AXA IM FIIS US Corporate Intermediate Bonds A (H) EUR

Fund Managers's Comment

Risks assets rallied in the month of January as market participants increasingly believed that the Fed could manage a soft landing. The US Treasury 10-year yield rallied 37 bps in January to ~3.5%, US HY posted +3.9% total return, the S&P 500 was up +6.3%, and credit spreads tightened 13 bps to the tightest level since April 2020 causing the US Investment Grade market to post a fourth consecutive month of positive excess return (i.e. +120 bps). US Investment Grade yields also declined -46 bps in January to around ~5% at month-end, equivalent to a total return of 4%, which was the 2nd largest monthly return in the past two years. On the macro front, inflation data decelerated faster than expected and the US economy showed mixed signals as the labor market remained strong while PMI readings showed manufacturing sectors in contraction territory. In this context, the Fed delivered a widely expected 25 bps hike, but Chairman Powell appeared less hawkish at the press conference where he downplayed the recent easing in financial conditions. Finally, with the earnings season well underway, corporate earnings results appeared better than feared even though weakness is emerging due to rising margin pressures.

Market technicals remained supportive and the primary market was heavily in focus which is typically the case for the month of January. New issue was $216 bn, well above expectations and about 20% higher than $181 bn in January 2022. Single-A credits accounted for ~65% of the primary market, and most of the new issuance happened on the short end of the curve causing market participants to look for longer duration in the secondary market. Financials led supply with ~$97 bn, followed by Non-corporates with ~$73 bn and Industrials with ~$39 bn. There was $2.6 bn of ESG-labelled issuance in January. Primary market activity in February is projected to be around $100-$110 bn, in line with the five-year average of $106 bn (exc. 2020). Despite borrowing costs significantly higher than at the start of 2022, strong investor demand continues to stimulate primary issuance, as illustrated by the strong reversal of US IG fund flows which returned in positive territory in January.

Beta compression was another notable market theme as the BBB-A basis tightened again in January. Within the broad US Investment Grade market, BBB-rated credits (+131 bps excess return) outperformed A-rated credits (+106 bps) and AA-rated (+48 bps). Beta compression was also evident on a sectorial basis as some of the worst performing sectors in December turned top performers in January. The best performing sectors were Media Entertainment (+239 bps excess return), Cable Satellite (+200 bps), Midstream (+184 bps), and Oil Field Services (+179 bps). On the other hand, the worst performing sectors were Construction Machinery (+38 bps), Retailers (+53 bps), and Consumer Products (+ 67 bps).

In January, the AXA IM FIIS US Corporate Intermediate Bonds Fund underperformed its benchmark, the Bloomberg Barclays US Intermediate Corporate Index (both net-of-fees and gross-of-fees, USD). The combined yield curve twist and shift effects was a modest drag on the fund's performance. The security selection effect was also a slight negative as negative security selection in the Financial sectors Banking and Financial Services as well as in the Industrial sector Technology & Electronics was partially offset by positive security selection in the Industrial sectors Media, Energy, and Automotive. The index posted +252 bps of total return and +82 bps of excess return during the month. The index's average OAS was 13 bps tighter and ended the month at 103 bps. The fund finished the month with an average OAS of 112 bps compared to 103 bps for the benchmark and a yield-to-worst of 4.95% compared to 4.88% for the index.

The outlook for the US Investment Grade market remains impacted by the macro environment and a possible recession in 2023, which is likely to weigh on sentiment for corporate spreads. Consistent with our cautious view with respect to potential spread widening, we have proactively scaled back risk across cyclical sectors that could underperform in the coming months. Our strategic recommended sector positioning is to maintain an overweight position to the Financial Institutions sector, particularly in Banking. Within the broad Industrial sector, we remain overweight Services, Transportation, and Telecommunications, and underweight Leisure, Automotive, Technology & Electronics, and Retail.

Benchmark

Since: 29/12/2009

100% Bloomberg US Corporate Intermediate Hedged EUR

The Fund is actively managed with significant deviation expected in term of constitution and performance compared to benchmark.

