

AXA IM US Short Duration High Yield

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Strategy Highlights | Fixed Income



Why AXA IM US Short Duration High Yield?

19¹

Years of positive total return since inception in 2001 (net and gross, out of 21 years)

85%¹

Of net quarterly return observations are positive or neutral

2¹

Defaults in the strategy since its launch, versus 670 in the broad US HY market

47%¹

Attractive upside capture ratio allows the strategy to participate into market upturns

35%¹

Downside capture ratio, which historically has minimised drawdowns compared to market

What's our track record?

22 years of HY investing with over \$13bn in US HY AUM. Since inception in September 2001, the strategy has delivered:

Strategy GIPS Composite Returns	Annualized (%)			
	1 Year	3 Year	5 Year	10 Year
AXA IM US Short Duration High Yield (Net)	8.30	1.78	2.73	2.92
AXA IM US Short Duration High Yield (Gross)	8.78	2.24	3.18	3.39
ICE BofA US High Yield Index	10.19	1.82	2.80	4.16

	AXA IM US SDHY GIPS Composite (Net / Gross)	ICE BofA US High Yield Index	AXA Net as a % of Index
Annualized Return	4.73% / 5.22%	6.92%	68%
Volatility	4.07% / 4.07%	9.18%	44%
Sharpe Ratio	0.81 / 0.93	0.60	136%

22 years producing stable, consistent, positive returns – with only 2 negative years

Performance Returns	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD 2023
AXA IM SDHY Composite-Net	5.8	9.9	7.1	3.5	6.9	4.5	(8.1)	22.1	8.6	4.0	7.4	5.0	1.0	0.3	5.9	3.5	1.2	8.1	3.9	3.3	(5.0)	5.1
AXA IM SDHY Composite-Gross	6.3	10.4	7.7	4.0	7.4	5.0	(7.7)	22.6	9.1	4.5	7.9	5.5	1.5	1.2	6.4	4.0	1.7	8.5	4.4	3.3	(4.5)	5.4
ICE BofA US HY Index	(1.9)	28.2	10.9	2.7	11.8	2.2	(26.4)	57.5	15.2	4.4	15.6	7.4	2.5	(4.6)	17.5	7.5	(2.3)	14.4	6.2	5.4	(11.2)	6.0

¹ AXA Investment Managers, ICE BofA. As of September 30, 2023. *Composite Inception Date: September 30, 2001. ICE BofA US High Yield Index is shown for illustrative purposes only. Past performance is not indicative of future results. Net Performance: Performance shown net of fees is calculated after the deduction of all management fees. Return may increase or decrease as a result of currency fluctuations. The above information presented is supplemental to the GIPS-compliant presentation included in the **GIPS Disclosure Notes**. No assurance can be given that the strategy will be successful or achieve its objectives. ICE BofA High Yield index is shown for illustrative purposes only.

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We believe our Short Duration High Yield strategy has produced stable, consistent, and positive total returns for over 20 years. The Strategy looks attractive in the current market environment due to high coupon income, low average dollar price, and the relatively short average maturity of our bonds.

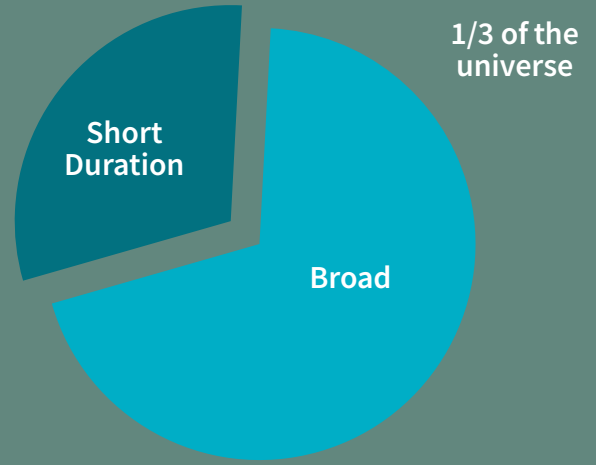
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Peter Vecchio
Senior US High Yield
Portfolio Manager



