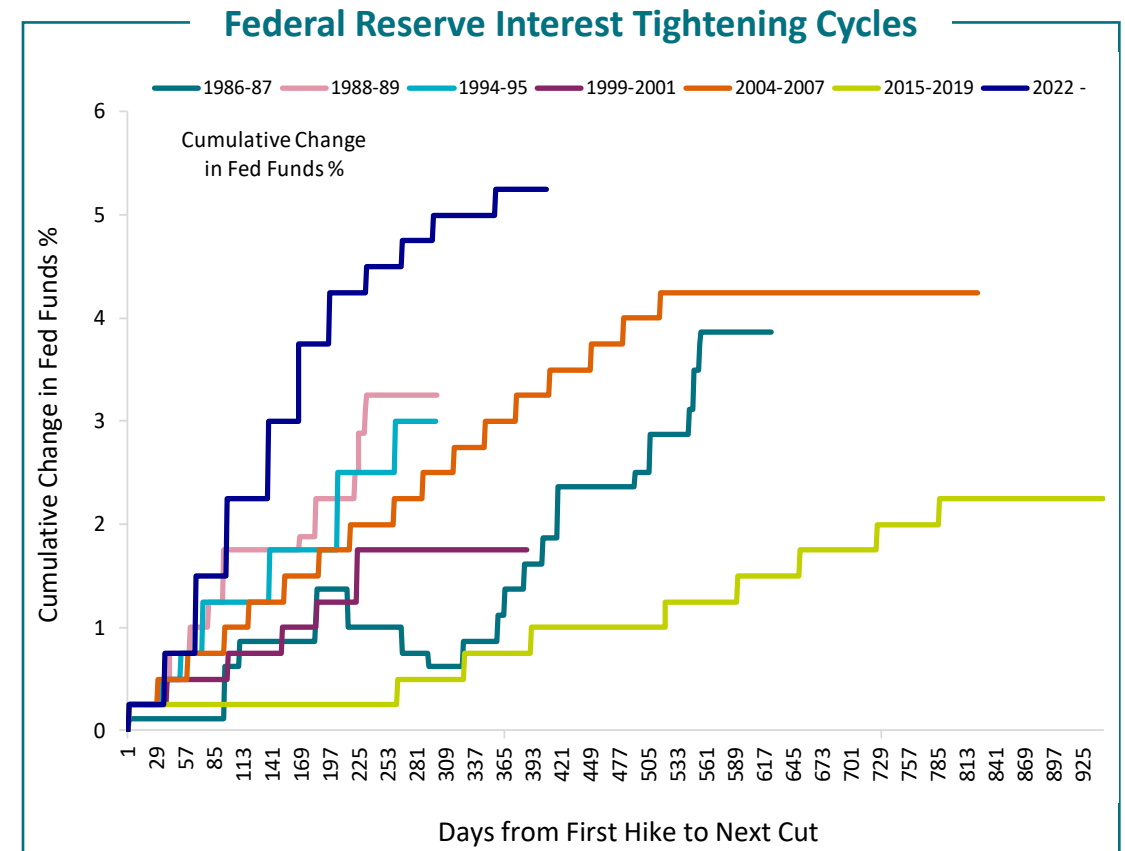
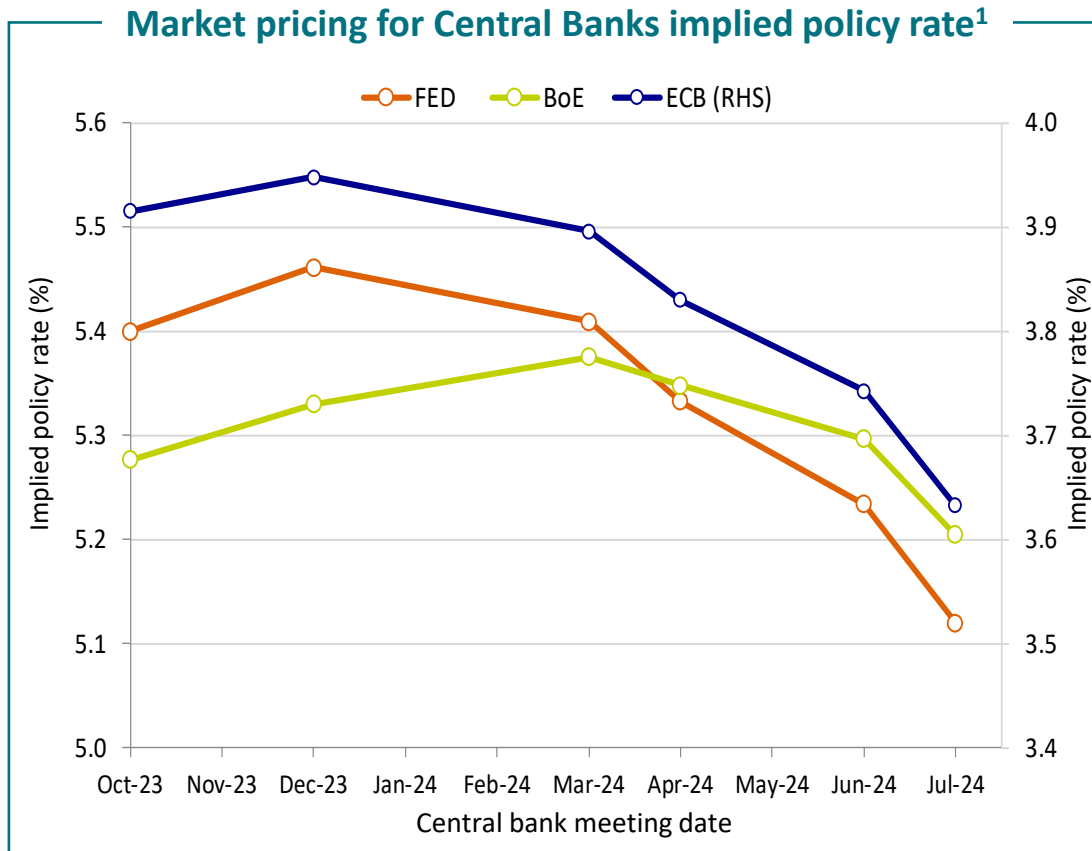
■ All maturity indices

