



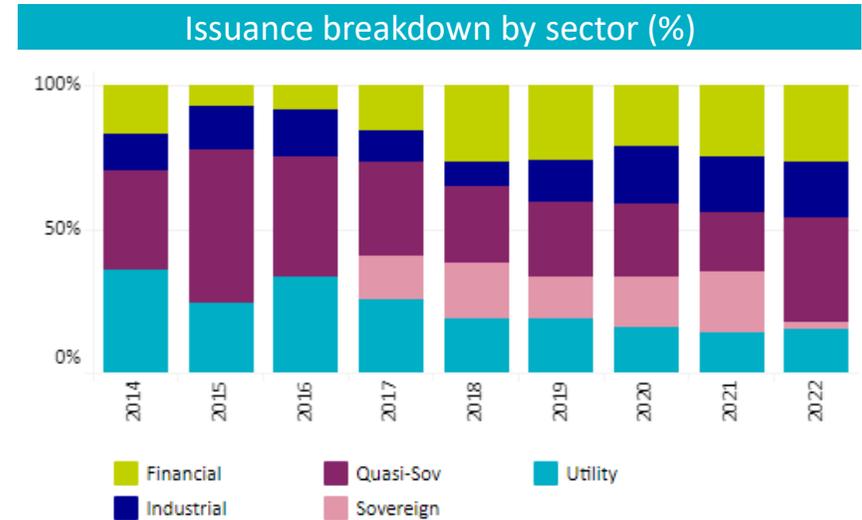
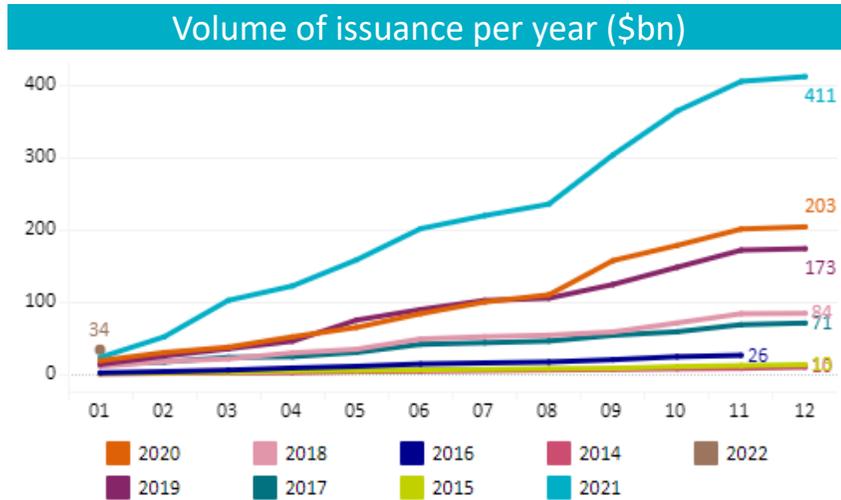
AXA World Funds ACT– Green Bonds

Monthly Review

January 2022

Green Bond market

2021 – exceptional year for the asset class. Strong start for 2022.



<p>\$411bn issuances in 2021 <i>(\$34Bn in 2022)</i></p>	<p>+200% vs 2020</p>	<p>215 Inaugural issuers <i>(18 in 2022)</i></p>	<p>22% Sovereign issuers</p>	<p>58% Credit issuers</p>
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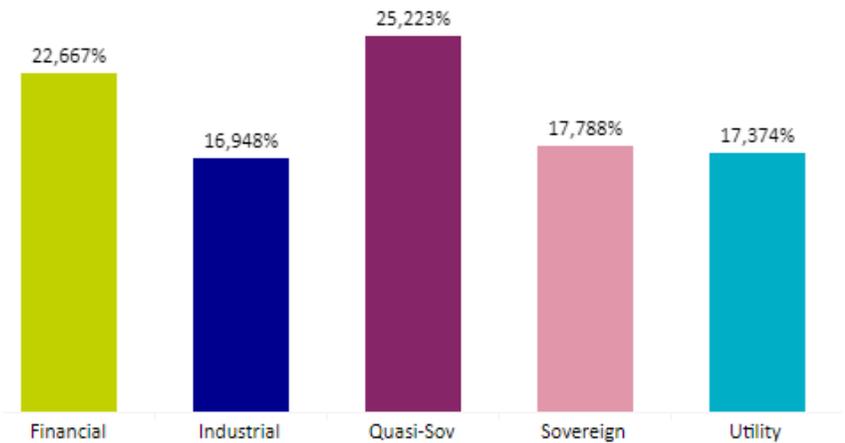
Credit sector diversification coupled with increasing sovereign issuance are boosting the Green bond market