Vern Bond
Senior US High Yield
Portfolio Manager



US High Yield market
\$1.3 trillion in size²

Key characteristics

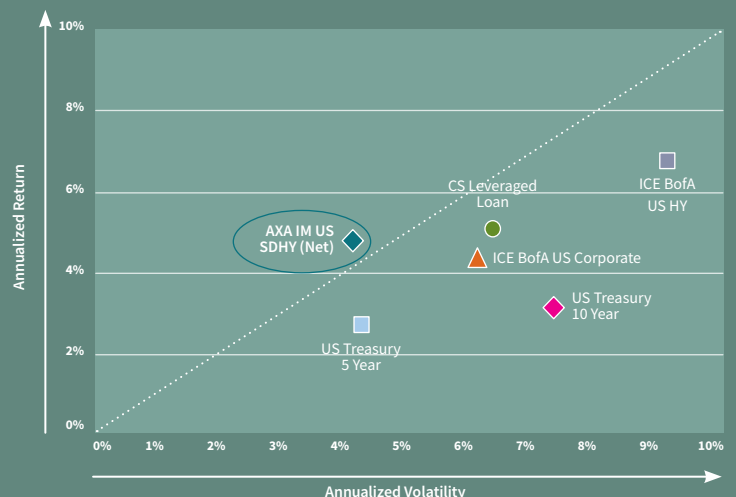
- 1 Invests in securities with expected take-outs of <3 years
- 2 Focused on better quality, improving high yield credits
- 3 Compounds coupon income available to high yield investors while avoiding principal losses
- 4 Targets to generate attractive liquidity profile through natural turnover and coupon interest

Why invest in short duration high yield bonds?

- 1 Focus on capturing coupon income, which historically has driven returns in the high yield market
- 2 Natural turnover allows reinvestment into current market environment to capture prevailing opportunities
- 3 Less sensitivity to interest rate movements against broad US high yield market
- 4 Short duration makes up the most liquid portion of the high yield market

US Fixed Income: Return and Risk Comparison NET OF FEES (September 30, 2001 - September 30, 2023)³

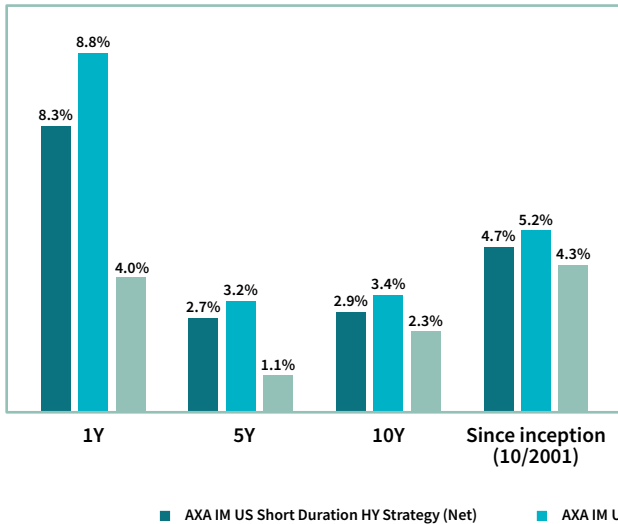
- Outperforming US 5 / 10 Year Treasuries and US Investment Grade with less volatility
- Performing in line with US Leveraged Loans with less volatility
- Capturing 68% of the broad US High Yield market return with 44% of the volatility



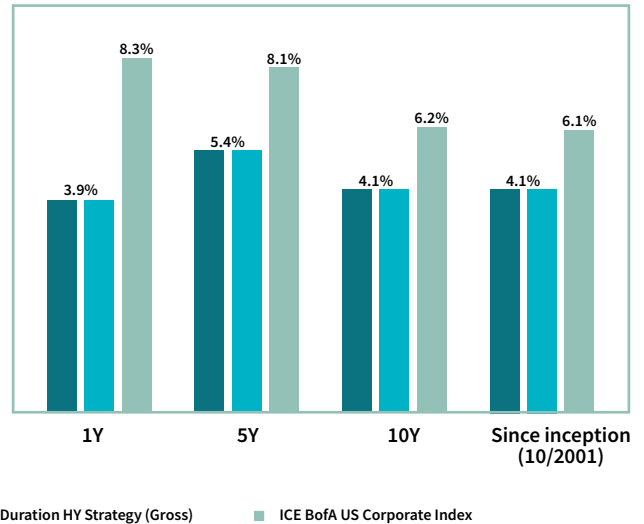
Performance Comparison

Our strategy has consistently outperformed the US Corporate IG Index while maintaining lower volatility.