■ Short-dated indices

# Uncertain growth and inflation outlook

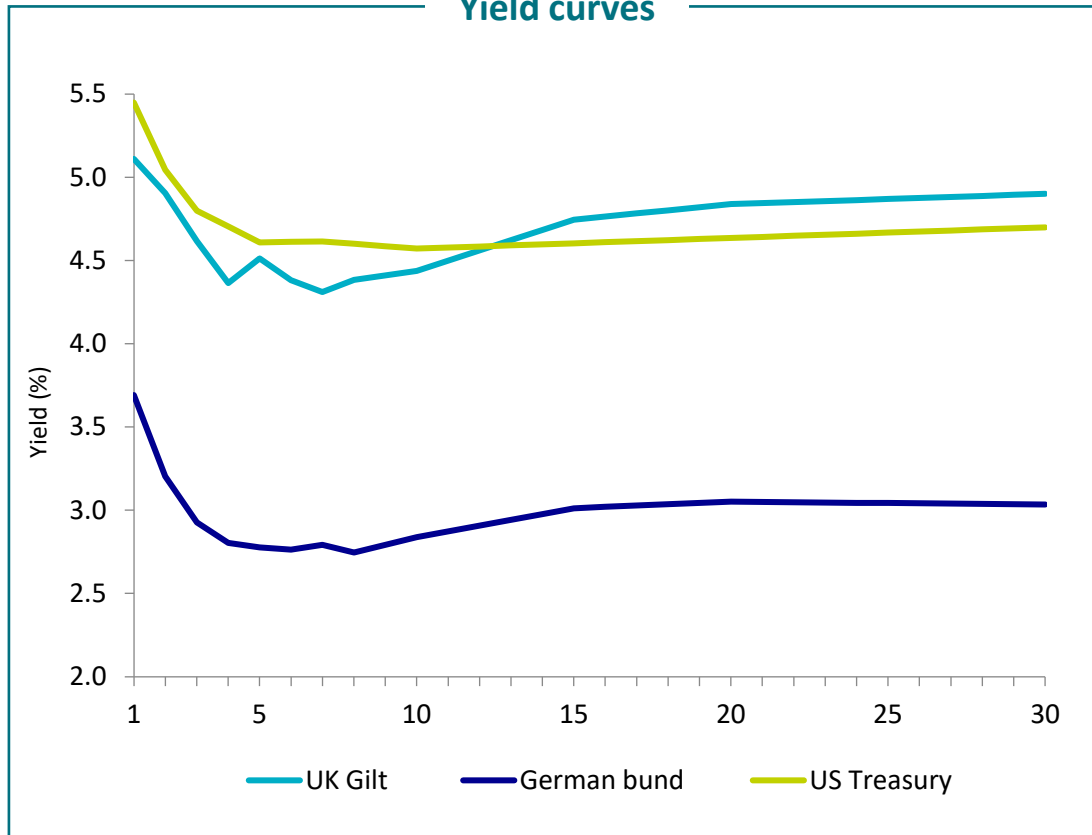


# Interest rates expectations are now close to the peak, but cut in