

AXA WF Global Strategic Bonds

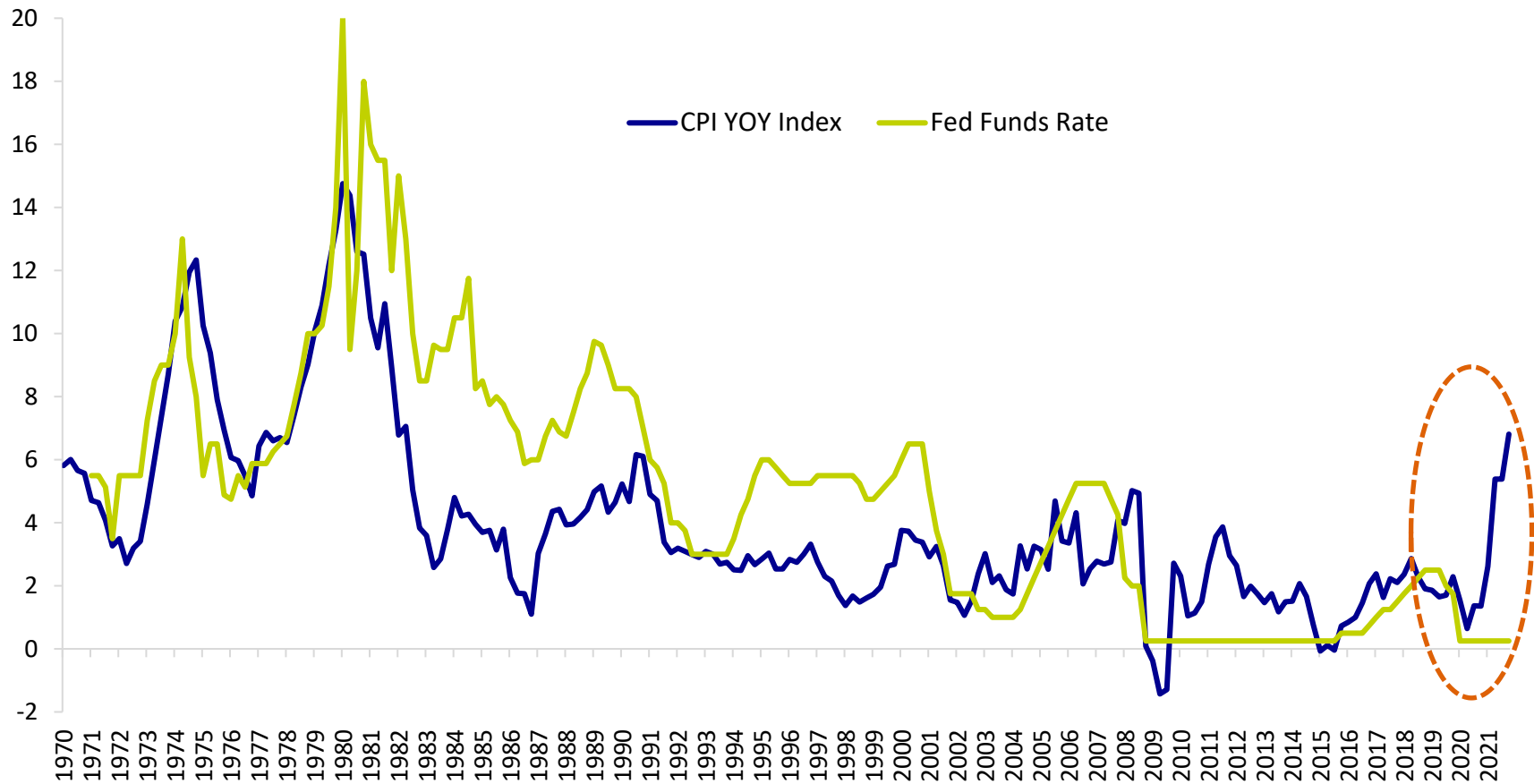
Italy Webinar

Nick Hayes, Lead Portfolio Manager

16 December 2021

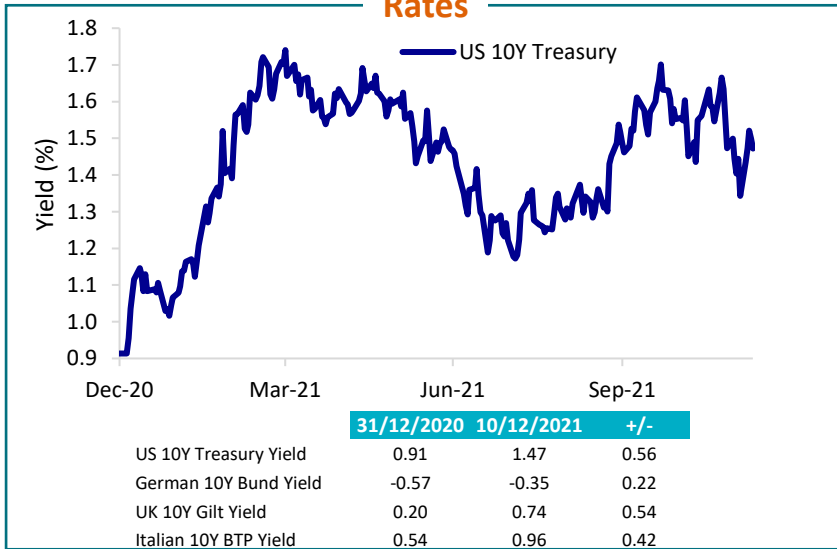
Inflation soaring but central banks staying put...for now

