

Fixed income in 2022: when volatility creates opportunity

Italy Webinar

Nick Hayes, Lead Portfolio Manager

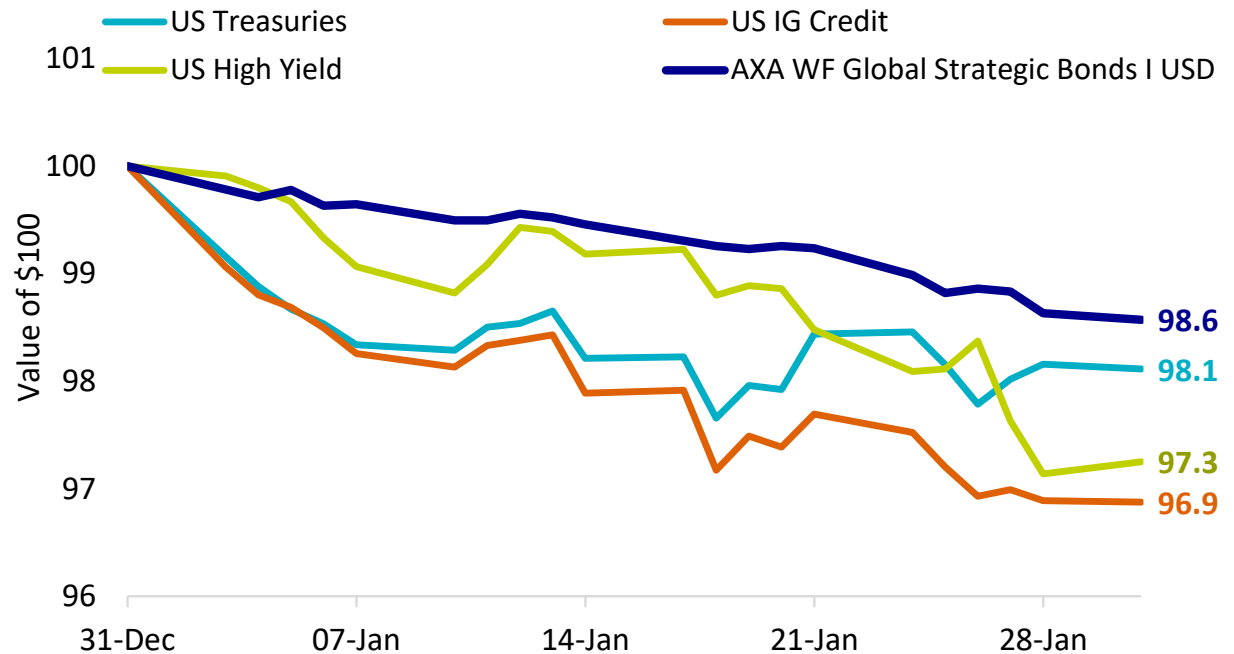
3rd February 2022

The “everything” sell-off...

Market returns¹

EU INF	-0.4
BUND	-1.1
EU IG	-1.3
FUND	-1.4
EU HY	-1.5
UST	-1.9
US INF	-2.4
UK INF	-2.7
US HY	-2.7
EMD	-2.8
US IG	-3.1
£ IG	-3.3
GILTS	-3.8

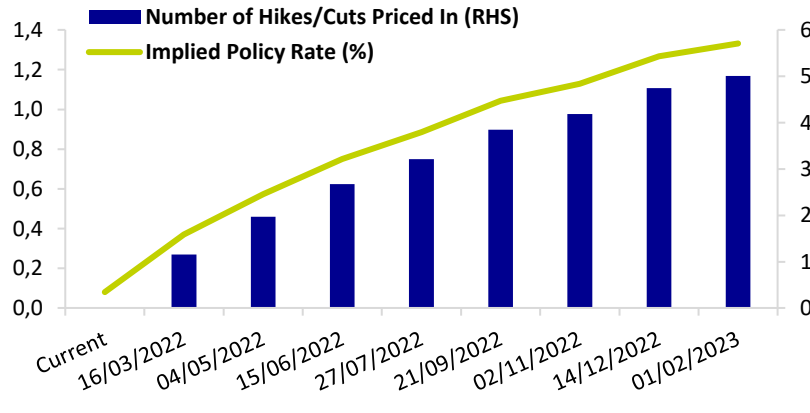
January performance versus US market²



Source: AXA IM, Bloomberg as at 31/01/2022. (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) Performance is calculated on a cumulative basis, rebased to 100, for AXA WF Global Strategic Bonds I USD share class net of ongoing charges (65 bps) compared to US market returns. Past performance is not a guide to future performance.

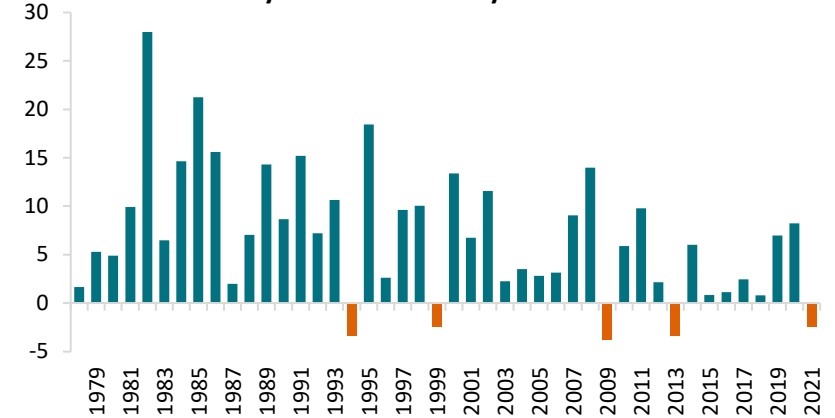
...but there are reasons to be optimistic