interest rates could take longer than anticipated

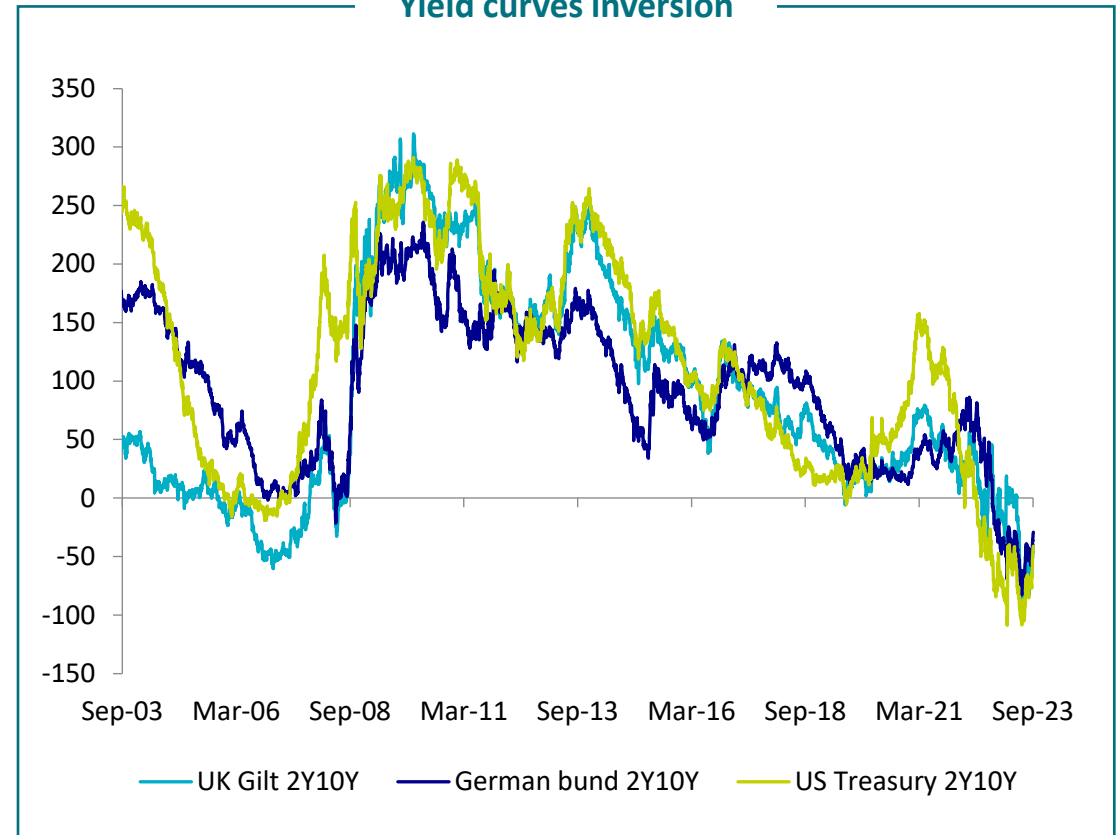


# Sovereign yield curves

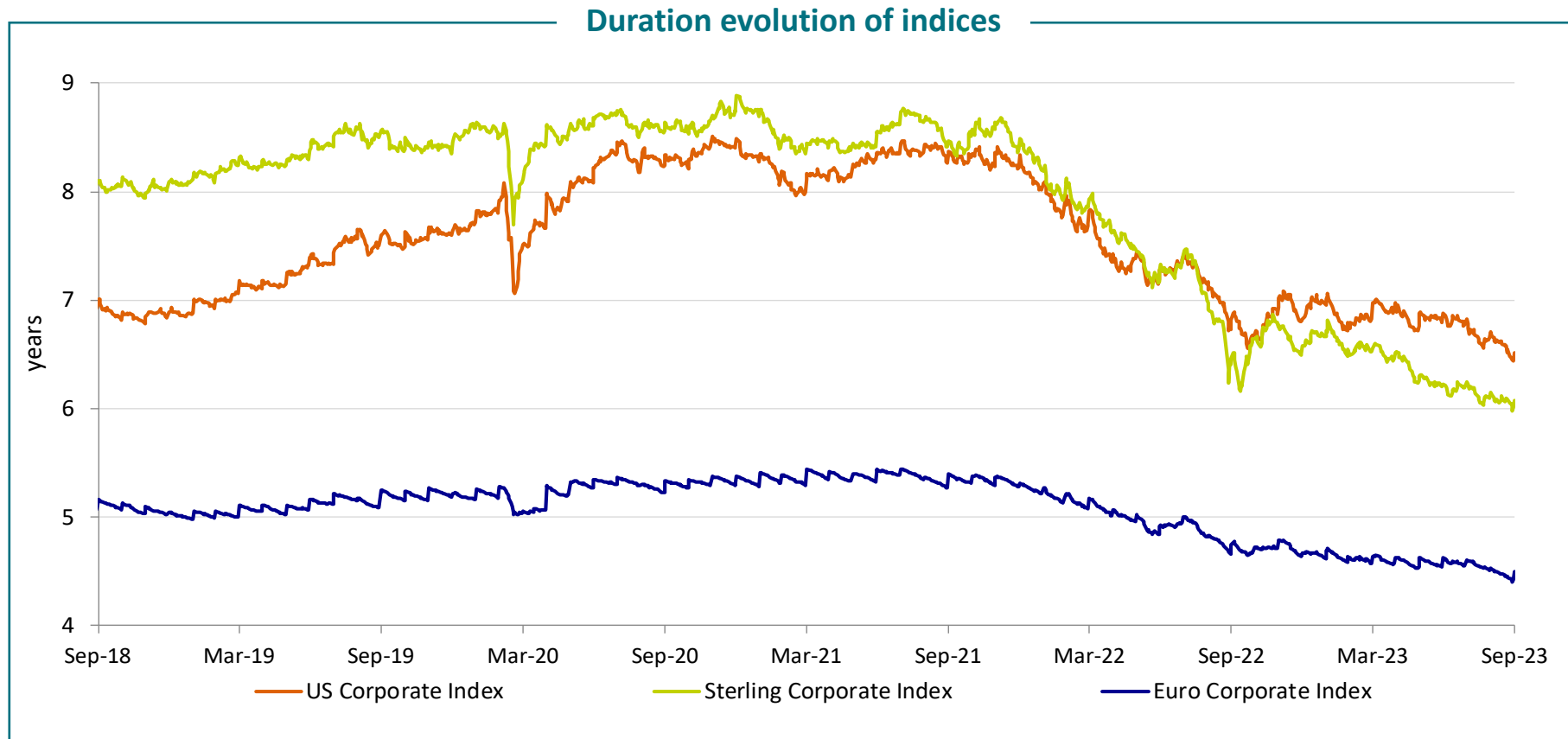
Yield curves