Green Bond market

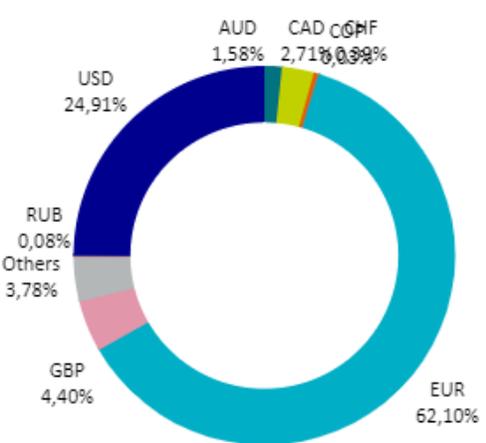
From a niche market to a credible and well balanced alternative to the Conventional bond market

\$1025bn market value	551 issuers	A+ Average rating	7,8y duration	0,98% EUR Hedged yield
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Sector Breakdown



Currency Breakdown



Green Bond market

What to expect in terms of growth



2022 issuance up 50% vs 2021 to reach \$600bn



Continued momentum towards **Net zero carbon pledges** from governments and corporates



EU NGEU program should become the largest Green bond issuer



Sovereign issuance should continue to **accelerate** to meet their pledges



Credit diversification should continue with **growing USD issuances** from US corporates and EM



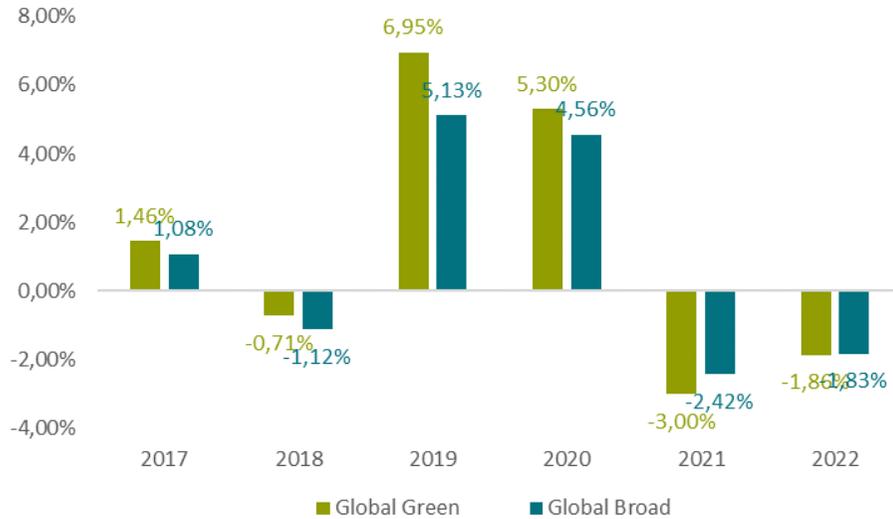
Regulation, including **EU Taxonomy** should further reinforce the need for **transparency**

Green bonds represent the most appropriate tool to channel investments towards transition funding needs