Market pricing for monetary policy may be too aggressive

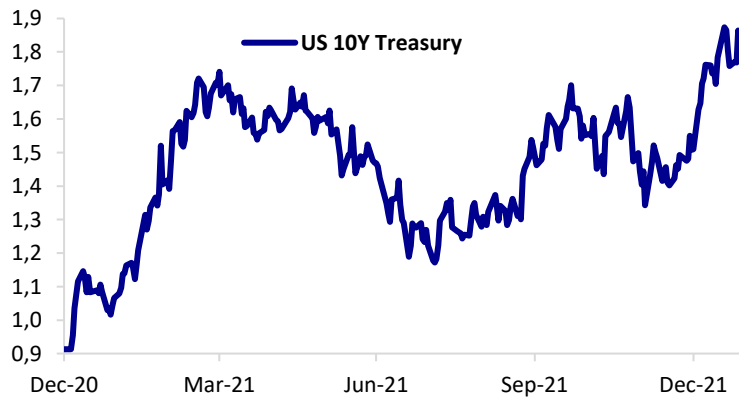


Consecutive negative years for bond returns are very rare

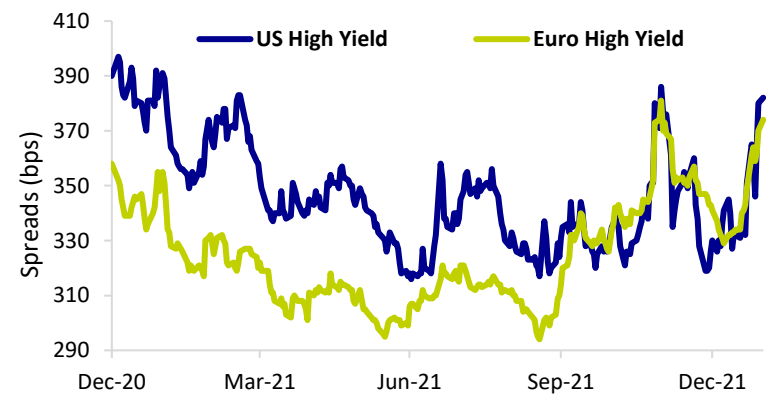
US treasury market calendar year returns since 1978