Yield curves inversion

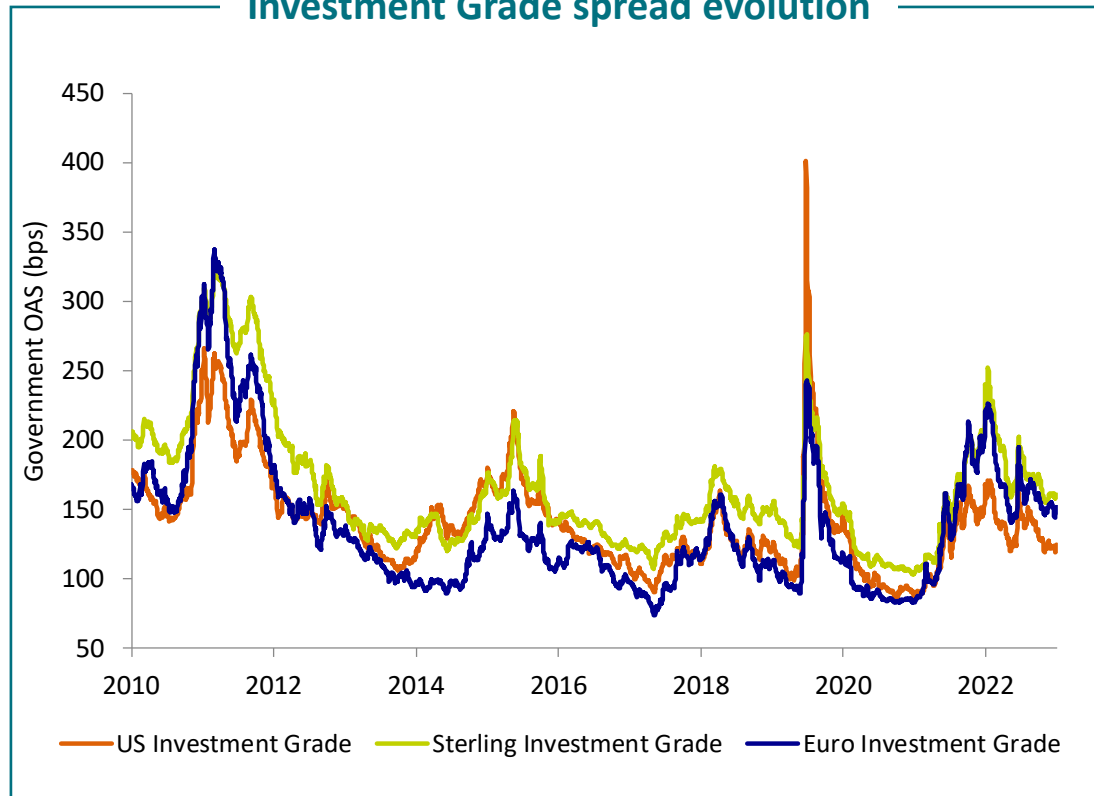


## Indices duration has substantially fallen due to higher interest rates

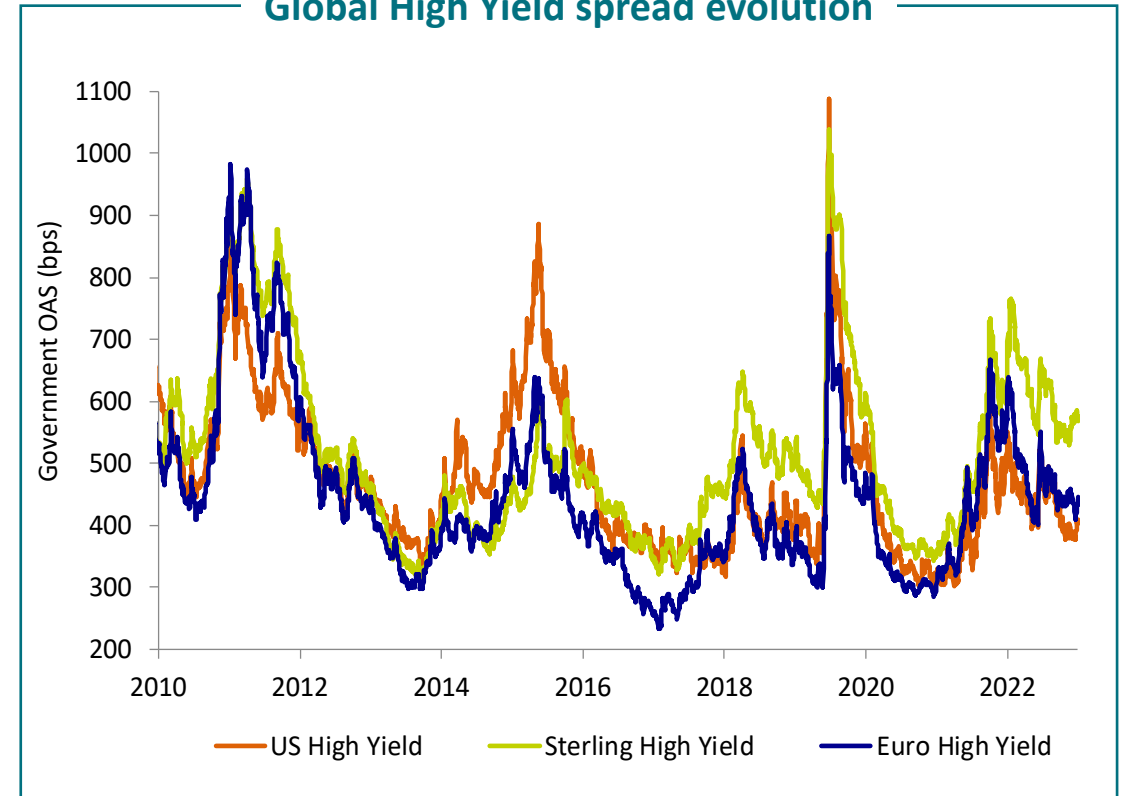