Returns – AXA IM US Short Duration HY vs US Corporate IG⁴



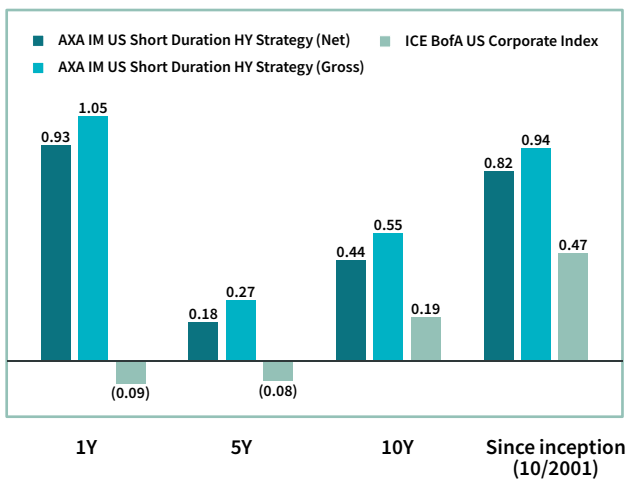
Volatility – AXA IM US Short Duration HY vs US Corporate IG⁴



Sharpe Ratio Comparison

Our strategy's appealing risk/return profile is clearly evidenced by the consistently higher Sharpe Ratio.

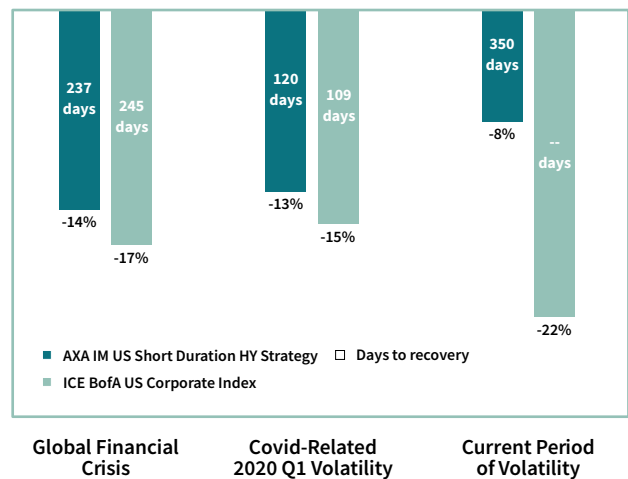
Sharpe Ratio – AXA IM US Short Duration HY vs US Corporate IG⁵



Drawdown Comparison

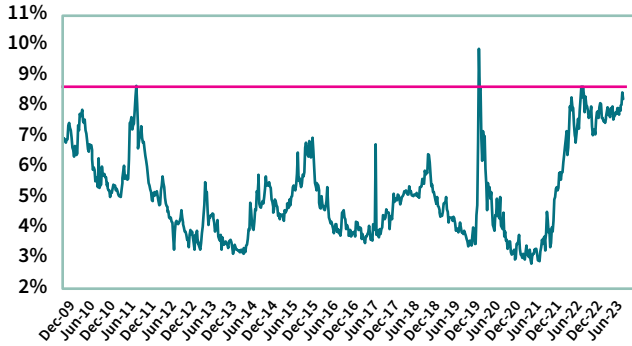
Since our strategy's inception, there have only been 3 drawdowns >5% vs 7 for US IG. On all 3 occasions, the strategy has limited downside to US IG.

Drawdown Comparison: AXA IM US Short Duration HY vs US Corporate IG⁵

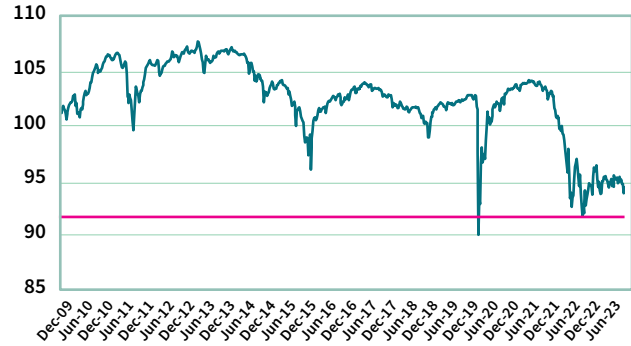


Why is US Short Duration HY attractive now?