Higher yields, higher carry

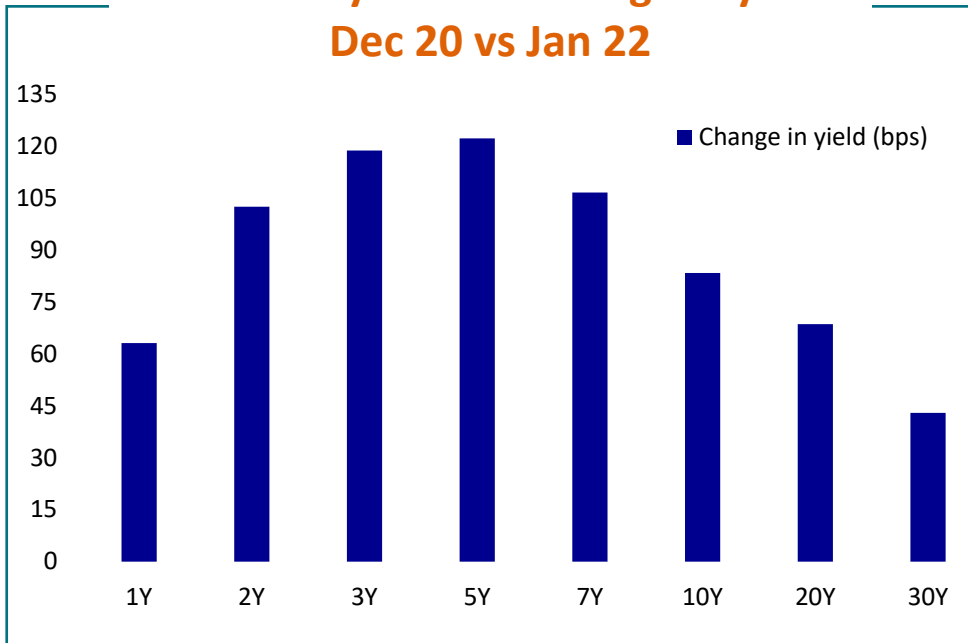


Appetite for risk remains strong



The curve flattening trade continues

US treasury curve – change in yield: Dec 20 vs Jan 22



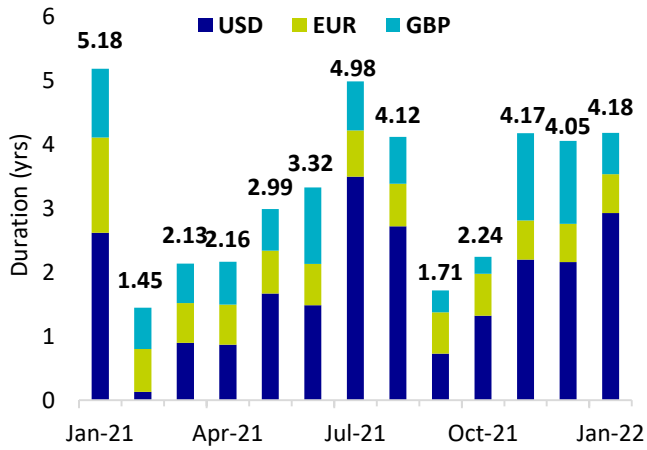
US 5s30s curve since Dec 20



Using our flexibility to navigate through difficult conditions

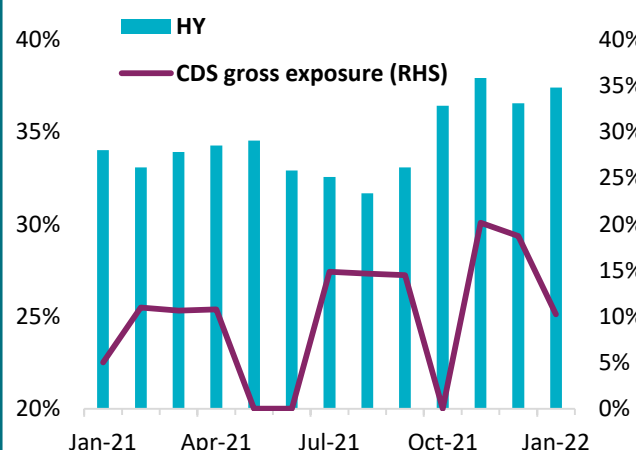
1

Active duration management



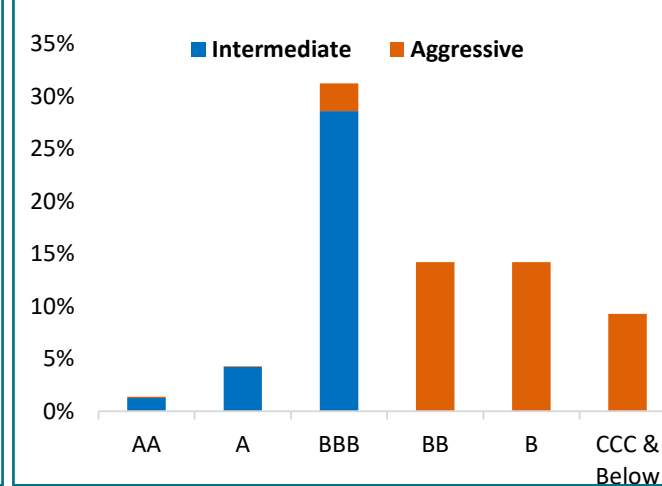
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Adjusting credit risk up and down