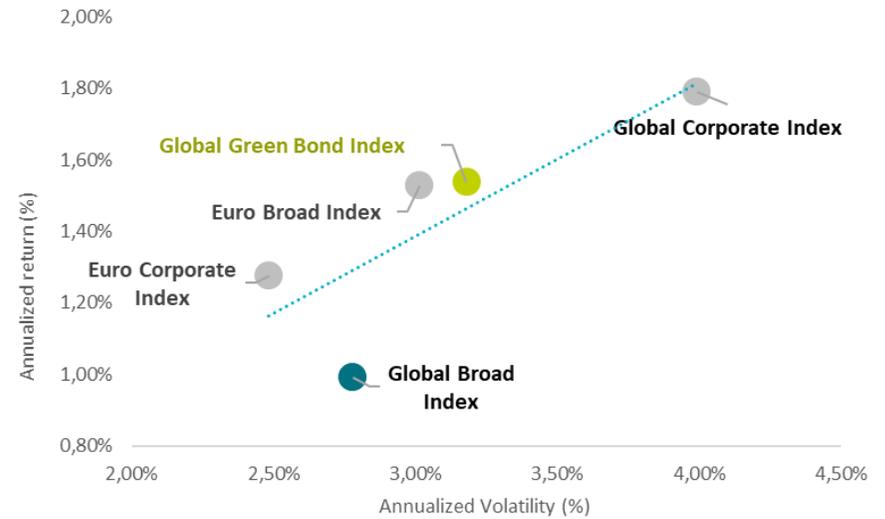
Green Bond Market

A positive environmental impact without scarifying return

Calendar year performance (%)



annualized return vs annualized volatility since 2018



The green bond universe constantly outperformed the global broad market over the past years while providing a better risk-adjusted return

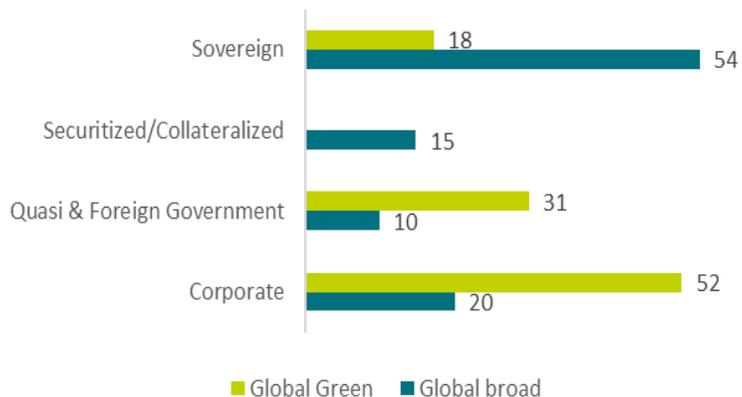
Green bond Market

Comparison versus Global Aggregate universe

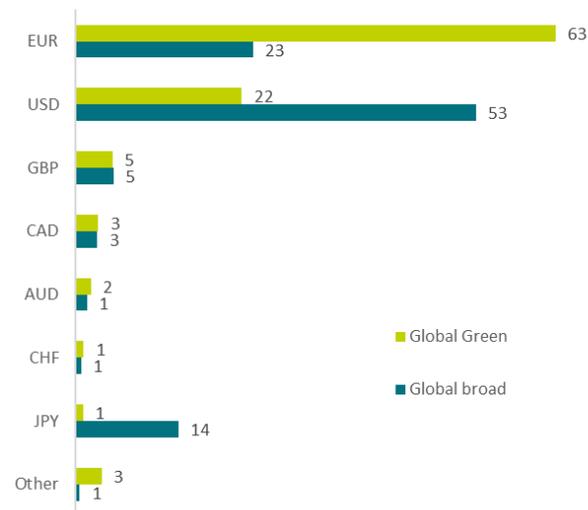
Key characteristics

	Yield (%)	OAS Spread	Duration	Rating*
Global Green	0,91	G+90	8,12	AA-
Global Aggregate	0,54	G+45	7,45	AA-

