Global Strategic Bond Fund
Global Fixed Income markets cool

- Investors are paid well for owning fixed income while volatile markets play out
- Central banks keep policy rates unchanged and push back on expectations of early cuts
- January sees Fixed Income markets move sideways as government bond yields move higher after the strong year end rally
- Credit markets continue to perform well as economic data remains stronger than many expect albeit mixed across the world

Nick Hayes
Portfolio Manager, Global Strategic Bonds strategy

What's happening?

- Global government bond yields reverse some of the strong Q4 rally as expectations for Q1 rate cuts looked overly optimistic.
- January's economic data prints have generally surprised to the downside. However, strong growth and low unemployment persists in the US. And whilst growth is far weaker in the UK and Europe concerns still remain around elevated wage growth and sticky inflation.
- Corporate bond spreads initially moved higher in January but overall tightened throughout the month. High yield outperformed investment grade with European high yield leading the way.

Fund in focus	
Assets under management	£155 m
Duration	3.92 years
Yield[1]	5.80%
Running yield[1]	4.31%
Spread to government[2]	229
Number of holdings	263
Launch date	19/10/2020
Net performance (GBP)	
One month	-0.16%
Three months	7.49%
One year	1.28%
2023 YTD	-0.16%
Since launch (cumulative)	-6.71%

Source: AXA IM as at 31/01/2024. The data is shown for the AXA Global Strategic Bond Fund. Performance is based on the Z share class net of ongoing charges (50bps), dividends reinvested. **Past performance is not a reliable indicator of future results**.

Portfolio positioning and performance

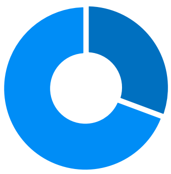
- **Defensive (29%):**. The aggressive rally seen at the end of 2023 has partially unwound in January and given the cuts that are already priced in our near term view is that rates markets will be volatile but stay within a wide range. In this context we have trimmed back duration to 3.92 years diversified across the three major markets of US, UK and Eurozone. We currently hold slightly more cash with our government bond holding remaining unchanged.
- **Intermediate (28%):** We continued to cut our exposure to US and European investment grade credit during January. At current spread levels we are being more selective in which credits we own. Given the significant rally over the last 12 months and on a relative value basis high yield currently looks more attractive.
- **Aggressive (43%):** The fund continues to benefit from a high allocation to both developed market high yield and emerging market debt as the tightening of spreads reflects a slow cooling of the global economy. More recently the expectations of rate cuts gave a boost to risk assets in the prospect that the global economy soft lands without a material negative effect on the tightening of financial conditions experienced in recent years.

Outlook

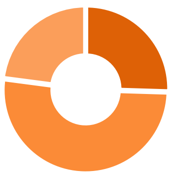
- Our view is that over the medium term the combination of spread and rates risk should be able to produce decent returns given the current attractiveness of fixed income yields. The price of this extra yield appears to be reflected in economic uncertainty and the pickup up in bond market volatility being experienced.
- Amongst the volatility we believe that the core bond themes of 2024, including lower inflation, moderation of central bank policy, modest growth, lower yields and high amounts of money on the side-lines are positive for fixed income.
- Throughout the year the market will fluctuate between more hawkish and dovish extremes of future monetary policy, but fixed income now appears a more attractive alternative to other asset classes than it has for some years.
- In credit we remain optimistic that issuers will benefit from decent fundamentals and strong demand, but we are increasingly selective in our approach as the tighter levels of spread leave less room for error.