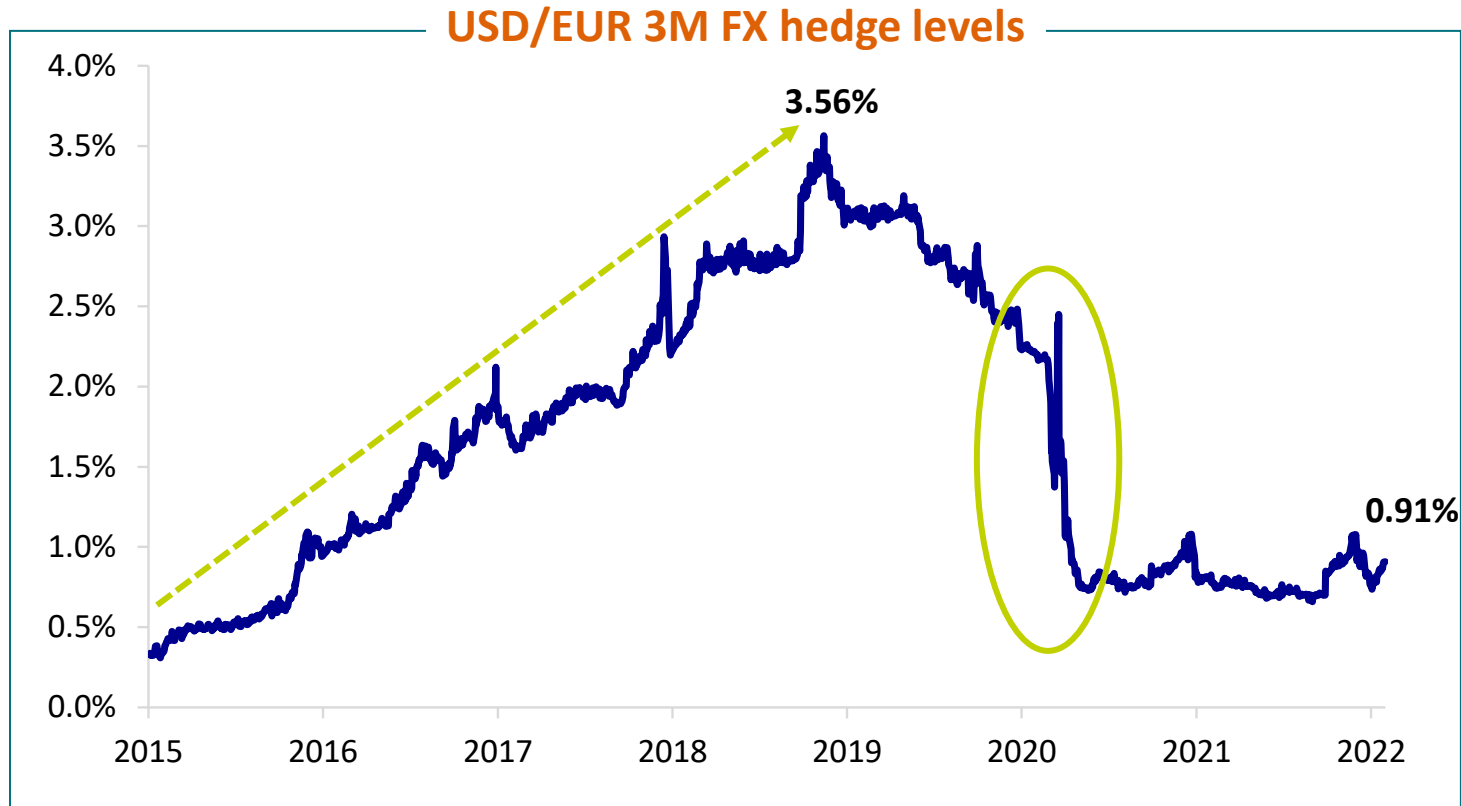


3

Preference for lower rated credit



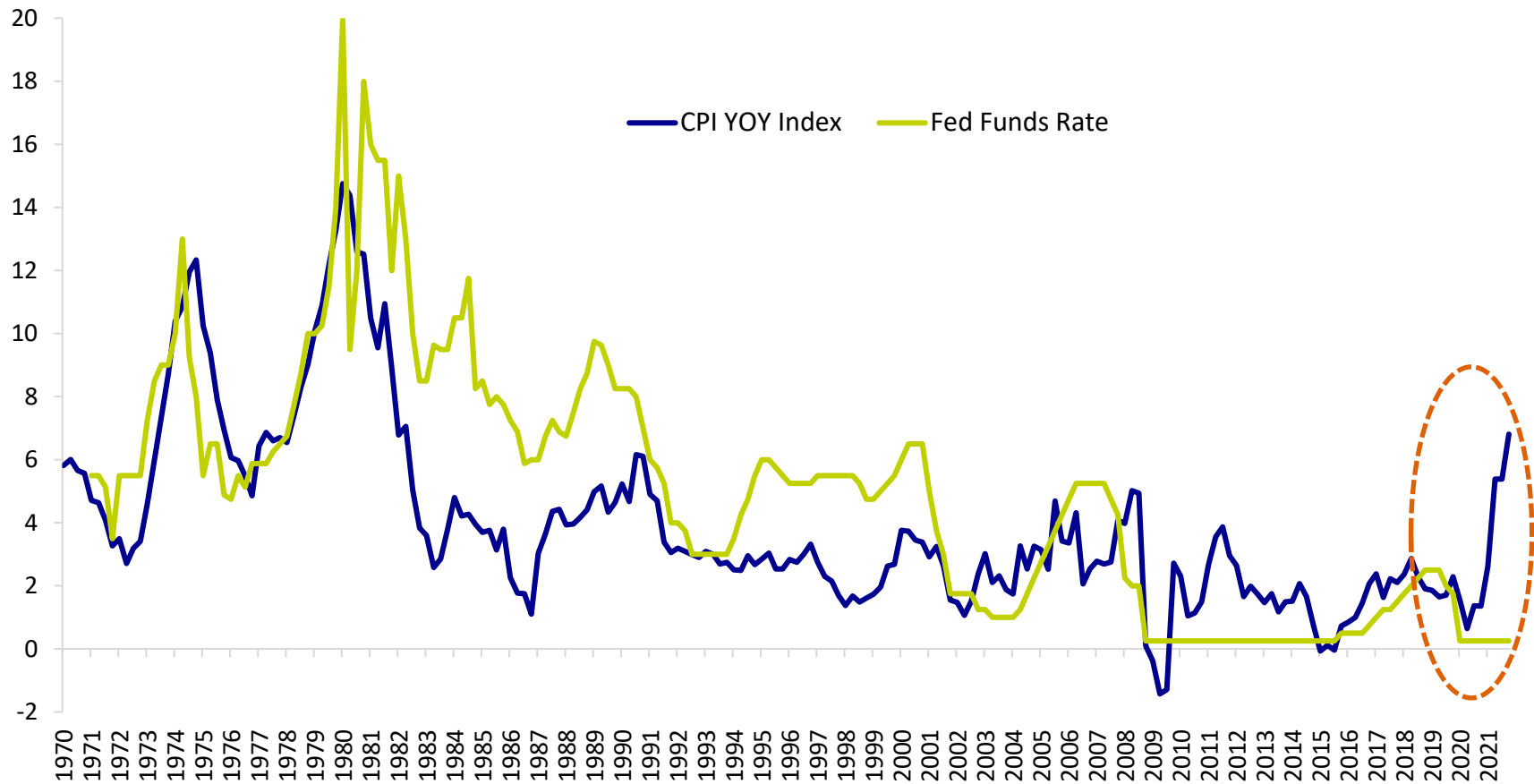
Hedging costs set to rise in 2022?



Reference material

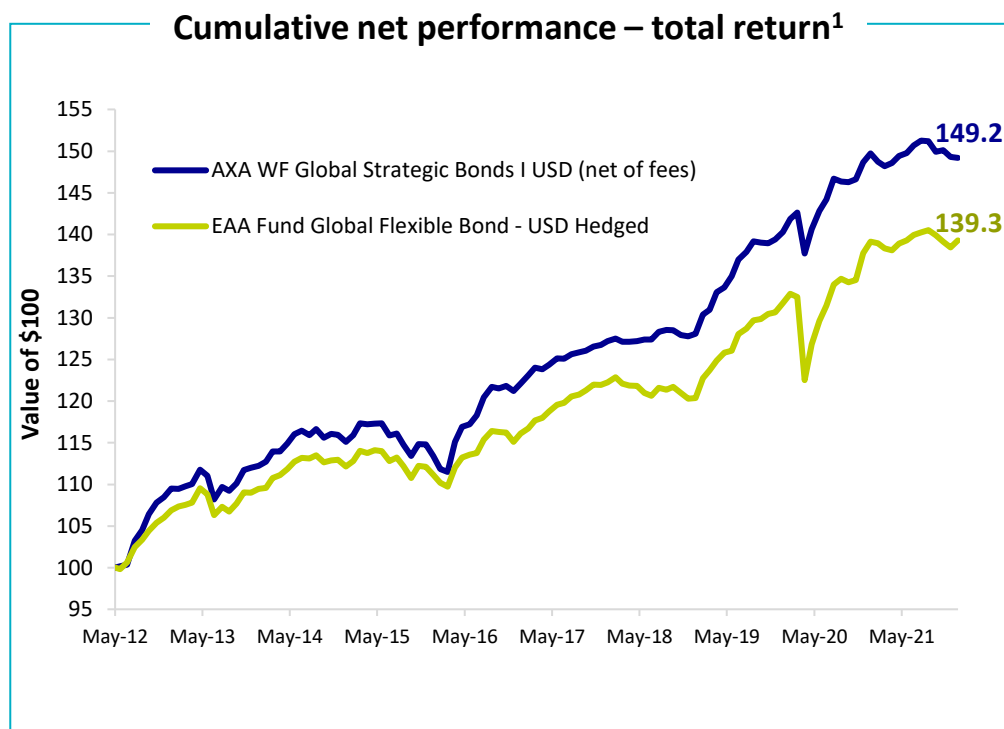
Inflation soaring but central banks staying put...for now