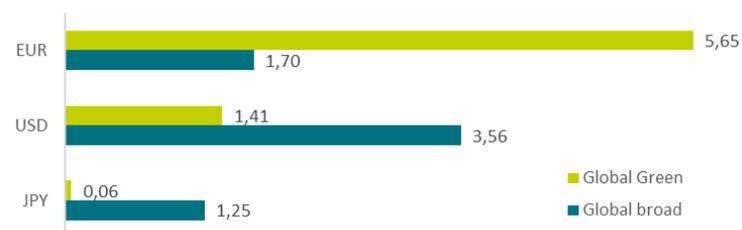
Sector breakdown (%)



Currency breakdown (%)

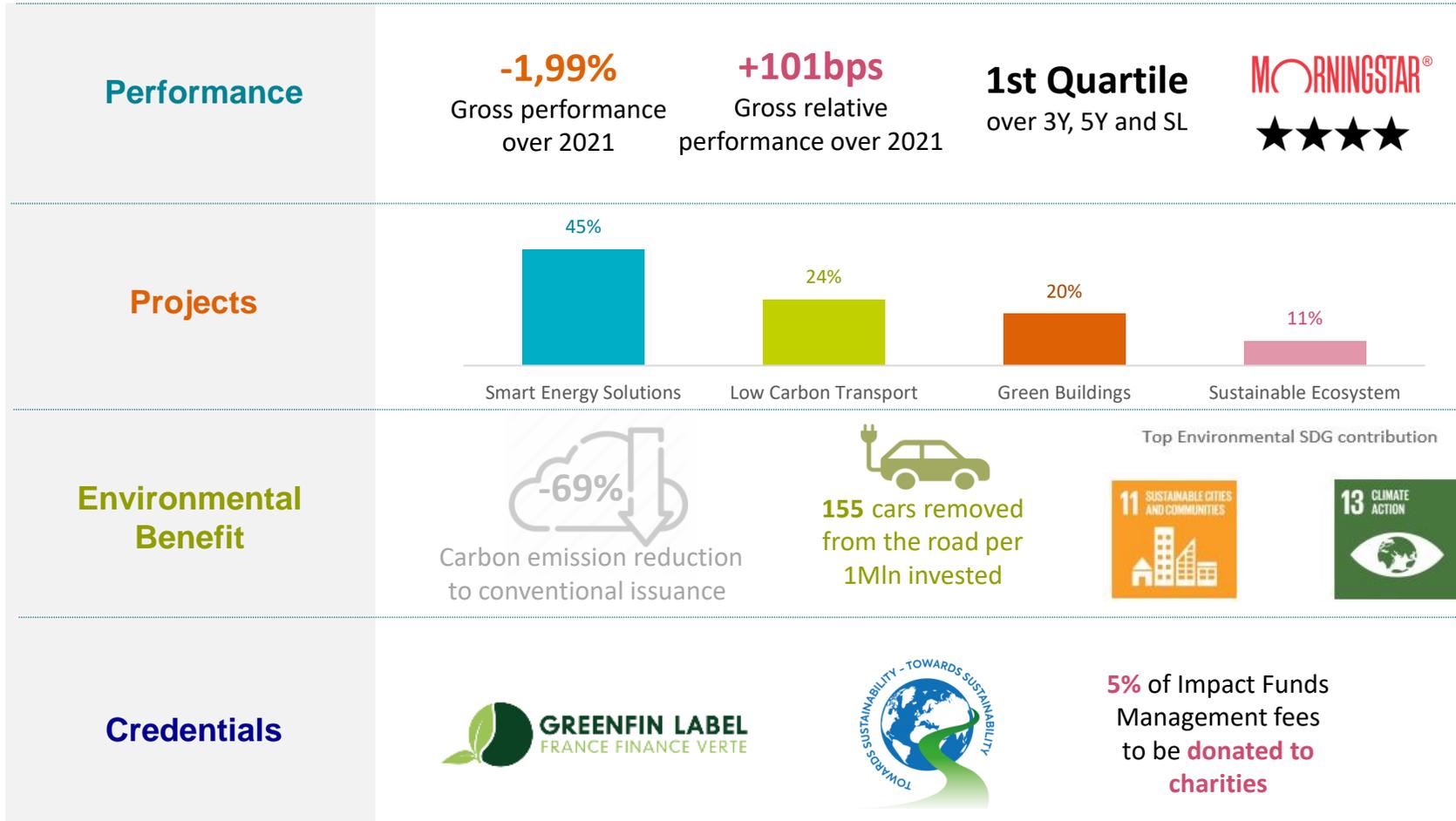


Top 3 duration contributors by currency



AXA WF Global Green Bonds

In a nutshell



AXA WF Global Green Bonds

Portfolio overview

Main characteristics

AUM (m€)	-----	€1,287m
Yield (hedged in EUR)	-----	0,98%
Duration	-----	7,91
Average Linear Rating	-----	A-

Green Share

97%

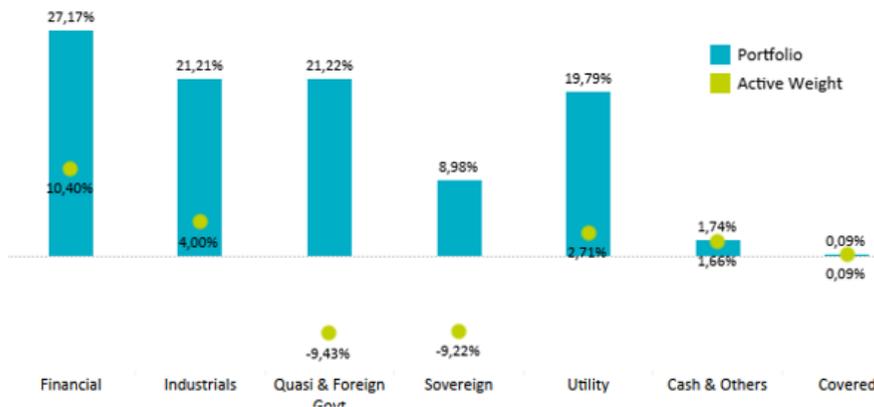


ESG Score

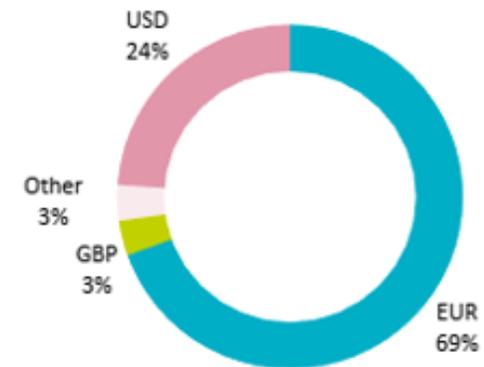
7,7



Sector Breakdown (%)



Currency breakdown (%)



AXA WF ACT Dynamic Green Bonds

Portfolio Overview

Finance the **Transition** towards
a low carbon economy

- Focus on geographical areas where Green projects are the most impactful
- Focus on most innovative and committed issuers

A **diversified yet
concentrated** solution

- A global aggregate profile investing across EM, Credit or Sovereigns
- A lower number of holdings to emphasize each Green bond project

Benchmark agnostic

- Flexible duration management to navigate through market cycles
- Allocation aiming at yield enhancement

Transparent and measurable
impact metrics

- A dedicated impact report with specific KPIs, and transparency regarding environmental project financed
- A focus on SDG contribution towards environmental and societal issues

Credentials and Commitment



SFDR

Article **9**

5% of Impact Funds
Management fees to
be **donated to
charities**

AXA WF ACT Social Bonds

Portfolio Overview

Support sustainable activities and deliver positive social impact

- A purist approach that focuses on social impact
- 3 social themes: Health & safety, empowerment and inclusion

Transparent and measurable impact metrics

- A dedicated impact report with specific KPIs, and transparency regarding environmental project financed
- A focus on SDG contribution towards societal issues

A global and diversified solution

- A wide range of alpha sources from asset and geographical allocation to term structure management
- A well balanced universe to navigate through market cycles