# Historical credit spreads

## Investment Grade spread evolution



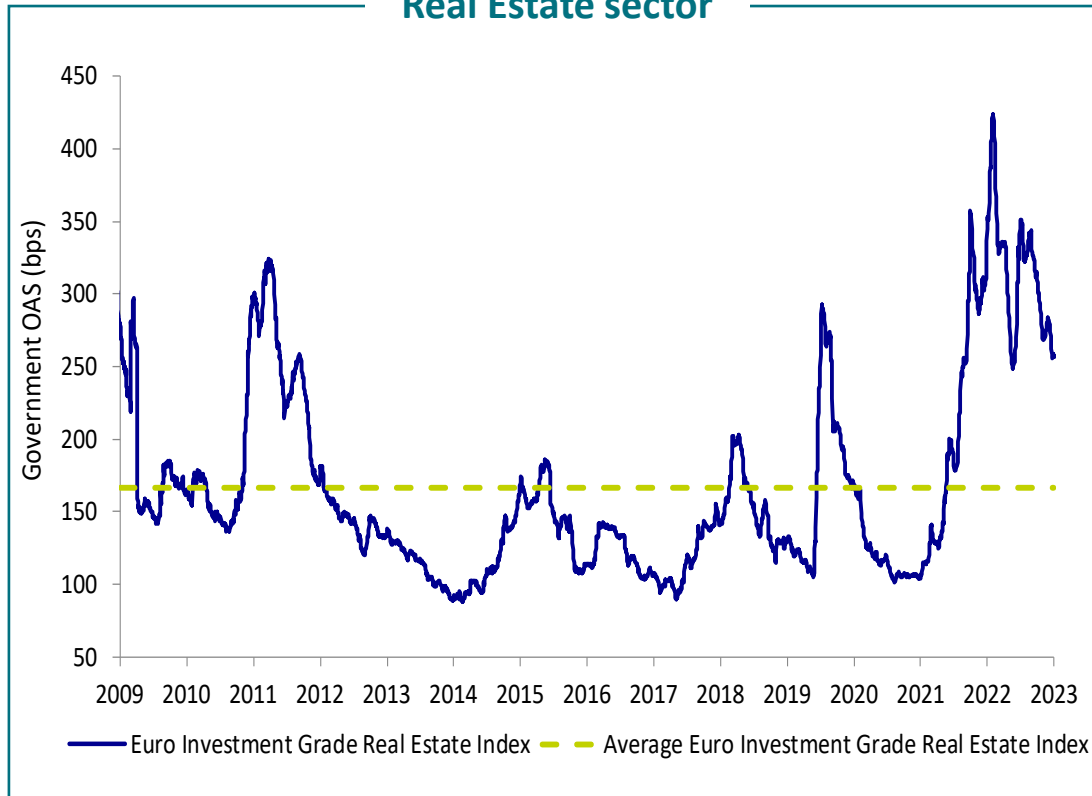
## Global High Yield spread evolution



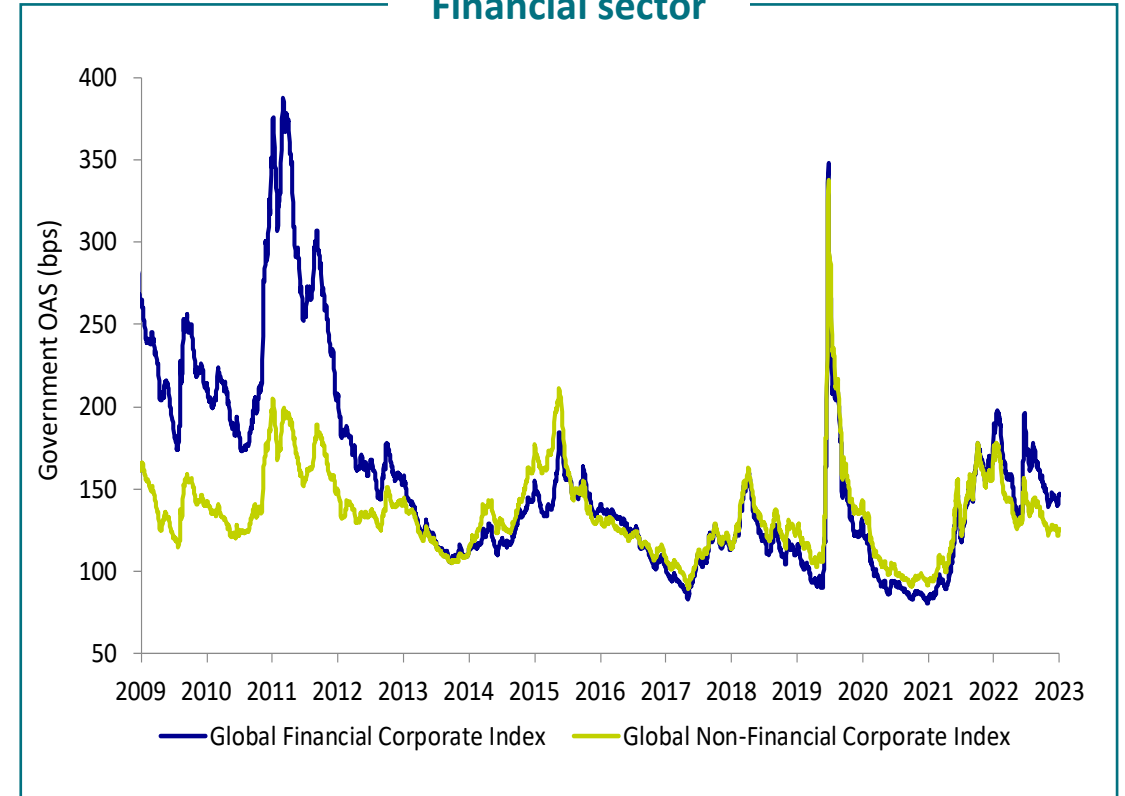