Fund Profile

ESG Rating

ESG Relative Rating

Lower – + Higher

CO2 Relative rating

More CO_2 – + Less CO_2

% of AUM covered by ESG absolute rating: Portfolio = 97.6% Benchmark = 98.8% (not meaningful for coverage below 50%)

% of AUM covered by CO2 intensity indicator: Portfolio = 94.1% Benchmark = 97.9% (not meaningful for coverage below 50%)

For more information about the methodology, please read the section 'ESG Metrics Definition' below

Fund Manager

Frank OLSZEWSKI

Guillaume ARNOULD - Co-Manager

Source(s): AXA Investment Managers as at 31/01/2023

Additional Information

Administration: A (H) EUR

Legal form	FCP
UCITS Compliant	Yes
AIF Compliant	No
Legal country	Luxembourg
1st NAV date	29/12/2009
Fund currency	USD
Shareclass currency	EUR
Valuation	Daily
Share type	Accumulation / Income
ISIN code C / D	LU0211300792 / LU0211301337
Bloomberg Code C / D	AXUCIAH LX / -
Ongoing charges	0.42%
Financial management fees	0.3%
Maximum management fees	0.3%
Performance fees : none	
Minimum initial subscription	5 000 000 EUR
Minimum subsequent subcription	1 000 000 EUR
Management company	AXA Funds Management S.A.
(Sub) Financial delegation	AXA Investment Manager US Inc
Delegation of account administration	State Street Bank International GmbH (Luxembourg Branch)
Custodian	State Street Bank International GmbH (Luxembourg Branch)

As disclosed in the most recent Annual Report, the ongoing charges calculation excludes performance fees, but includes management and applied services fees. The effective Applied Service Fee is accrued at each calculation of the Net Asset Value and included in the ongoing charges of each Share Class.
The investment will be reduced by the payment of the above mentioned fees.

Fund Objectives

The Sub-Fund seeks to achieve a mix of income and capital growth by investing mainly in investment grade corporate debt securities denominated in USD, over a medium term period.
The Unit Class aims at hedging the foreign exchange risk resulting from the divergence between the reference currency of the Sub-Fund and the currency of this Unit Class by using derivatives instruments whilst retaining the exposure to Investment Policy of the Sub-Fund.

Investment Horizon

The Sub-Fund is designed for investors who plan to invest for at least three (3) years.

Risk Characteristics

1 2 **3** 4 5 6 7

Lower risk — Higher risk
Potentially lower reward — Potentially higher reward

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 Risk

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.

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.

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.

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.

Additional Information (Continued)

Subscription Redemption

The subscription, conversion or redemption orders must be received by the Registrar and Transfer Agent on any Valuation Day no later than 10 a.m. Luxembourg time. Orders will be processed at the Net Asset Value applicable to such Valuation Day. The investor's attention is drawn to the existence of potential additional processing time due to the possible involvement of intermediaries such as Financial Advisers or distributors.The Net Asset Value of this Sub-Fund is calculated on a daily basis.

Minimum initial investment: 5,000,000 in the relevant reference currency of the relevant Unit class.
Minimum subsequent investment: 1,000,000 in the relevant reference currency of the relevant Unit class.

How to Invest

Before making an investment, investors should read the relevant Prospectus and the Key Investor Information Document / scheme documents, which provide full product details including investment charges and risks. The information contained herein is not a substitute for those documents or for professional external advice.
Retail Investors
Retail investors should contact their Financial intermediary.

ESG Metrics Definition

The ESG absolute rating is based on a third party scoring methodology. If the fund has one tree (5 trees), it means that it is in the lowest (highest) ESG absolute rating category.
For more information on the methodology, please visit https://www.axa-im.com/responsible-investing.
ESG relative rating is calculated as the difference between the ESG absolute rating of the portfolio and the ESG absolute rating of its benchmark. If ESG Relative rating is positive (negative), this means that the portfolio has a higher (lower) ESG absolute rating than the benchmark.
CO2 relative intensity is calculated as the difference between the Cintensity of the fund (expressed in tCO2/M€ Revenues) and the one of benchmark.
If CO2 Relative intensity is green, it means that the intensity of portfolio is lower than that of the benchmark. If CO2 Relative intensity orange, it means that the intensity of the portfolio is higher than that the benchmark. If CO2 Relative intensity is yellow, it means that intensity of the portfolio is similar than that of the benchmark.ESG indicators are for informational purposes only.
The portfolio has a contractual objective on one or more ESG indicators.

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Additional Information (Continued)

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