US Consumer Price Index compared to Fed Funds Rate

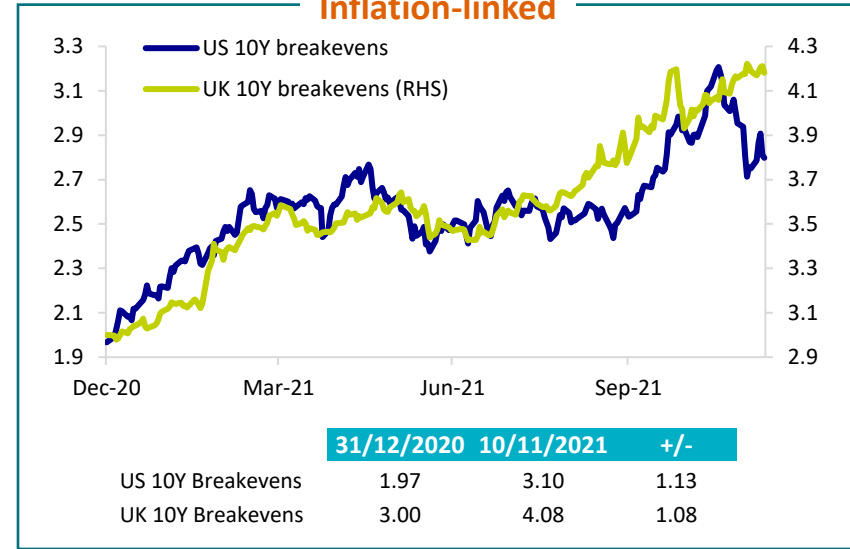


Market update

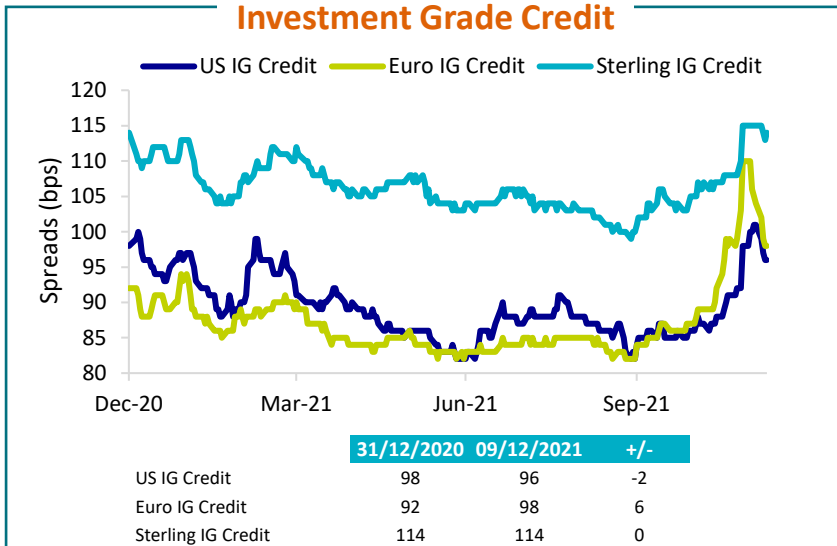
Rates



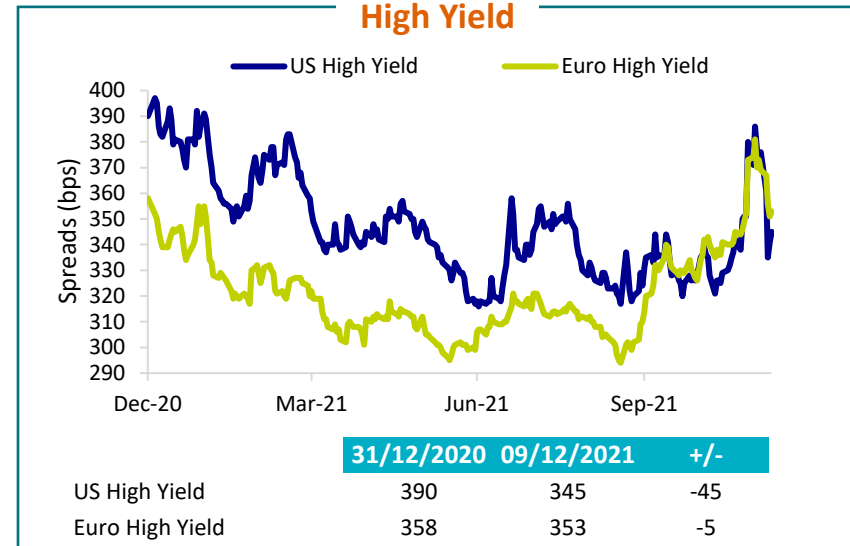
Inflation-linked



Investment Grade Credit



High Yield



A difficult year for bond markets and a focus on capital preservation

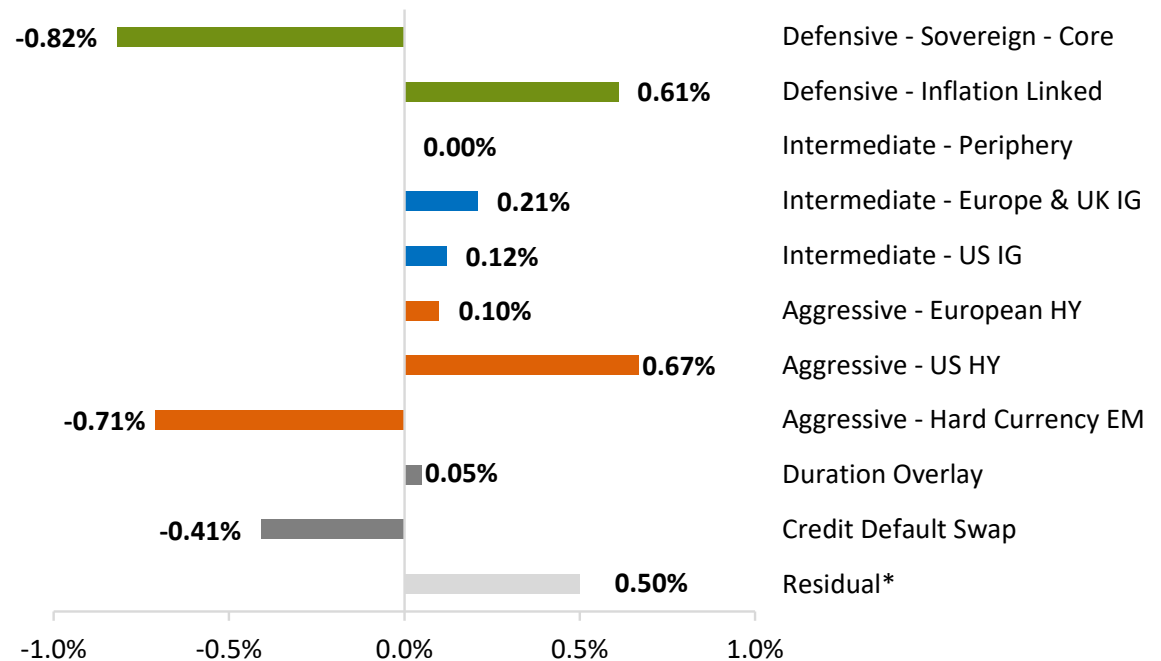
+0.32% YTD

| USD, gross of fees, as at 30/11/2021

Market returns¹

£ INF	10.2
EU INF	6.1
US INF	5.8
US HY	3.4
EU HY	2.5
FUND	0.3
US IG	-0.8
EU IG	-0.9
BUND	-1.0
£ IG	-1.7
UST	-1.8
GILTS	-2.6
EMD	-3.2