# Real Estate and financial sectors have underperformed

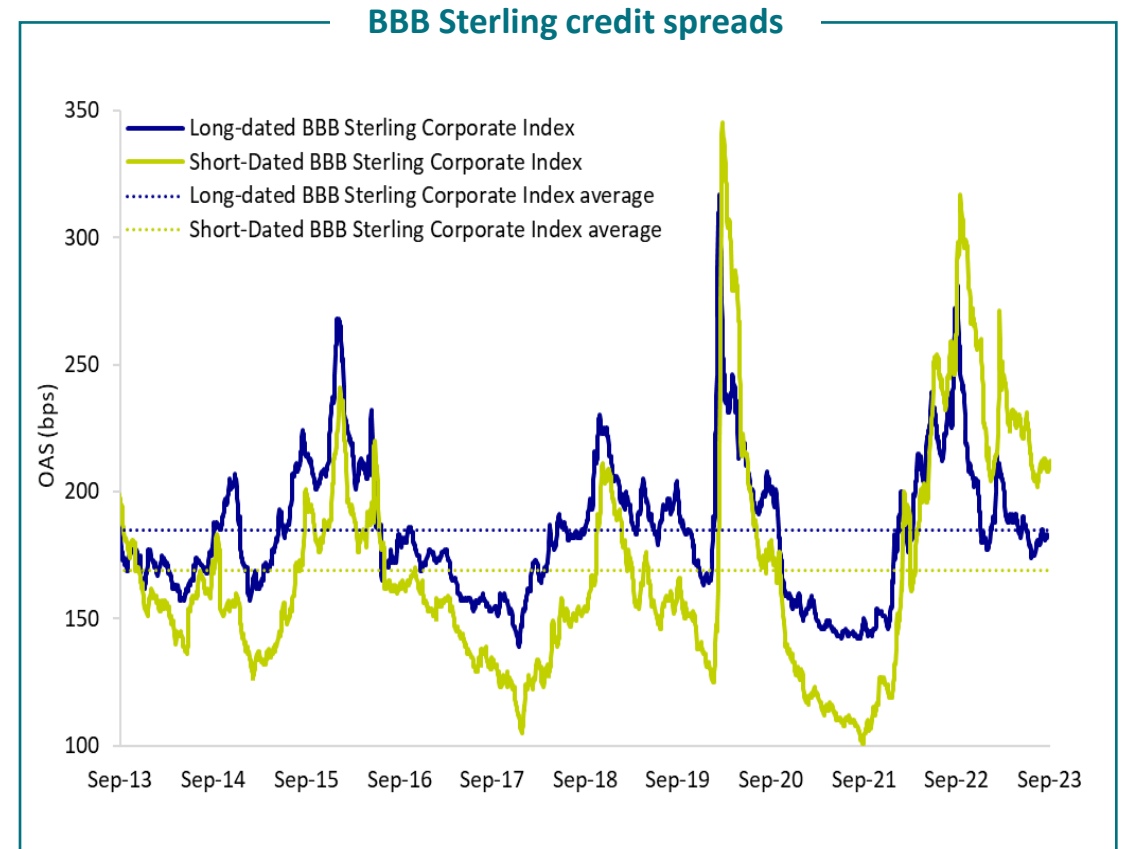
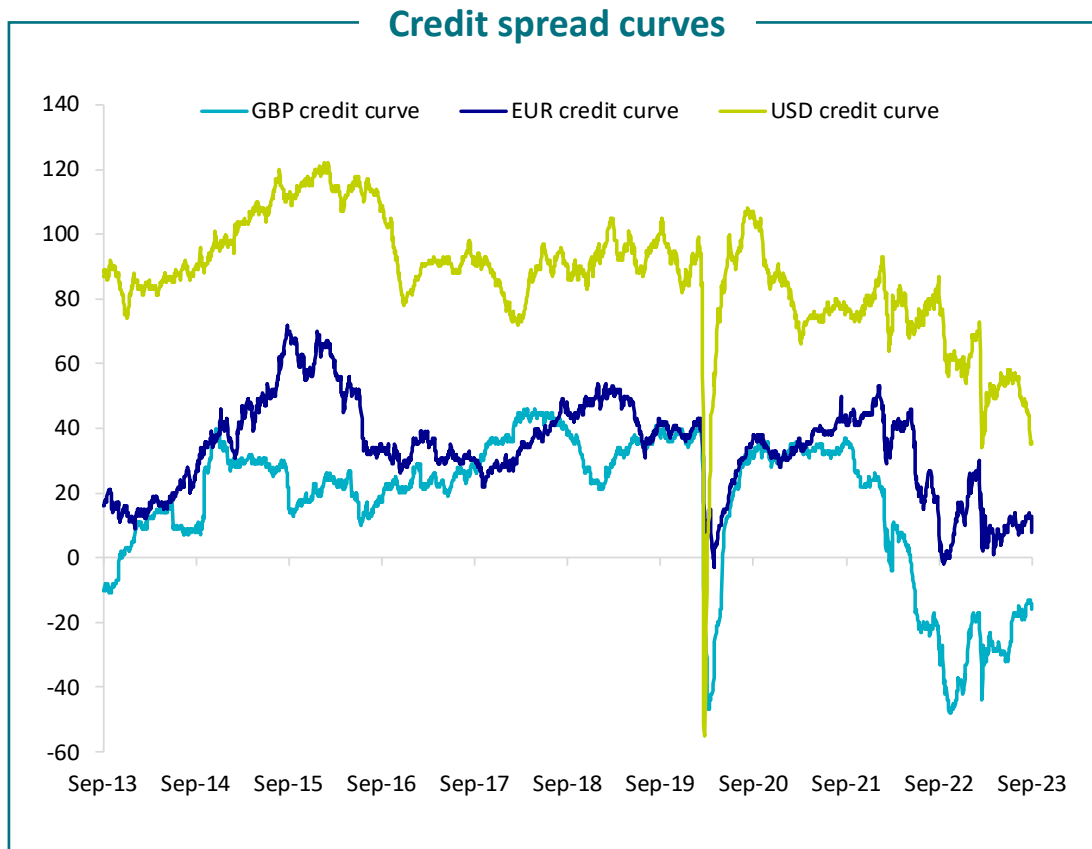
## Real Estate sector