US Consumer Price Index compared to Fed Funds Rate



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	-0.35	-1.23	-	-
1 month	-0.07	-0.21	-	-
3 months	-0.49	-0.72	-	-
1 year	-0.35	-1.23	-0.35	-1.23
3 years	+16.50	+10.33	+5.22	+3.33
5 years	+22.20	+10.19	+4.09	+1.96
Since launch	+49.20	+30.95	+4.24	+2.84

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
2021	-0.35	-1.23

Risk statistics³

Period	Volatility (%)	Sharpe ratio
2021	1.75	-
1 month	2.36	-
3 months	2.20	-
1 year	1.75	0.13
3 years	3.41	1.47
5 years	2.74	1.33
Since launch	3.18	1.33

Source: AXA IM, Morningstar as at 31/12/2021. 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.

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

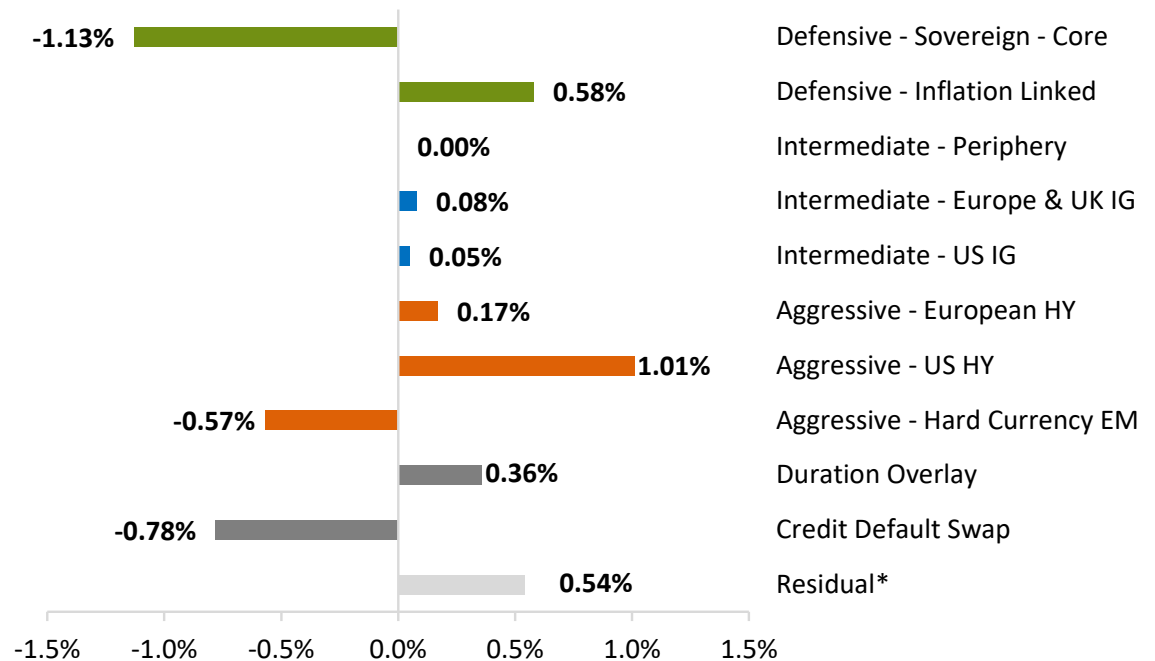
+0.30% YTD

| USD, gross of fees, as at 31/12/2021

Market returns¹

EU INF	6.3
US INF	6.0
US HY	5.4
£ INF	3.9
EU HY	3.4
FUND	0.3
US IG	-1.0
EU IG	-1.0
EMD	-1.8
UST	-2.4
BUND	-2.6
£ IG	-3.0
GILTS	-5.2

Performance contribution²



Source: AXA IM, Bloomberg, as at 31/12/2021. (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 – 31/12/2021. 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.**

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)