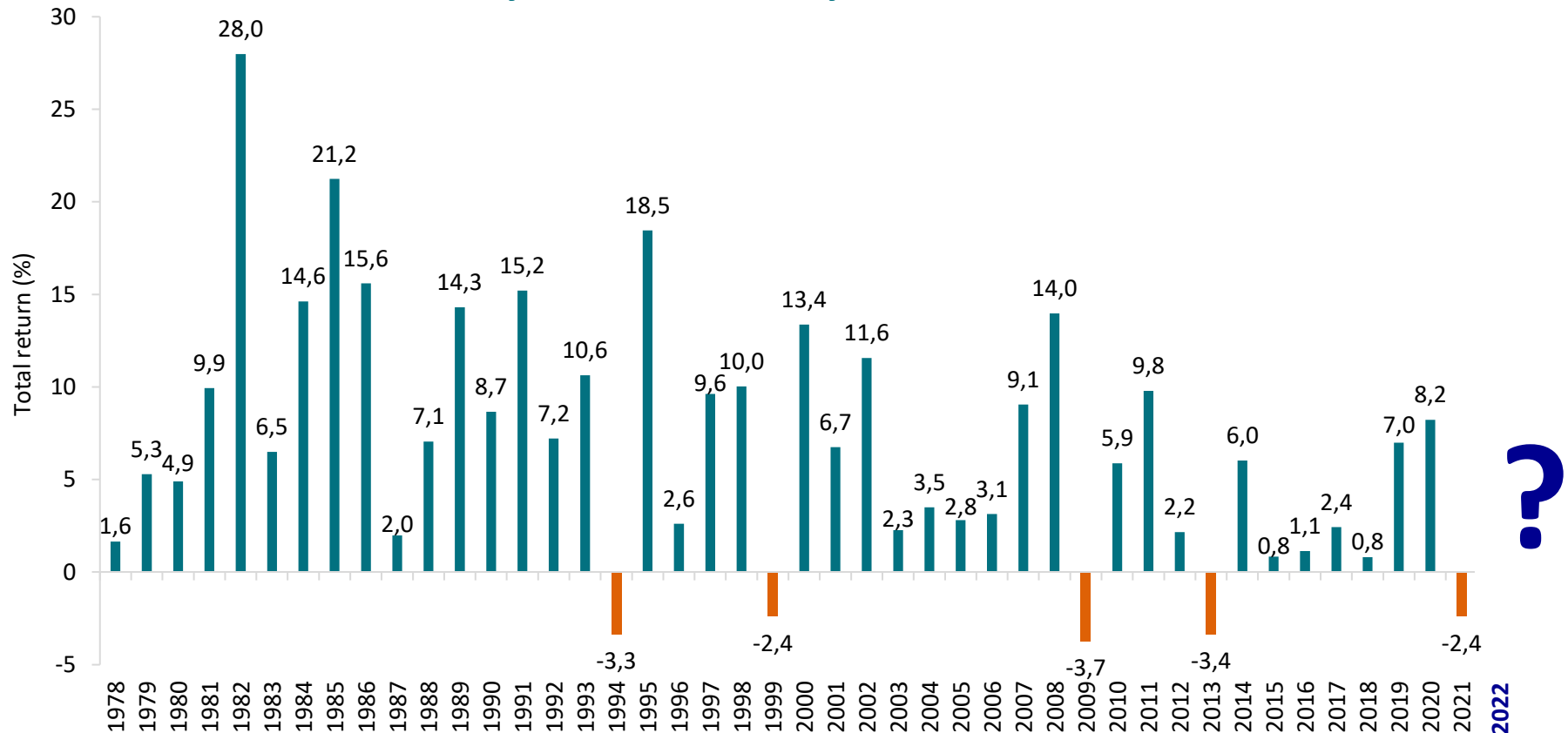
Performance contribution²



Source: AXA IM, Bloomberg, as at 30/11/2021. (1) Risk/return data is given for the 12 asset classes in which AXA WF Global Strategic Bonds invests, based on the following underlying indices: UST (US Treasuries) = ICE BofAML US Treasury Index, BUND (German Government Bonds) = ICE BofAML German Government Index, GILTS (UK Government Bonds) = FTSE BRIT GOVT FIXED ALL STOCKS, US INF (US TIPS) = ICE BofAML US Inflation-Linked Treasury Index, EU INF (Euro Inflation Linked) = ICE BofAML Euro Inflation-Linked Government Index, £ INF (UK Inflation Linked Gilts) = ICE BofAML UK Inflation-Linked Gilt Index, US IG (US Investment Grade Corporate Bonds) = ICE BofAML US Corporate Index, EU IG (Euro Investment Grade Corporate Bonds) = ICE BofAML Euro Corporate Index, £ IG (Sterling Investment Grade Corporate Bonds) = ICE BofAML Sterling Corporate & Collateralized Index, US HY (US High Yield Bonds) = ICE BofAML US High Yield Index, EU HY (Euro High Yield Bonds) = ICE BofAML Euro High Yield Index and EMD (Emerging Market Debt) = JPM EMBI Global Diversified. (2) * "Residual" performance is typically from a combination of factors: different pricing sources, illiquidity in the market, as well as the effect of using FX Forwards to hedge the portfolio back to base currency USD. Performance is shown for the I USD share class, dividends reinvested, for the period 31/12/2020 – 30/11/2021. The figures presented are gross of fees. An investor's return will be reduced by the management fees and other expenses. **Past performance is not indicative of future results.**

The start of the great yield repricing or just another false dawn?

US treasury market calendar year returns since 1978



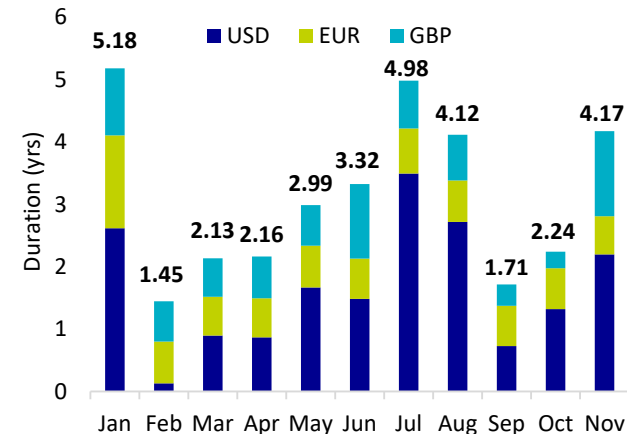
2022: a more optimistic outlook

Market conditions

- **Inflation**: not a blip, not transitory, but **not permanent** either
- Likely that inflation eases in 2022 but we need to be vigilant
- 2022 will see a shift in monetary conditions as central banks taper and start to lift interest rates -> **markets have priced this in already**
- Rates markets will continue to be volatile, but may offer some upside as **market pricing appears too aggressive**
- 2022 should see an easing in growth momentum with tighter monetary conditions, but **earnings forecasts remain supportive** and **default rates low**
- Lower rated credit still offers some attractive spreads -> **exposure to carry but limited interest rate risk**
- **Emerging markets** has had a difficult year in 2021 (particularly driven by Asia volatility) and **could rebound in 2022**