## Financial sector

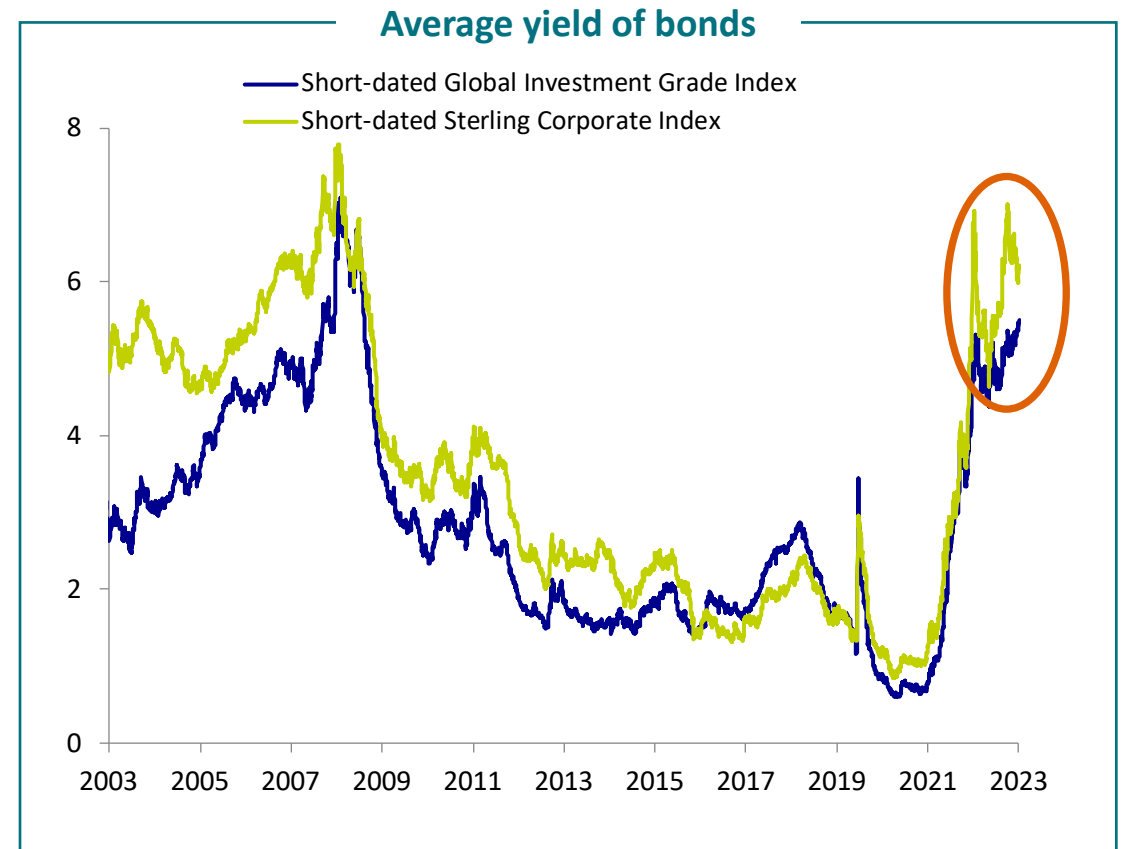
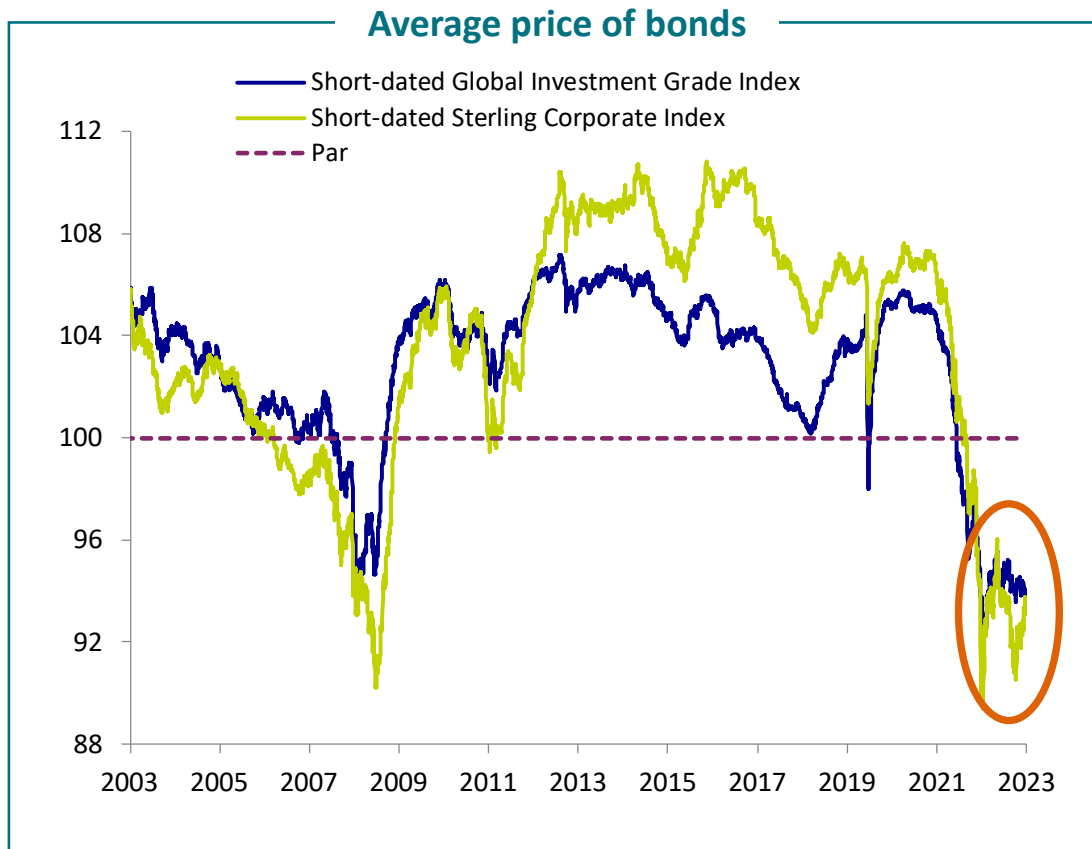


# Credit spread curves



# The average price of short-dated bonds has fallen to historically low levels

As bonds mature at par (100) the 'pull-to-par' could be one of the main drivers of performance in 2024



## Key characteristics

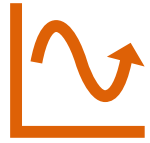
Key Characteristics	AXA Global Short Duration Bond Fund	AXA Global Strategic Bond Fund
Size	£129m*	£142m
Maximum maturity of bonds	5 yrs <sup>1</sup>	No official limit
Max duration	3 yrs	8 yrs
Max High Yield & EM	60%	60%
Max Equity-like hybrid debt (%)	0%	No official limit
Duration <sup>2</sup> (yrs)	2.7	6.9
Average rating <sup>3</sup>	BBB+	BBB-
Sovereign (%) <sup>4</sup>	14	21
Investment grade credit (%)	63	55
High Yield & Emerging Markets (%)	22	41
Yield <sup>2</sup> (%) in £	6.5	7.2
Volatility since launch (%)	3.3	4.8

### A common approach

- ✓ Global active flexible unconstrained approach leveraging of AXA IM Global Fixed-Income process
- ✓ Active use of derivatives & CDS to manage duration and credit risk
- ✓ ESG Integrated (Eq. to SFDR Art.8)
- ✓ Fully hedged in GBP

Source: AXA IM as at 30/09/2023. \*As at 04/10/2023. (1) Five years to maturity or to call; maximum five years extension after first call date. (2) Yield and duration calculations include cash held within the portfolio, use the next-call method for all Financials in the portfolio and duration/yield-to-worst for all other holdings. Please note that the yield calculations are based on the portfolio of assets and may NOT be representative of what clients invested in the strategy may receive as a distribution yield. (3) Rating is the worst of S&P, Moody's and Fitch. In the rare case of an unrated issuer we will assign an internal credit rating. (4) Emerging Markets takes precedence over Sovereign. (5) Including cash. (6) Yield is calculated gross of fees. The AXA Global Short Duration Bond Fund launch date was 17/05/2017. The AXA Global Strategic Bond Fund launch date was 19/10/2020. All breakdowns exclude currency forwards and futures. Characteristics do not constitute a representation or guarantee of future scenarios or performances.

## Summary



**Inflation**



**Soft landing**

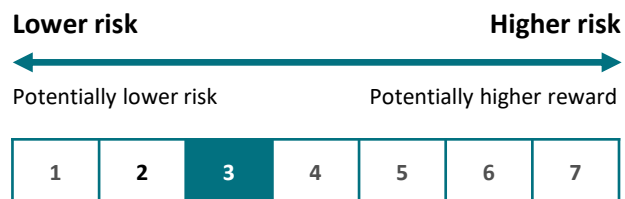


**Bond returns**

# Investment information

## AXA Global Short Duration Bond Fund

### Risk and Reward profile



The risk category is calculated using historical performance data and may not be a reliable indicator of the Sub-Fund's future risk profile.

The risk category shown is not guaranteed and may shift over time. The lowest category does not mean risk free.