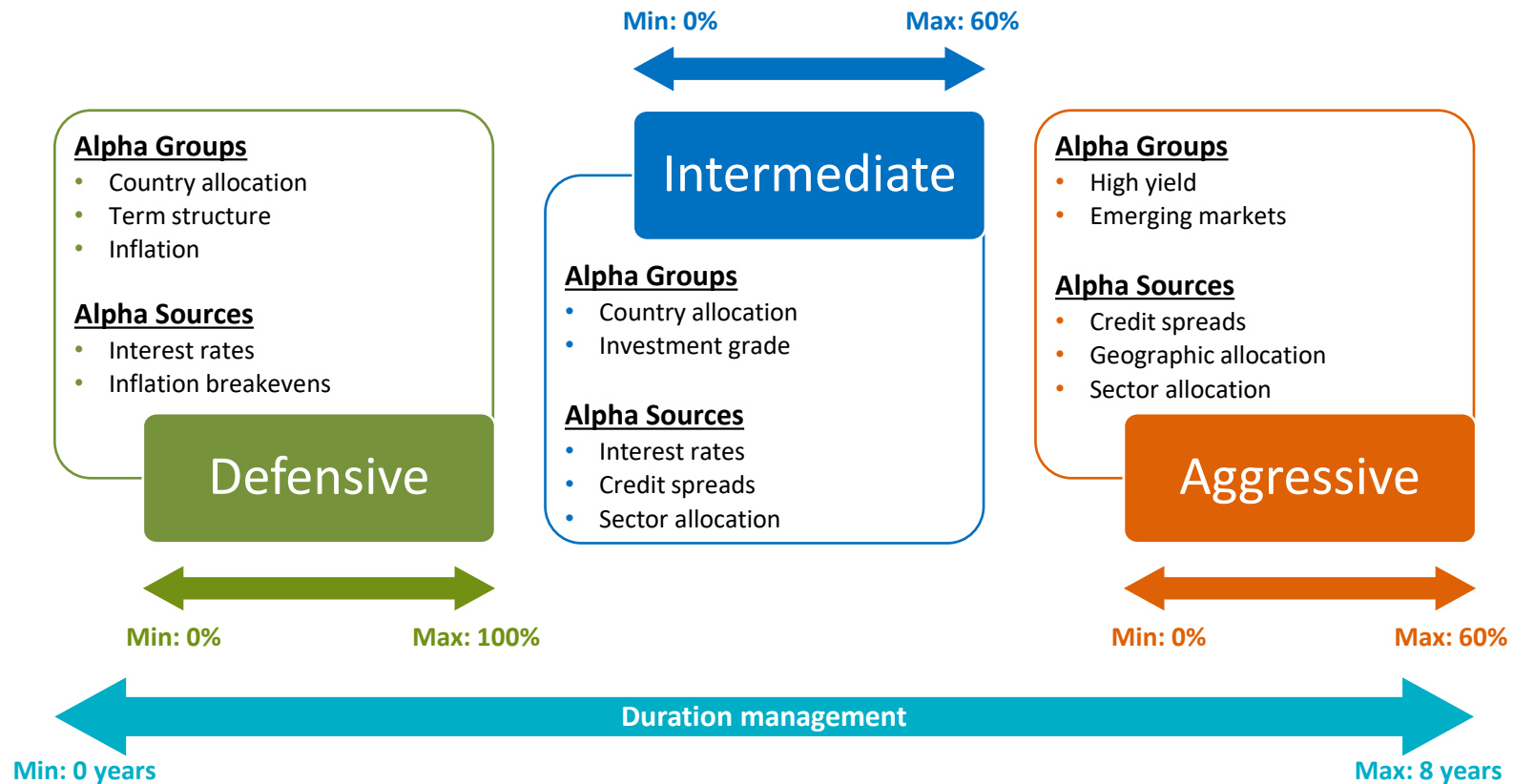
Responsible Investment
(25 dedicated RI professionals, supported by c75 contributors embedded across our platforms)

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 31/12/2021. 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



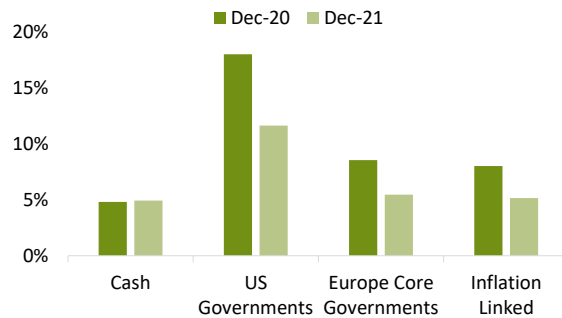
Three distinct “risk buckets”: **Defensive** / **Intermediate** / **Aggressive** with a “neutral” portfolio position of **40** / **30** / **30**

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.