Strategy breakdown	
Defensive	29.0%
Intermediate	27.9%
Aggressive	43.1%
Total	100%

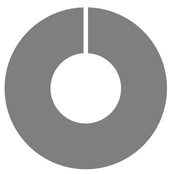
Defensive breakdown	29.0%
US Government Bonds	11.5%
Core Europe Government Bonds	5.1%
Inflation-Linked Bonds	5.1%
Cash	7.2%



Intermediate breakdown	27.9%
US IG Credit	8.5%
Euro & Sterling IG Credit	19.3%



Aggressive breakdown	43.1%
Emerging Markets (HC 11.0%/LC 0%/FX 0%)	11.0%
US High Yield	22.2%
European High Yield	9.9%



Derivatives breakdown	-7.3%
Bond Futures	-7.3%
Credit Default Swaps	0.0%

Credit rating breakdown

Category	Rating	Total
Defensive	Cash	7.2%
	AAA	5.3%
	AA	16.5%
	Total	29.0%
Intermediate	AA	0.8%
	A	5.9%
	BBB	21.2%
	Total	27.9%
Aggressive	AA	0.0%
	A	0.7%
	BBB	2.4%
	BB	17.7%
	B	15.5%
	CCC & Below	6.7%
	Not rated	0.0%
	Total	43.1%
Total		100%

(1) Yield figures quoted will vary in the future and are not guaranteed. Yield calculated to maturity, assuming next call date, using local currency yields.
(2) Average credit spread relative to government bonds.

(3) Representative account has been selected based on objective, non-performance-based criteria, including, but not limited to the size and the overall duration of the management of the account, the type of investment strategies and the asset selection procedures in place. Therefore, the results portrayed relate only to such accounts and are not indicative of the future performance of such accounts or other accounts, strategies and/or services described herein. In addition, these results may be similar to the applicable GIPS composite results, but they are not identical and are not being presented as such. Account performance will vary based upon the inception date of the account, restrictions on the account, along with other factors, and may not equal the performance of the representative accounts presented herein. The performance results for representative accounts are net of all fees and reflect the reinvestment of dividends or other earnings.

No assurance can be given that the Global Strategic Bonds strategy will be successful. Investors can lose some or all of their capital invested. The Global Strategic Bonds strategy is subject to risks including credit risk, operational risk and counterparty risk. The strategy is also subject to derivatives and leverage, emerging markets, global investment grade and high yield securities, securitised assets and collateralised debt risks.

In Singapore, this document is issued by AXA Investment Managers Asia (Singapore) Ltd. (Registration No. 199001714W) and is intended for the use of Institutional Investors only as defined in Section 4A of the Securities and Futures Act (Cap. 289) and must not be relied upon by retail investors. Circulation must be restricted accordingly.

For Japanese clients: AXA Investment Managers Japan Ltd., whose registered office and principal place of business is at NBF Platinum Tower 14F 1-17-3 Shirokane, Minato-ku, Tokyo 108-0072, Japan, which is registered with the Financial Services Agency of Japan under the number KANTOZAIMUKYOKUCHO (KINSHO) 16, and is a member of Japan Securities Dealers Association, Type II Financial Instrument Firms Association, Investment Trust Association of Japan and Japan Investment Advisors Association to carry out the regulated activity of Financial Instrument Business under the Financial Instrument Exchange Law of Japan. In Japan, none of the funds mentioned in this document are registered under the Financial Instrument Exchange Law of Japan or Act on Investment Trusts and Investment Corporations. This document is purely for the information purpose for use by Qualified Institutional Investors defined by the Financial Instrument Exchange Law of Japan.

In Korea, AXA Investment Managers Asia (Singapore) Ltd is a registered Cross Border Investment Advisor/Discretionary Investment Management Company under the Financial Investment Services and Capital Markets Act (the “Act”). The activities referenced under the Act are 5-2-2 Investment Advisory Business and 6-2-2 Discretionary Investment Management Business, respectively. Its financial services are available in Korea only to Professional Investors within the meaning of Article 10 of Enforcement Decree of the Financial Investment Services and Capital Markets Act.

To the extent that any fund is mentioned in this document, neither the fund nor AXA IM Asia is making any representation with respect to the eligibility of any recipients of this document to acquire the units/shares in the fund under the laws of Korea, including but without limitation the Foreign Exchange Transaction Act and Regulations thereunder. The units/shares have not been registered under the Financial Investment Services and Capital Markets Act of Korea, and none of the units/shares may be offered, sold or delivered, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to applicable laws and regulations of Korea.