Robust and disciplined investment process

- Global and Active Fixed Income process supported by large resources
- A proprietary Green bond framework and ESG scoring methodology

Credentials and Commitment



SFDR
Article 9

5% of Impact Funds
Management fees to
be **donated to
charities**

Appendix

Market moves

A combination of higher rates and wider spreads waighting significantly on returns YTD

US and EUR 10y yields (%)



US and EUR corporate spreads (OAS, bps)



Source: AXA IM, Bloomberg, 22/02/2022

Active vs Passive

Actively investing in the Green bond market to make the most of this instrument

ADAPT TO GROWTH

by avoiding any unwanted bias to deliver consistent risk-return profile over time

AGILITY

to benefit from price movements (including Greenium dynamics) as income return diminishes

COST EFFICIENT

to access broader liquidity from primary market issuances

Only with high standards, careful research and a commitment to good stewardship can we genuinely limit concentration risk, weed out controversies, prevent 'green-washing', improve access to the primary market and shape the nature of issuance

AVOID GREENWASHING

by ensuring only the selection of credible green bonds across the universe

ENGAGE

existing and potential issuers about how they might start, continue or increase their commitment to the transition according to their specific economic activity

MONITORING

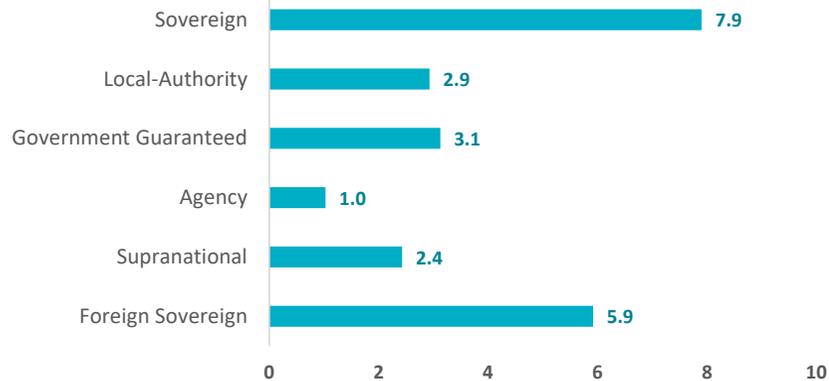
of every Green bonds in portfolios as being green is not a one-time thing

Green Bond Market

Understanding the greenium puzzle

We observe an average **4bp Greenium** in the EUR Green Bond market

EUR Sovereign & Sovereign-related Greenium (bps)

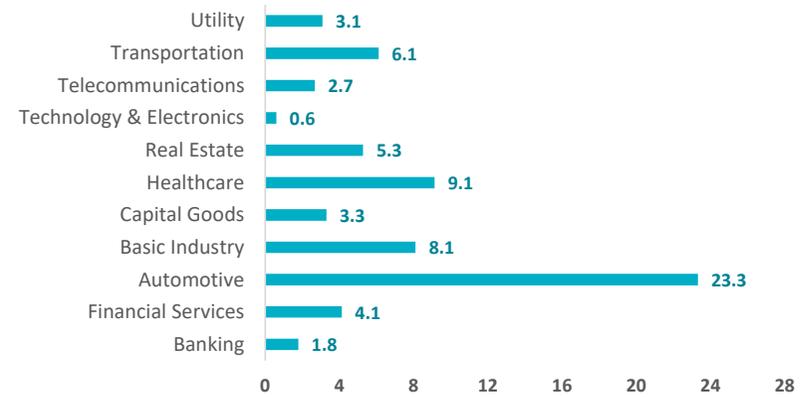


Supply-demand imbalance tend to generate slight Greenium



Greenium highlights Green bond **scarcity in specific sectors**

EUR Corporate Greenium (bps)