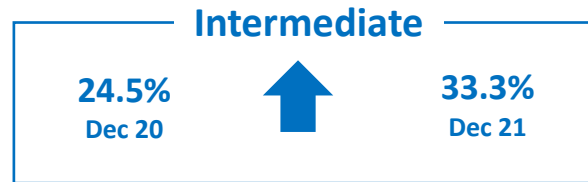
Portfolio activity: 2021



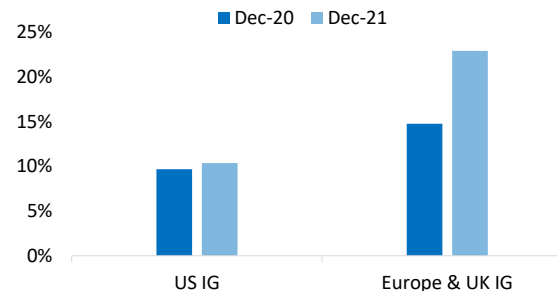
Government bonds



- **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



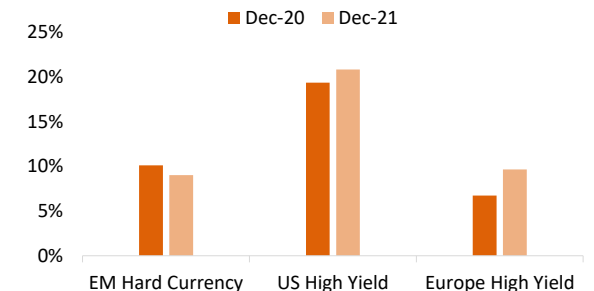
Investment grade credit



- 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

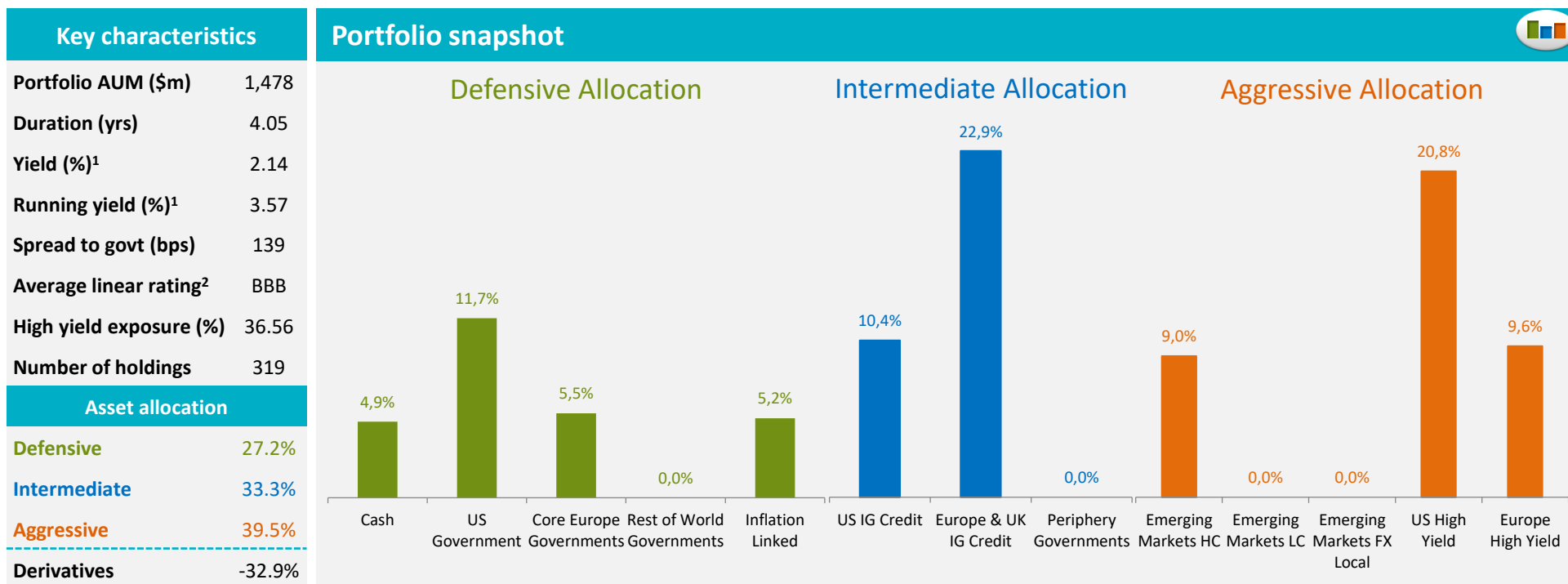


- US HY exposure has **very low duration** compared to US HY market; yield is slightly lower / in line
- Reduced **Asian HY** exposure due to volatility
- Focus in EM corporates on **growing EM consumer market** (mainly e-commerce names in LatAm) and in EM sovereigns we like **crossover space** and specific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

Source: AXA IM. Portfolio activity described for AXA WF Global Strategic Bonds in 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

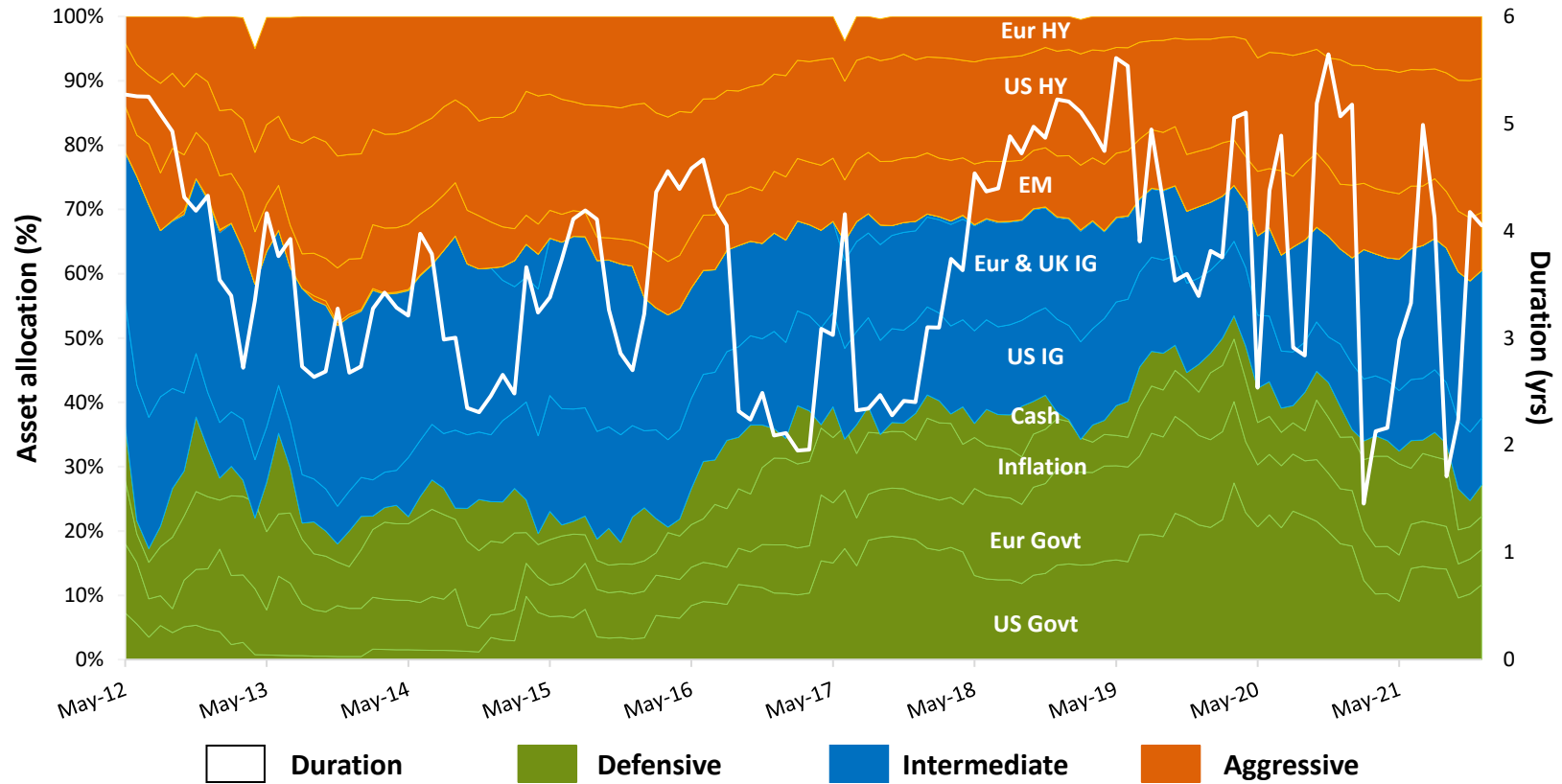


A diversified portfolio managed in a flexible and active manner

Source: AXA IM as at 31/12/2021. 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