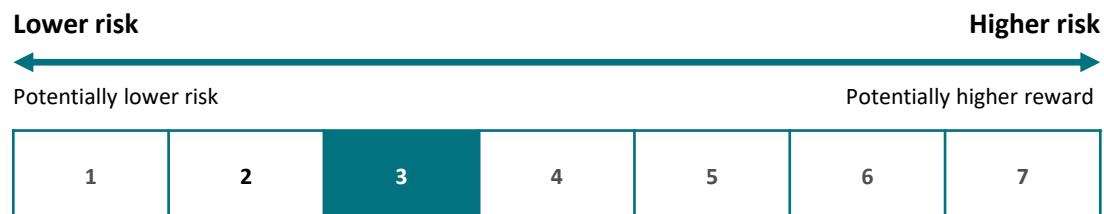
### Additional Risks

- **Counterparty risk:** This is the risk of default (or counterparty's failure to perform any of its obligations) of any counterparties of the Fund to any OTC financial derivatives transactions and/or securities lending and repurchase agreements transactions.
- **Derivatives risk and leverage:** Transactions in options, futures, options on futures, swaps, interest rate caps, floors and collars, structured securities, inverse floating-rate securities, and currency transactions including currency forwards involve additional risk of loss.
- **Geopolitical risk:** Investments in securities issued or listed in different countries may imply the application of different standards and regulations. Investments may be affected by movements of foreign exchange rates, changes in laws or restrictions applicable to such investments, changes in exchange control regulations or price volatility.
- **Hedging risk:** Currency Hedging within the Fund seeks to reduce the impact of exchange rate movements of the investments' currencies relative to the Fund's base currency. Over a period of time the hedging strategy itself may create a positive or negative impact to the value of the Fund, mainly due to differences in short-term interest rates between the currencies.
- **Interest rate risk:** The Fund shall be actively managed to mitigate market risk, but it is not guaranteed to be able to accomplish its objective at any given period.
- **Risk of loss of capital:** Loss of capital may be due to direct exposure, counterparty exposure or indirect exposure (e.g. exposure to underlying assets through the use of derivative instruments, securities lending and borrowing or repurchase agreement).
- **Emerging market risk:** Risks linked to investments in emerging markets. Emerging markets securities may also be less liquid and more volatile than similar securities available in major markets, and there are higher risks associated to transactions settlement, involving timing and pricing issues.
- **Liquidity risk:** Some markets, on which Sub-Funds may invest, may prove at time to be insufficiently liquid. This affects the market price of such a Sub-Fund's securities and therefore its Net Asset Value.
- **Credit risk:** Credit risk involves the risk that an issuer of fixed-income securities held by the Fund (which may have low credit ratings) may default on its obligations to pay interest and repay principal, and the Fund will not recover its investment.

Investment objective and strategy	
<b>Investment objective</b>	The aim of the Fund is to provide income combined with any capital growth.
<b>Investment universe</b>	A wide spectrum of bonds (including index-linked bonds) issued by companies and governments globally (including in emerging markets) where the period for full repayment of the bond by the company or government is expected to be less than 5 years. The Fund may invest up to 60% in high yield bonds. The Fund may also use derivatives.
<b>Investment horizon</b>	This Fund may not be suitable for investors who plan to withdraw their contribution within three years.
<b>Investment team</b>	Nicolas Trindade
<b>Fund* structure</b>	SICAV
<b>Launch date</b>	17 May 2017

# Risk and reward profile

## AXA Global Strategic Bond Fund



Shown for the Z GBP share class. The risk category is based on simulated performance or performance of funds of this type and may not be a reliable indicator of the Fund's future risk profile. The risk category shown is not guaranteed and may shift over time. The lowest category does not mean risk free.

### Why is this Fund in this category?

The capital of the Fund is not guaranteed. The Fund is invested in financial markets and uses techniques and instruments which are subject to some levels of variation, which may result in gains or losses.

### Additional Risks

**Counterparty Risk:** failure by any counterparty to a transaction (e.g. derivatives) with the Fund to meet its obligations may adversely affect the value of the Fund. The Fund may receive assets from the counterparty to protect against any such adverse effect but there is a risk that the value of such assets at the time of the failure would be insufficient to cover the loss to the Fund.

**Derivatives:** derivatives can be more volatile than the underlying asset and may result in greater fluctuations to the Fund's value. In the case of derivatives not traded on an exchange they may be subject to additional counterparty and liquidity risk.

**Interest Rate Risk:** fluctuations in interest rates will change the value of bonds, impacting the value of the Fund. Generally, when interest rates rise, the value of the bonds fall and vice versa. The valuation of bonds will also change according to market perceptions of future movements in interest rates.

### Additional Risks (continued)

**Emerging Market Risks:** emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. As a result, investments in such countries may cause greater fluctuations in the Fund's value than investments in more developed countries.

**Liquidity Risk:** some investments may trade infrequently and in small volumes. As a result, the fund manager may not be able to sell at a preferred time or volume or at a price close to the last quoted valuation. The fund manager may be forced to sell a number of such investments as a result of a large redemption of shares in the Fund. Depending on market conditions, this could lead to a significant drop in the Fund's value and in extreme circumstances lead the Fund to be unable to meet its redemptions.

**Credit Risk:** the risk that an issuer of bonds will default on its obligations to pay income or repay capital, resulting in a decrease in Fund value. The value of a bond (and, subsequently, the Fund) is also affected by changes in market perceptions of the risk of future default. The risk of default for high yield bonds may be greater.

**Risks linked to investment in sovereign debt:** Where bonds are issued by countries and governments (sovereign debt), the governmental entity that controls the repayment of sovereign debt may not be able or willing to repay the capital and/or interest when due in accordance with the terms of such debt. In the event of a default of the sovereign issuer, a Fund may suffer significant loss.

**High yield bonds risk:** These bonds are issued by companies or governments with lower credit ratings and as such are at greater risk of default or rating downgrades than investment grade bonds.

The fund is also subject to geopolitical risk, securitised assets or CDO assets risk and contingent convertible bonds ("CoCos").

Further explanation of the risks associated with an investment in this Fund can be found in the prospectus.

Source: AXA IM as at 31/01/2023. Please read the prospectus or Key Investor Information Document (KIID) for full details.

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