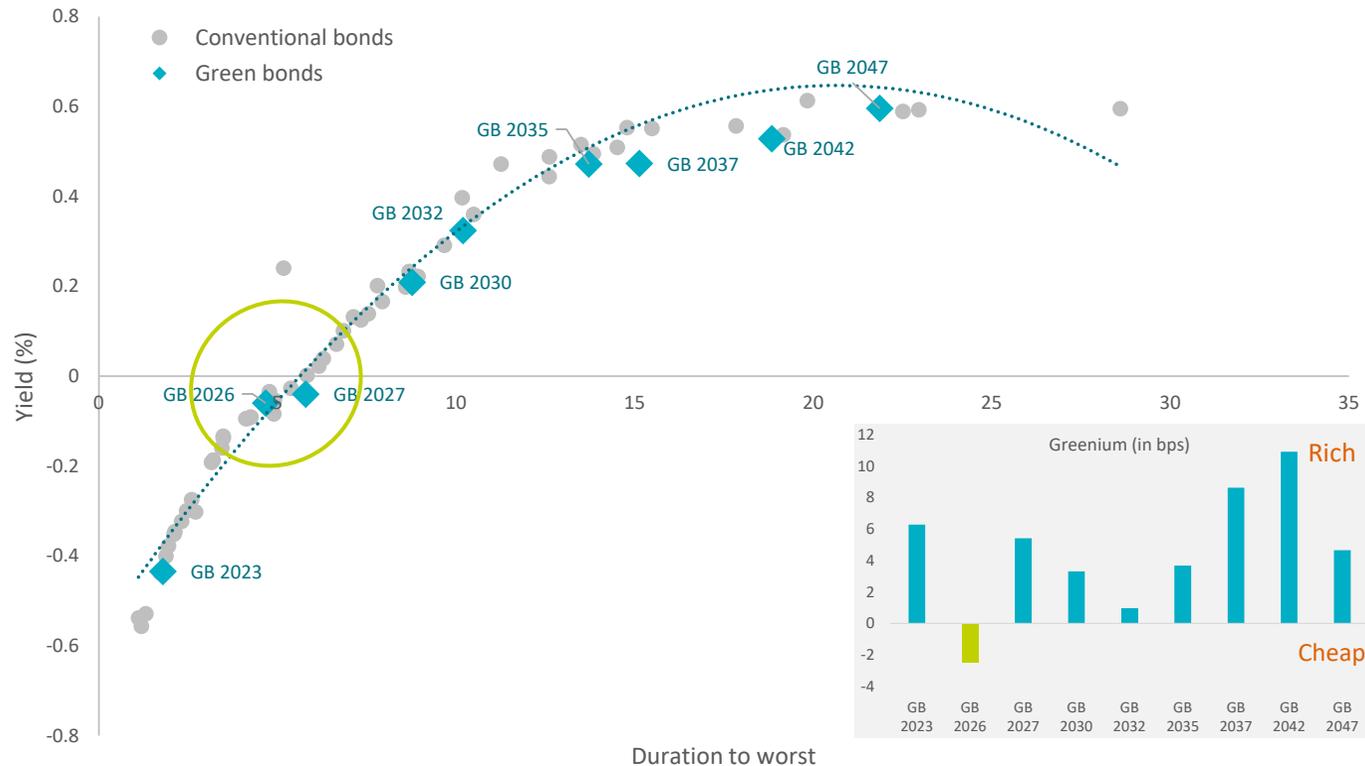
Greenium is not structural and **demands active approach**

Green Bond Market

Pricing – arbitrage opportunity

The greenium valuation can reveal arbitrage opportunities which leads to potential outperformance.

For example, following the recent issuance of green bond EIB 2027 in December 2021, strong demand on this instrument put pressure on the adjacent GB 2026 which leads to a negative greenium. We expect this discrepancy to be closed in the future.