Key strategies

➤ Flexible duration management¹

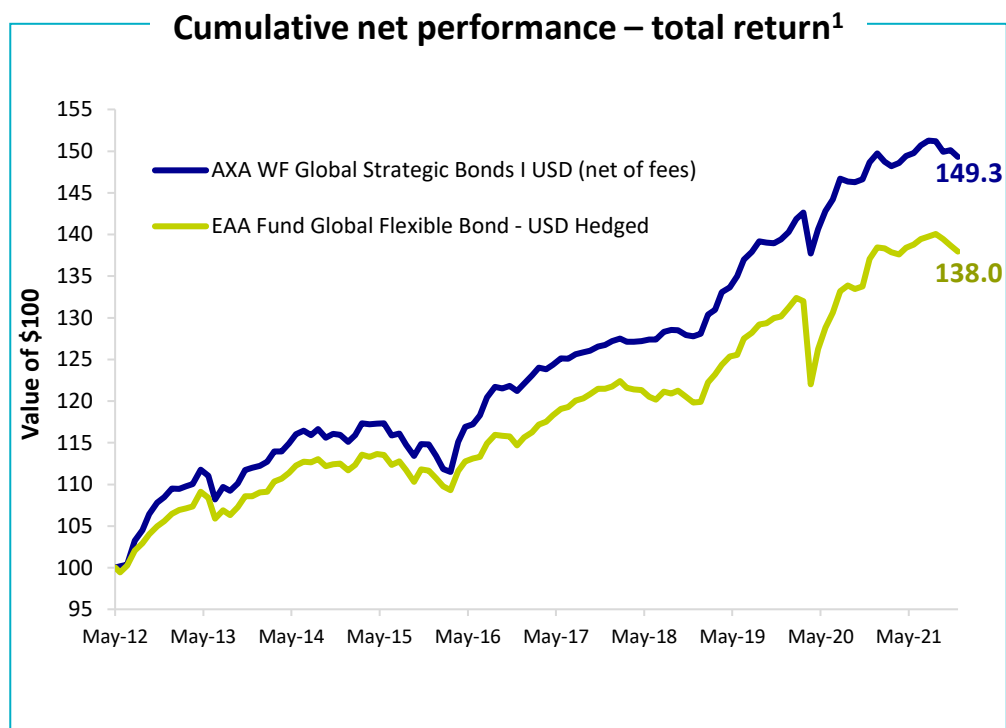


- Reduction in **inflation breakeven exposure** after strong run in 2021
- **BBB / BB-rated subordinated GBP / EUR Financials**
- **Short duration high yield** opportunities
- **Emerging markets future trends** (i.e. less commodities, consumer-driven corporates, renewable energy)

Reference material

Portfolio performance

AXA WF Global Strategic Bonds



Strong, consistent outperformance versus the Peer Group since launch

Total return

Period	Cumulative (%)		Annualised (%)	
	I USD	I (H) EUR	I USD	I (H) EUR
2021 YTD	-0.27	-1.02	-	-
1 month	-0.54	-0.58	-	-
3 months	-1.26	-1.43	-	-
1 year	+0.44	-0.42	+0.44	-0.42
3 years	+16.85	+10.46	+5.32	+3.37
5 years	+23.18	+11.00	+4.26	+2.11
Since launch	+49.31	+31.23	+4.29	+2.89

By calendar year

Year	I USD (%)	I (H) EUR (%)
2012²	+9.50	+9.19
2013	+2.48	+2.11
2014	+2.58	+2.47
2015	-1.47	-2.04
2016	+7.64	+6.19
2017	+4.19	+2.02
2018	+0.69	-2.08
2019	+9.55	+6.30
2020	+6.71	+5.08

Risk statistics³

Period	Volatility (%)	Sharpe ratio
2021 YTD	1.80	-
1 month	2.42	-
3 months	2.20	-
1 year	1.90	0.53
3 years	3.40	1.49
5 years	2.74	1.39
Since launch	3.19	1.34

Source: AXA IM, Morningstar as at 30/11/2021. AXA WF Global Strategic Bonds was launched on 11/05/2012. (1) Performance is calculated on a cumulative basis, rebased to 100, for the AXA WF Global Strategic Bonds I USD share class net of ongoing charges (65 bps) compared to its Morningstar category: the EAA Fund Global Flexible Bond – USD Hedged. Please note that the fund is managed on a total return basis without reference to any market index. (2) Since launch of the fund on 11/05/2012. (3) Risk statistics are provided on an ex-post basis with dividends reinvested and based on the official NAV. **Past performance is not a guide to future performance.** No assurances can be made that profits will be achieved or that substantial losses will not be incurred.

Investment team

Global solution backed by local expertise

Core Investment Team



Nick Hayes
Lead Portfolio Manager
Head of Total Return & FI
Asset Allocation
21 years' industry experience



Nicolas Trindade, CFA
Deputy Portfolio Manager
Senior Portfolio Manager
16 years' industry experience



Phil Roantree
Senior Portfolio Manager
36 years' industry experience



Mark Healy
Senior Portfolio Manager
25 years' industry experience

Chief Investment Officer



Chris Iggo
Chief Investment Officer, Core Investments
34 years' industry experience

Investment Specialist



Jack Stephenson
Investment Specialist
6 years' industry experience



William Mahoney, CFA
Senior Investment Analyst
14 years' industry experience

Portfolio Engineering

Local Specialist Inputs

Inflation Linked



Jonathan Baltora
Head of Sovereign, Inflation & FX
15 years' experience

US IG



Frank Olszewski, CFA
Head of IG Active US Credit
27 years' experience

Euro IG & HY



Boutaina Deixonne, CFA
Senior Portfolio Manager
20 years' experience

US HY



Michael Graham, CFA
Head of US HY
16 years' experience

Emerging Markets



Sailesh Lad
Head of Active EM
26 years' experience

Asian HY



Christy Lee, CFA
Senior Portfolio Manager
13 years' experience

Fundamental Credit Research
(41 analysts)

Macroeconomic Research
(12 economists)