In Taiwan, this document is issued by AXA Investment Managers Asia Limited (SFC License No. AAP809), which is authorized and regulated by Securities and Futures Commission. This document and the information contained herein are intended for the use of professional or institutional investors and should not be relied upon by retail investors. They have been prepared and issued for private informational and educational purposes only at the sole request of the specified recipients, and not intended for general circulation. They are strictly confidential, and must not be reproduced, circulated, distributed, redistributed or otherwise used, in whole or in part, in any way without the prior written consent of AXA IM Asia. They are not intended for distribution to any persons or in any jurisdictions for which it is prohibited.

If any fund is highlighted in this communication (the “Fund”), its offering document or prospectus contains important information on selling restrictions and risk factors, you should read them carefully before entering into any transaction. It is your responsibility to be aware of and to observe all applicable laws and regulations of any relevant jurisdiction. AXA IM Asia does not intend to offer any Fund in any country where such offering is prohibited.

The offer, distribution, sale or re-sale of fund units/shares in Taiwan requires approval from and/or registration with Taiwanese regulatory authorities. To the extent that any units/shares of the Funds are not so licensed or registered, such units/shares are made available in Taiwan on a private placement basis only to banks, bills houses, trust enterprises, financial holding companies and other qualified entities or institutions (collectively, “Qualified Institutions”) and other entities and individuals meeting specific criteria (“Other Qualified Investors”) pursuant to the private placement provisions of the Rules Governing Offshore Funds. No other offer or sale of such units/shares in Taiwan is permitted. Taiwanese purchasers of such units/shares may not sell or otherwise dispose of their holdings except by redemption, transfer to a Qualified Institution or Other Qualified Investor, transfer by operation of law or other means approved by the Taiwan Financial Supervisory Commission.

For Malaysian investors: as the recognition by the Malaysian Securities Commission pursuant to Section 212 of the Malaysian Capital Markets and Services Act 2007 has not been / will not be obtained nor will this document be lodged or registered with the Malaysian Securities Commission, the shares referred to hereunder (if any) are not being and will not be deemed to be issued, made available, offered for subscription or purchase in Malaysia and neither this document nor any other document or other material in connection therewith should be distributed, caused to be distributed or circulated in Malaysia.

For Thailand investors: nothing in this document shall constitute in any manner whatsoever a proposal to make available, offer for subscription or purchase or to issue an invitation to purchase or subscribe for any securities in Thailand or a proposal to implement any of the foregoing in Thailand nor has this document been approved by or registered with the Securities and Exchange Commission of Thailand (“SEC”). No person receiving a copy of this document may treat the same as constituting an invitation or offer to him in Thailand and such person shall not distribute or make available this document in Thailand. The issuer of this document shall not be liable in any manner whatsoever in the event this document is distributed or made available to any person in Thailand receiving a copy of this document. Since no application for approval has been or will be made to the SEC for the offering of the securities, or for the registration of this document, the securities shall not be offered for subscription or purchased or made available, whether directly or indirectly, in Thailand. It is the sole responsibility of recipients wishing to take any action upon this document to satisfy themselves as to the full observance of the laws of Thailand, to comply with all relevant government and regulatory approvals, and to comply with all applicable laws, including but not limited to exchange control laws.

For Investors in People’s Republic of China (PRC): this document does not constitute a public offer of the product, whether by sale or subscription in the PRC. The product is not being offered or sold directly or indirectly in the PRC to or for the benefit of, legal or natural persons of the PRC. Further, no legal or natural persons of the PRC may directly or indirectly purchase any of the product or any beneficial interest herein without obtaining all prior PRC’s governmental approvals that are required, whether statutorily or otherwise. Persons who come into possession of this document are required by the issuer and its representatives to observe these restrictions.

For Brunei investors: This document has not been delivered to, licensed or permitted by Autoriti Monetari Brunei Darussalam. Nor has it been registered with the Registrar of Companies. This document is for informational purposes only and does not constitute an invitation or offer to the public. As such, it must not be distributed or redistributed to and may not be relied upon or used by any person in Brunei other than the person to whom it is directly communicated and who belongs to a class of persons as defined under Section 20 of the Brunei Securities Market Order, 2013.