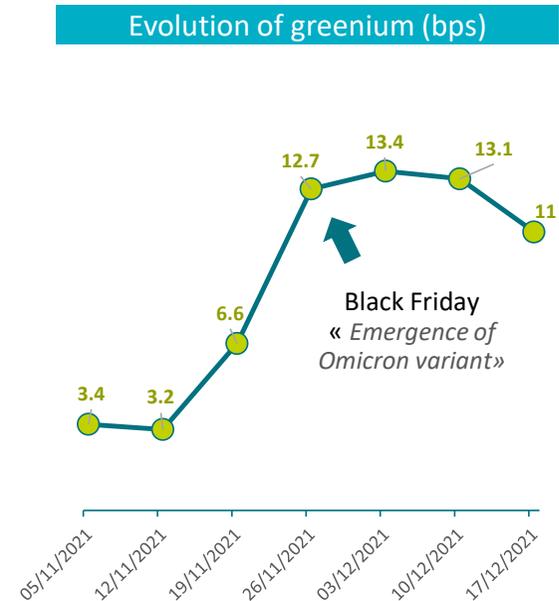
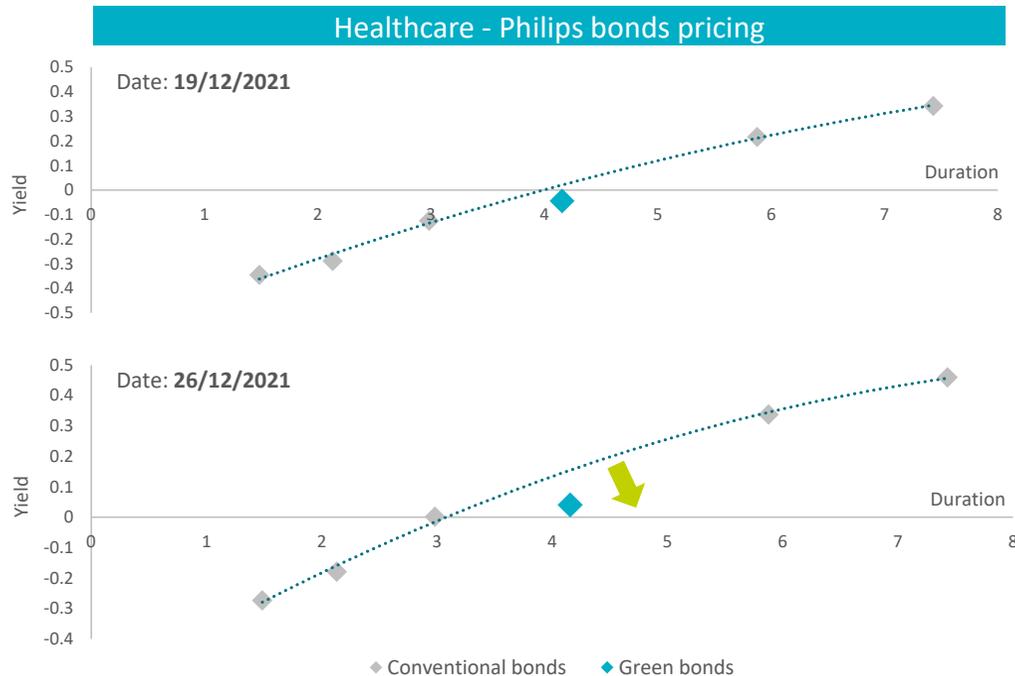
Source: AXA IM, Bloomberg as at 31/01/2022. Based on AXA IM proprietary Greenium valuation model using global aggregate bond universe. For illustrative purpose only.

Green Bond Market

Greenium is not structural and demands active approach

Greenium is changing over time according to market conditions. In periods of substantial market turbulence, greenium can serve as a buffer to act against spread widening so that lower the volatility of the green bond compared to its comparable conventional bond.

As an example, the green bond “PHIANA 0.5 05/22/26” issued by Philips in Healthcare sector has seen sharp increase of greenium when Omicron variant emerged in Black Friday during the 4th Covid-19 wave.



Source: AXA IM, Bloomberg as at 31/01/2022. Based on AXA IM proprietary Greenium valuation model using global aggregate bond universe. For illustrative purpose only.

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