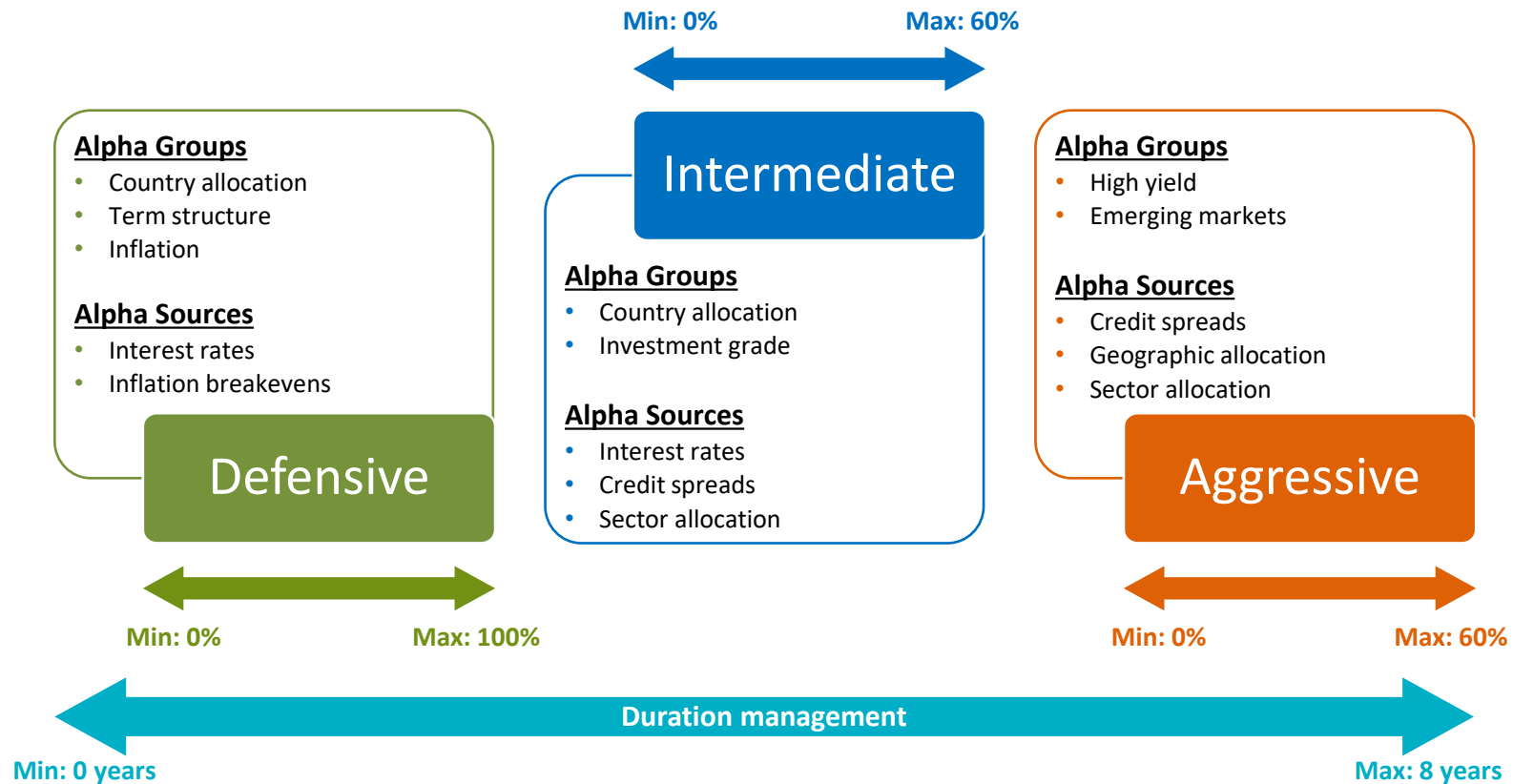
Responsible Investment
(25 dedicated RI professionals, supported by c75 contributors embedded across our platforms)

Core Investment Analytics / Quant Lab
(37 embedded investment analysts, financial engineers, quant experts & ESG analysts)

Investment Specialist & Solutions
(27 investment specialists / solutions experts)

Source: AXA IM as at 30/11/2021. Staff years' experience as at 30/09/2021 (latest available). Information about the fixed income team at AXA Investment Managers and / or AXA Investment Managers is only informative. We do not guarantee the fact that staff remain employed by AXA Investment Managers and exercise or continue to exercise in the fixed income team of AXA Investment Managers and / or AXA Investment Managers.

Dynamic asset allocation across three risk buckets



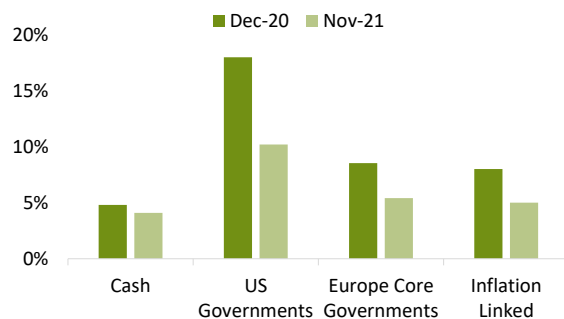
Three distinct “risk buckets”: **Defensive** / **Intermediate** / **Aggressive** with a “neutral” portfolio position of **40** / **30** / **30**

Source: AXA IM. Defensive / Intermediate / Aggressive in the context of AXA WF Global Strategic Bonds are proprietary AXA IM terms and describe the way in which we broadly segregate the fund’s investible bond universe. We view Defensive bonds as those where performance is predominantly driven by interest rate movements, such as government bonds. Intermediate bonds are those where performance is driven by a mixture of interest rates and credit spread, such as investment grade corporate bonds. Aggressive bonds are those where performance is driven predominantly by credit spread. The descriptions above represent our strategic approach only and do not equate to the stated investment objectives as per the prospectus.

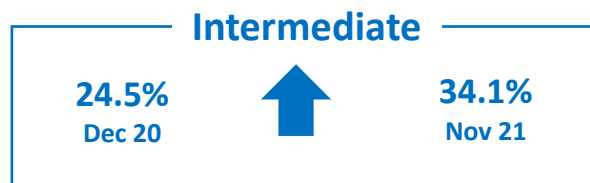
Portfolio activity: 2021



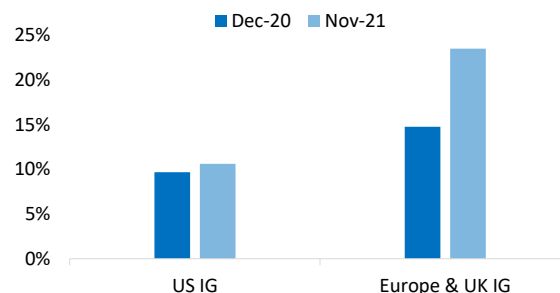
Government bonds



- **Overall reduction** in government bonds, although preferring US over European exposure
- Rotating from conventional government bonds to **inflation-linked** in Q1
- Active on our **US curve** exposure



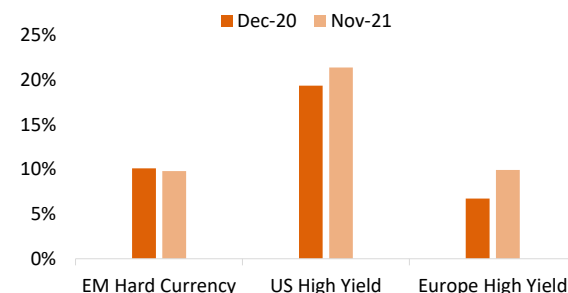
Investment grade credit



- Strong preference for **BBB-rated** credit
- Finding opportunities in **subordinated GBP / EUR financial debt**
- Some rotation out of financial bonds in favour of non-financial issuance (e.g. **corporate hybrids**)