Attractive Yield-to-Worst⁶ AXA IM US SHORT DURATION HY Weekly Yield to Worst

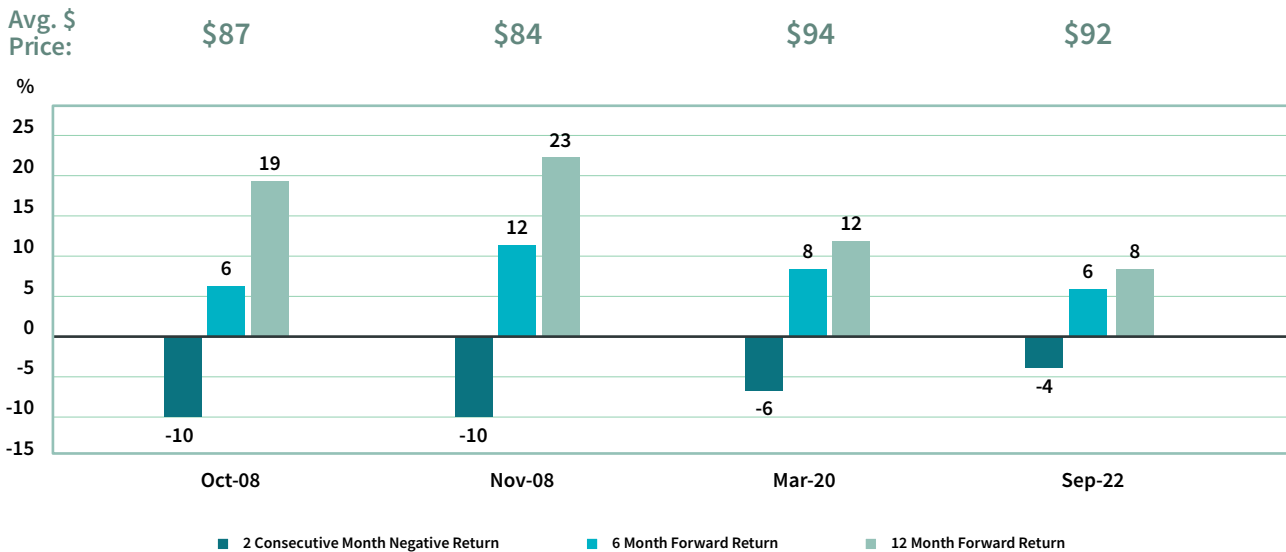


Low \$ Price⁶ AXA IM US SHORT DURATION HY Weekly Average Price



Prior to 2022, there were only 12 occasions when the strategy experienced two consecutive negative monthly returns. On four of those occasions, the dollar price declined below \$95, but bounced back strongly with positive forward returns.

Occasions When the AXA IM US Short Duration HY Strategy Experienced \$ Price Declines <\$95 and Then the Corresponding Forward Returns⁷



As of August month-end, US SDHY was capturing roughly

90%⁷

of the yield-to-worst of the broad US high yield market.

The strategy has historically bounced-back following periods of negative returns.

\$95

Current average price of the strategy after the 2022 rates reset.

Strategy Risks

CREDIT RISK - If an issuer of bonds defaults on its obligations to pay income or repay capital, it may result in a decrease in portfolio value. The value of a bond (and subsequently, the portfolio) is also affected by changes in credit rating downgrades and/ or market perceptions of the risk of future default. Investment grade issuers are regarded as less likely to default than issuers of high yield bonds. High-yield, lower-rated, securities involve greater risk than higher-rated securities. Portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not.

RISK OF CAPITAL LOSS – Any investment in our high yield strategies are not guaranteed and returns can be negative. The performance of a portfolio may not be consistent with the objectives of investors and their investment may not be fully returned.

INTEREST RATE RISK - Fluctuations in interest rates will change the value of bonds, impacting the value of the investment portfolio. Often, 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.

