AXA Global Strategic Bond Fund

Positive vaccine news stimulates market rally

- Good month for risk assets following US election and positive news on vaccines
- Markets seem to look through persistent lockdowns thanks to strong technicals
- We added to Intermediate and Aggressive buckets to benefit from risk-on market

Nick Hayes
Portfolio Manager, AXA Global Strategic Bond Fund

What's happening?

- UK 10-year gilts sold off and surpassed the 40bps level early in the month, although subsequently rallied and ended the month broadly unchanged.
- Risk assets had a strong month as a less chaotic US election than many expected and much more positive news on the vaccine played out early in the month. Seemingly large cash reserves across many investors sought a home during the month, driving many valuations higher.
- Expectations for the short-term recovery remained muted as virus cases and movement restrictions remained in place or on the horizon in many parts of Europe and US, and the deadline for Brexit negotiations loomed large.

Fund in focus	
Assets under management	£51m
Duration	5.76 yrs
Yield[1]	1.94%
Running yield[1]	3.24%
Spread to government[2]	176
Number of holdings	188
Launch date	19/10/2020
Net performance (GBP)	
One month	+1.16%
Since launch (cumulative)	+0.50%

Source: AXA IM as at 30/11/2020. 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.**

Portfolio positioning and performance

- Defensive (45%): we added long-dated UK duration during the month as valuations improved. As well as the elevated duration position, we hold 12% exposure to inflation-linked bonds which should perform well in any economic recovery or "reflation" type momentum.
- Intermediate (20%): we added to financial services names during the month as we continue to build higher exposure to European banks and insurance companies which have performed well during the crises of 2020.
- Aggressive (36%): we added to Asian high yield during the month as the asset class continues to offer attractive US-dollar yields. We reduced our CDS exposure, which has acted as a valuable portfolio hedge during the year.

Outlook

- November was a very strong month for most markets as better news on the vaccine front, combined with strong technical demand, led markets higher.
- We think these themes will continue into next year and therefore are starting to add credit risk to benefit from such moves.
- As we look ahead to an economic recovery year, combined with low rates and accommodative central banks, 2021 could repeat some themes of the last six months.

Credit rating breakdown

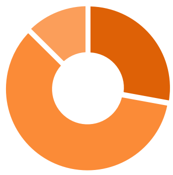
Category	Rating	Total
Defensive	Cash	5.7%
	AAA	15.4%
	AA	23.4%
	Total	44.5%
Intermediate	AA	0.8%
	A	3.6%
	BBB	15.2%
	Total	19.6%
Aggressive	AA	0.3%
	A	0.3%
	BBB	4.0%
	BB	10.0%
	B	13.1%
	CCC & Below	7.7%
	Not rated	0.5%
	Total	36.0%
Total		100.0%

Portfolio breakdowns

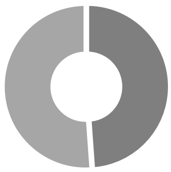
Strategy breakdown	
Defensive	44.5%
Intermediate	19.6%
Aggressive	36.0%
Total	100.0%

Defensive breakdown	44.5%
US Government Bonds	10.9%
Core Europe Government Bonds	15.7%
Rest of World Governments	0.0%
Inflation-Linked Bonds	12.2%
Cash	5.7%

Intermediate breakdown	19.6%
US IG Credit	6.4%
Euro & Sterling IG Credit	13.2%
Periphery Governments	0.0%



Aggressive breakdown	36.0%
Emerging Markets (HC 10.0%/LC 0%/FX 0%)	10.0%
US High Yield	21.4%
European High Yield	4.5%



Derivatives breakdown	-5.7%
Bond Futures	-2.8%
Credit Default Swaps	-2.9%

Source: AXA IM as at 30/11/2020.

(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.