High yield & emerging markets

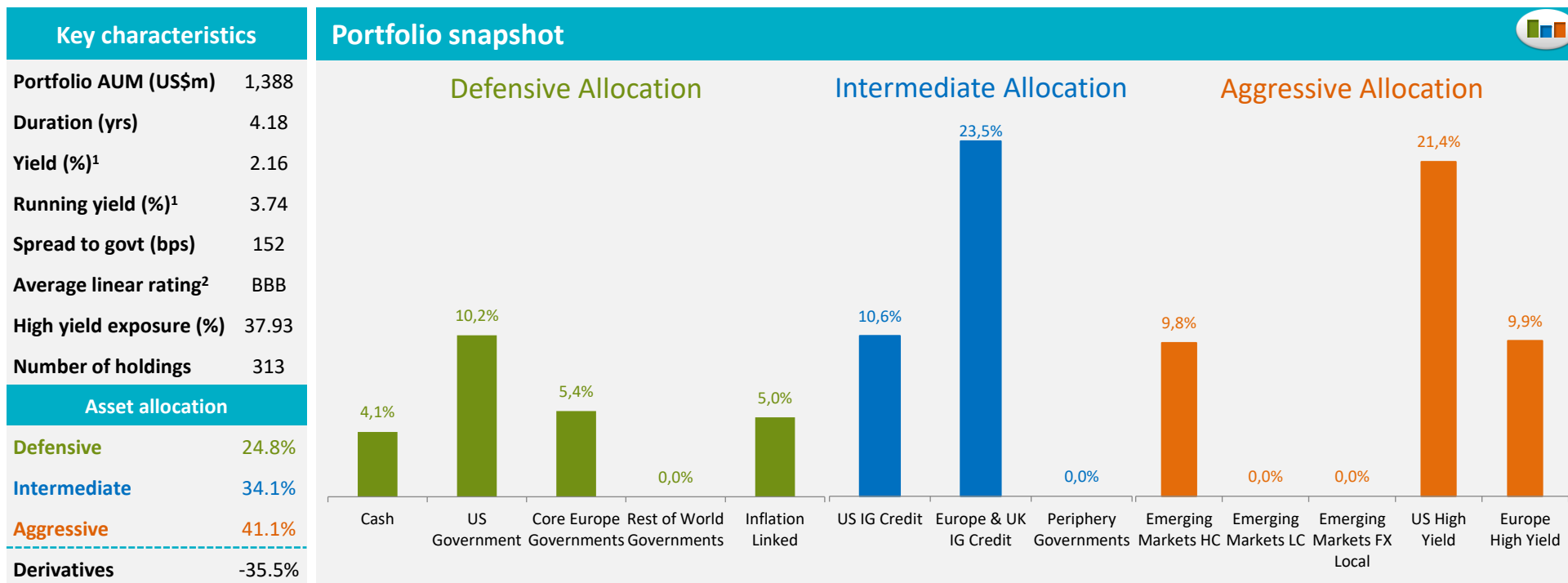


- US HY exposure has **very low duration** compared to US HY market; yield is slightly lower / in line
- Reduced **Asian HY** exposure due to volatility
- Focus in EM corporates on **growing EM consumer market** (mainly e-commerce names in LatAm) and in EM sovereigns we like **crossover space** and specific reform stories

Source: AXA IM. Portfolio activity for AXA WF Global Strategic Bonds in 2021 YTD up to 30/11/2021. Defensive / Intermediate / Aggressive in the context of AXA WF Global Strategic Bonds are proprietary AXA IM terms and describe the way in which we broadly segregate the fund's investible bond universe. We view Defensive bonds as those where performance is predominantly driven by interest rate movements, such as government bonds. Intermediate bonds are those where performance is driven by a mixture of interest rates and credit spread, such as investment grade corporate bonds. Aggressive bonds are those where performance is driven predominantly by credit spread. The descriptions above represent our strategic approach only and do not equate to the stated investment objectives as per the prospectus.

Portfolio positioning

Summary

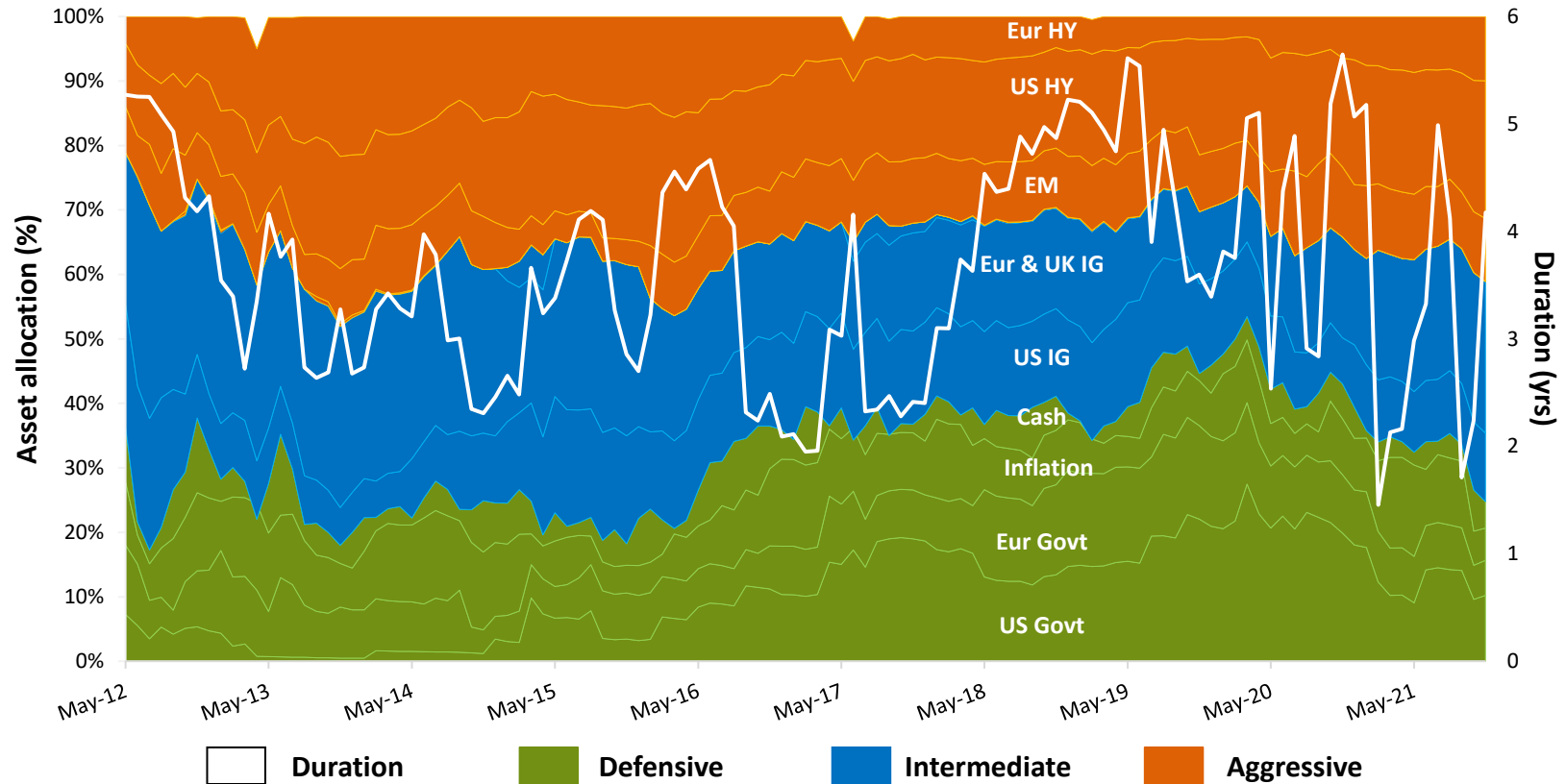


A diversified portfolio managed in a flexible and active manner

Source: AXA IM as at 30/11/2021. Data is unaudited and sourced from our front office portfolio management system. (1) Please note that the yield calculations are based on the portfolio of assets in local currency terms and may not be representative of what clients invested in the fund may receive as a distribution yield. Yield figures are not guaranteed and will change in the future. (2) 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. Totals may not equal 100% due to rounding. Non-USD exposure is hedged back to the base currency USD (except for EMD local currency positions).