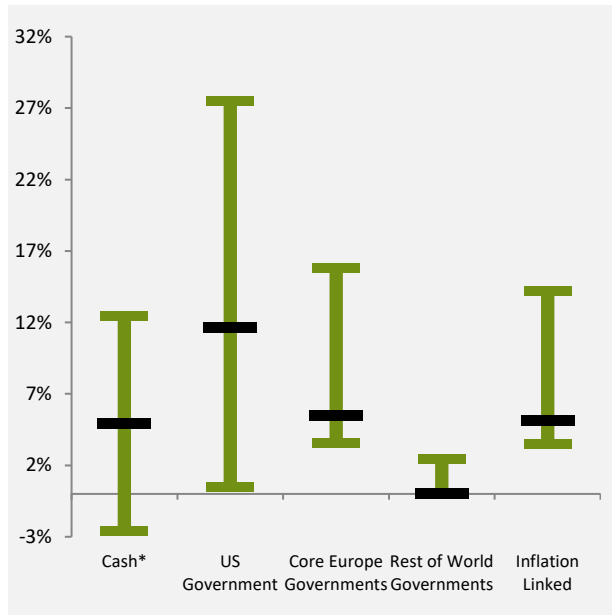
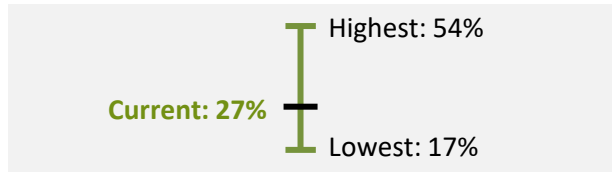


Dynamic allocation and downside preservation as market events unfold

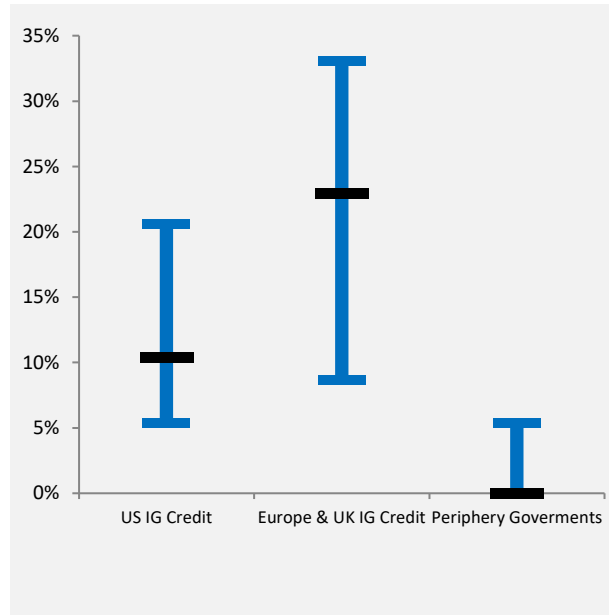
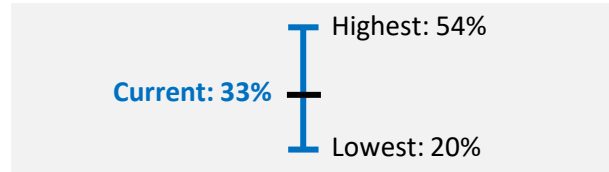
Portfolio positioning

Historic high, low and current allocations

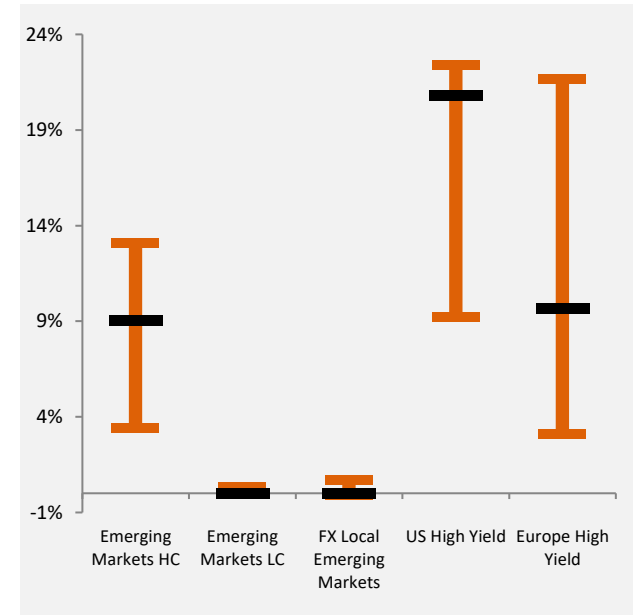
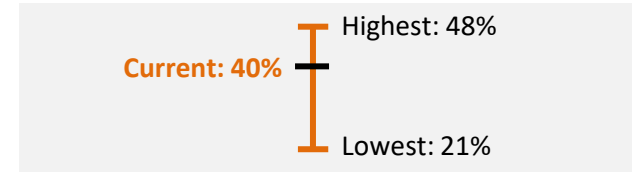
Defensive



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**

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.

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