LIQUIDITY RISK - Some investments may trade infrequently and in small volumes and the risk of low liquidity level in certain market conditions might lead to difficulties in valuing, purchasing or selling bonds.

HIGH YIELD BOND RISK - The portfolio will be exposed to a risk related to investments in high yield financial instruments. These instruments present higher default risks than those of the investment grade category. In case of default, the value of these instruments may decrease significantly, which would affect the value of the portfolio. Lower-rated securities generally tend to reflect short-term corporate and market developments to a greater extent than higher-rated securities which respond primarily to fluctuations in the general level of interest rates.

RE-INVESTMENT RISK - Reinvestment risk describes the risk that, as interest rates or market environment changes, the future coupons and principal from any bond may have to be reinvested in a less favorable rate environment. This is more likely to occur during periods of declining interest rates when issuers can issue bonds with lower levels of coupon. Re-investment risk may be greater with callable bonds.

Non-USD investors in offshore vehicles advised or sub-advised, in whole or in part, by the Adviser employing the investment strategy described herein may be subject to **currency exchange risk**.

Sources

1. AXA Investment Managers, ICE BofA. As of September 30, 2023. *Composite Inception Date: September 30, 2001. ICE BofA US High Yield Index is shown for illustrative purposes only. Past performance is not indicative of future results. Net Performance: Performance shown net of fees is calculated after the deduction of all management fees. Return may increase or decrease as a result of currency fluctuations. The above information presented is supplemental to the GIPS-compliant presentation included in the **GIPS Disclosure Notes**. No assurance can be given that the strategy will be successful or achieve its objectives. ICE BofA High Yield index is shown for illustrative purposes only.
2. JP Morgan Credit Strategy Weekly Update (data as of October 1, 2023). For illustrative purposes only. Investing involves risk and past performance does not guarantee future results. No assurance can be given that the strategy will be successful or achieve its objectives.
3. AXA Investment Managers, ICE BofA. As of September 30, 2023. *Composite Inception Date: September 30, 2001. ICE BofA US High Yield Index is shown for illustrative purposes only. Past performance is not indicative of future results. Net Performance: Performance shown net of fees is calculated after the deduction of all management fees. Return may increase or decrease as a result of currency fluctuations. The above information presented is supplemental to the GIPS-compliant presentation included in the GIPS Disclosure Notes. No assurance can be given that the strategy will be successful or achieve its objectives. ICE BofA High Yield index is shown for illustrative purposes only.
4. AXA Investment Managers for 5 year period ending September 30, 2023. For illustrative purposes only. No assurance can be given that the strategy will be successful or that investors will achieve its objectives. The representative account shown has been selected because it utilizes an investment setup that is typical for accounts in the relevant strategy and/or on the basis that it has adequate assets under management to effectuate a fair comparison. Please refer to the appendix for additional information.
5. AXA IM, as of September 30, 2023. Return may increase or decrease as a result of currency fluctuations. ICE BofA US Corporate Index is shown for illustrative purposes only. The above information presented is supplemental to the GIPS-compliant presentation included in the GIPS Disclosure Notes. An investor's return will be reduced by management fees and other expenses. Please see the Appendix for further information about the effect of management fees. Past performance is not indicative of future results. The above information presented is supplemental to the GIPS-compliant presentation included in the GIPS Disclosure Notes. No assurance can be given that the strategy will be successful or achieve its objectives.
6. AXA IM, FactSet from Dec 31, 2009 - September 30, 2023. AXA IM US SDHY Representative portfolio exclusive of cash. The representative account shown has been selected because it utilizes an investment setup that is typical for accounts in the relevant strategy and/or on the basis that it has adequate assets under management to effectuate a fair comparison. Please refer to the appendix for additional information. Diversification does not ensure profit or protection against loss.
7. AXA IM. As of September 30, 2023. *AXA IM SDHY Representative Portfolio stream (data prior to March 2004 is based on legacy portfolios managed in the same investment strategy). US SDHY Composite Inception date: September 30, 2001. Past performance is not indicative of future results. Net Performance: Performance shown net of fees is calculated after the deduction of all management fees. Return may increase or decrease as a result of currency fluctuations. The above information presented is supplemental to the GIPS-compliant presentation included in the GIPS Disclosure Notes. No assurance can be given that the strategy will be successful or achieve its objectives.

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