Portfolio positioning

Evolution of asset allocation and duration since inception

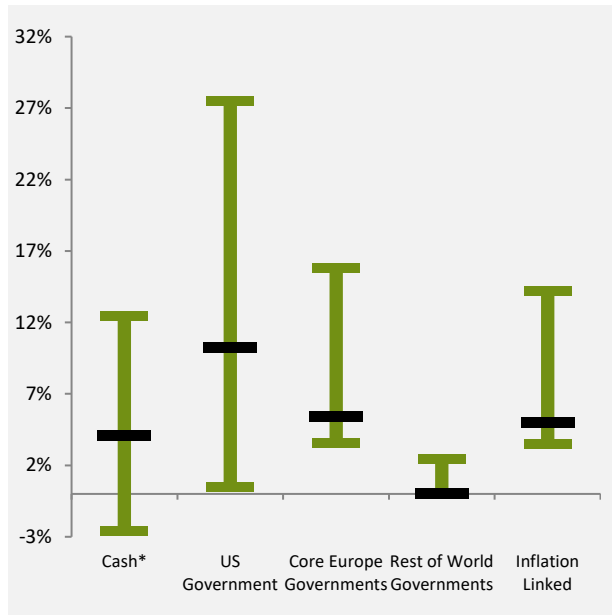
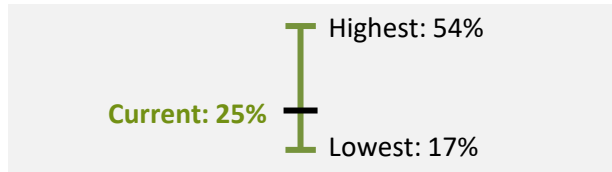


Dynamic allocation and downside preservation as market events unfold

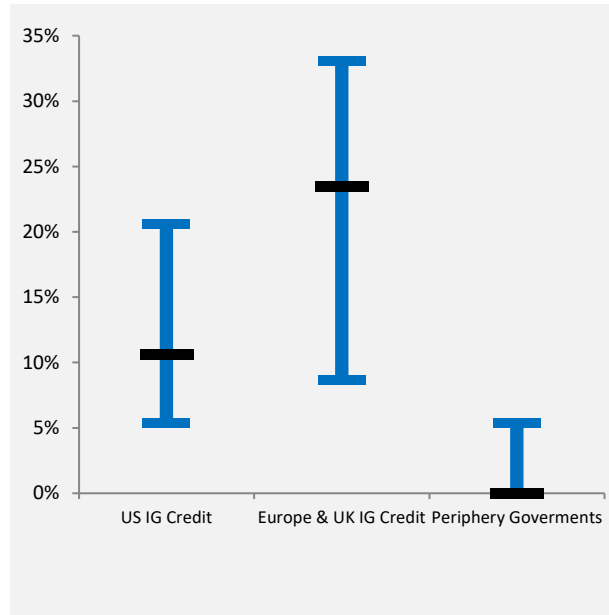
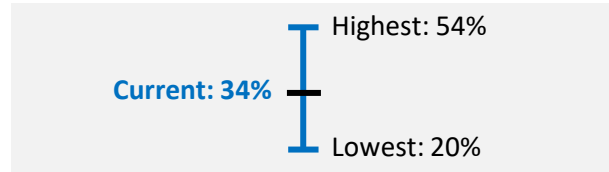
Portfolio positioning

Historic high, low and current allocations

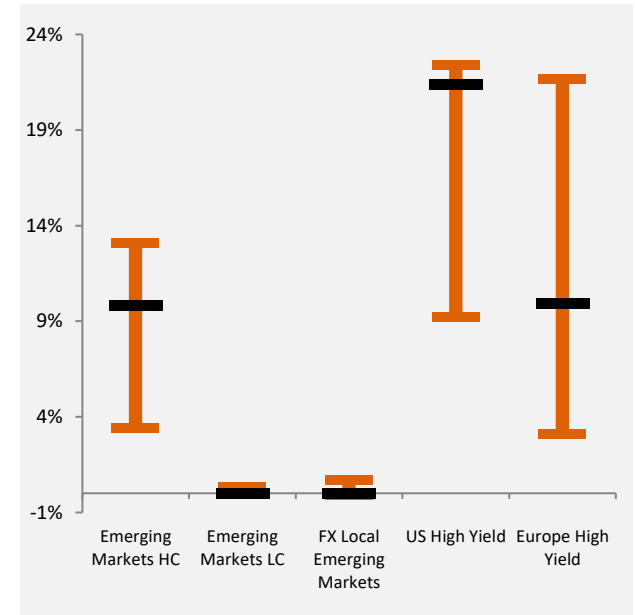
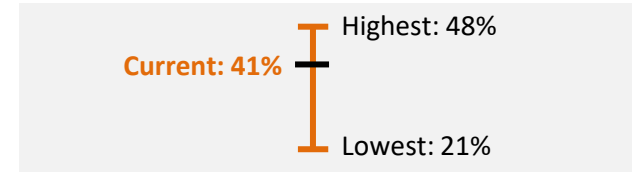
Defensive



Intermediate



Aggressive

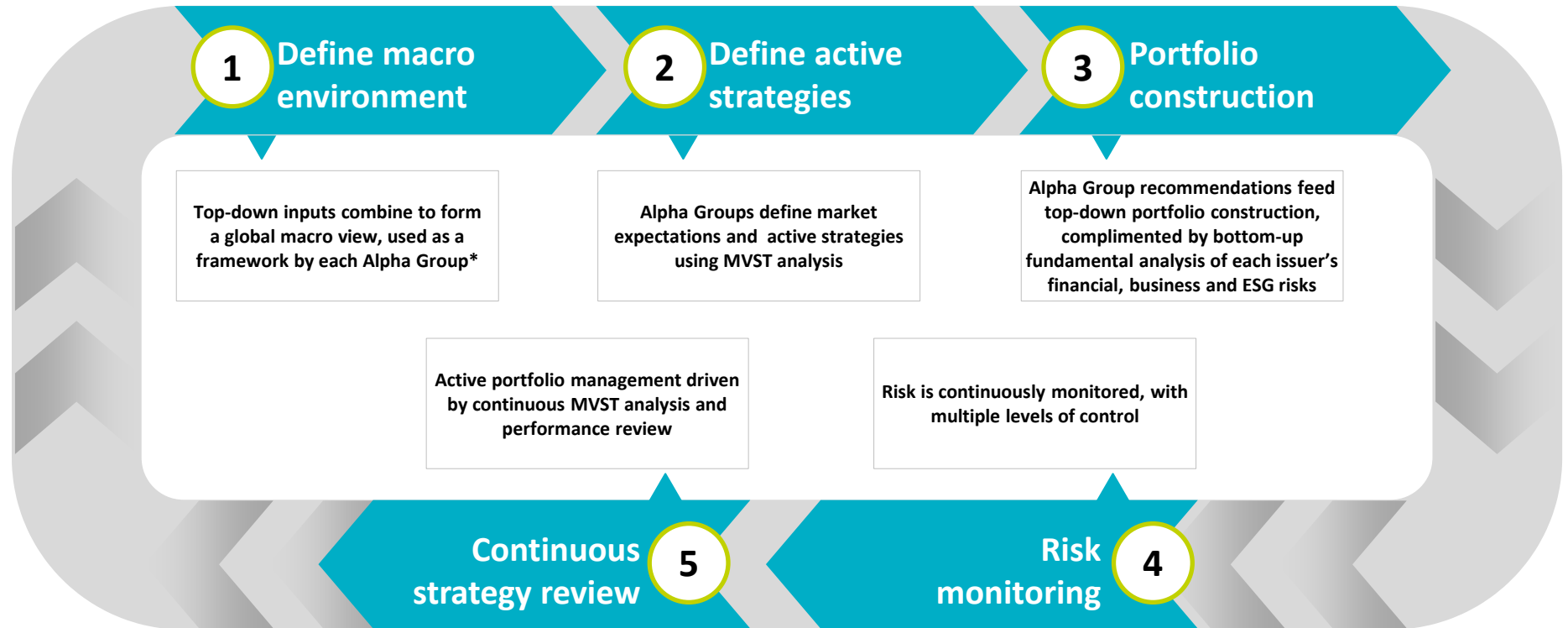


- Plenty of **cash** and **cash-like** assets
- Reduced **inflation-linked** exposure after months at all-time highs

- Preference for **European & UK IG Credit**
- Sweet spot in lower quality **BBB-rated**

- Bullish **US High Yield** over Europe
- All emerging markets exposure is **hard currency**

Global investment process



Strong top-down focus complemented by rigorous bottom-up research

A single common investment language: MVST

Investment teams assess performance potential based on four factors:

<p>M Macro</p>	<p>V Valuation</p>	<p>S Sentiment</p>	<p>T Technicals</p>
<p>A regular review of the global economic and policy outlook allows Portfolio Managers to assess the likely macro influences; taking into account potential changes in the level of risk free yields and credit spreads and how this will affect returns.</p>	<p>A consideration of how current levels reflect interest rates and credit risks. Deviations from fair value are assessed in terms of the likely contribution to expected return.</p>	<p>Ongoing review of market positioning, consensus views and market commentary supplemented by our own Portfolio Manager Survey to reach an understanding of how potential changes in sentiment may affect investor behaviour.</p>	<p>Analysis of likely changes in supply and demand and regulatory factors (government funding, cash-flows, corporate issuance) and the expected impact of these on yield and spread changes.</p>

Expected **negative** impact on returns
(yields higher / spreads wider)



-2

Scores reflect qualitative views and provide a consistent framework across our teams globally

-1

0

+1

Expected **positive** impact on returns
(yields lower/ spreads tighter)



+2

...spoken by all investment teams globally

Our ESG integrated + portfolios

ESG incorporated into the investment process to help achieve risk-adjusted returns



ESG data & research

Leveraging internal **ESG scores/research** throughout the investment process



Exclusions*

AXA IM Sectorial Policies

- Controversial Weapons
- Soft Commodities
- Ecosystem Protection & Deforestation
- Climate Risks

AXA IM ESG Standards

- Tobacco
- White Phosphorus
- International Norms Violations
- ESG Low Quality
- Severe controversies
- Severe Human Rights violations



Engagement

Proactively engage and vote



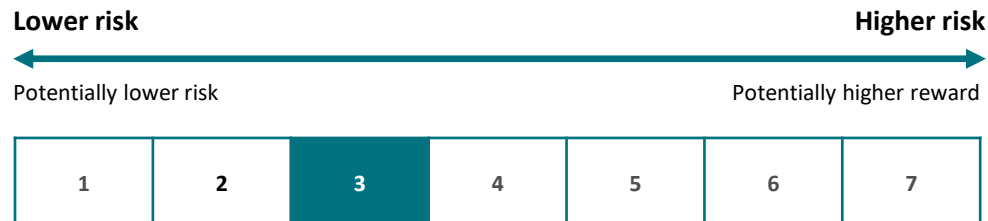
ESG score objective

Targeting a better overall ESG score than a proxy ESG benchmark

Source: AXA IM. * Based on the AXA IM exclusions policies: <https://www.axa-im.com/responsible-investing/sector-investment-guidelines>. The ESG data used in the investment process is based on ESG methodologies which rely in part on third party data, and in some cases are internally developed. They are subjective and may change over time. Despite several initiatives, the lack of harmonized definitions can make ESG criteria heterogeneous. As such, the different investment strategies that use ESG criteria and ESG reporting are difficult to compare with each other. Strategies that incorporate ESG criteria and those that incorporate sustainable development criteria may use ESG data that appear similar, but which should be distinguished because their calculation method may be different.

Risk and reward profile

AXA WF Global Strategic Bonds



Shown for the I USD share class. 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.

Why is this Sub-Fund in this category?

The capital of the Sub-Fund is not guaranteed. The Sub-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: risk of bankruptcy, insolvency, or payment or delivery failure of any of the Sub-Fund's counterparties, leading to a payment or delivery default.

Credit Risk: risk that issuers of debt securities held in the Sub-Fund may default on their obligations or have their credit rating downgraded, resulting in a decrease in the Net Asset Value.

Operational Risk: risk that operational processes, including those related to the safekeeping of assets may fail, resulting in losses.

Liquidity Risk: risk of low liquidity level in certain market conditions that might lead the Sub-Fund to face difficulties valuing, purchasing or selling all/part of its assets and resulting in potential impact on its net asset value.

Impact of any techniques such as derivatives: certain management strategies involve specific risks, such as liquidity risk, credit risk, counterparty risk, legal risk, valuation risk, operational risk and risks related to the underlying assets. The use of such strategies may also involve leverage, which may increase the effect of market movements on the Sub-Fund and may result in significant risk of losses.

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

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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. References to league tables and awards are not an indicator of future performance or places in league tables or awards and should not be construed as an endorsement of any AXA IM company or their products or services. Please refer to the websites of the sponsors/issuers for information regarding the criteria on which the awards/ratings are based. 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.

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