AXA WF Euro Sustainable Bonds A EUR

Fund Managers's Comment

Data published in February showed that the strong US economy remained the exception compared with the world's other main economies, which are at best stagnating. Inflation figures generally down fuelled the scenario of further monetary easing.
In the eurozone, GDP stability in Q4 was confirmed in the second estimate. Rather surprisingly given this backdrop, employment was up 0.3% (Q4, q/q), pointing to a further decline in productivity. Only timid signs of a recovery in manufacturing have been seen since the start of the year, while services sector surveys have improved somewhat. Inflation eased to 2.8% year on year (y/y) in January, with service price inflation stable at 4%. The ECB's negotiated wages figures showed growth of 4.5% in Q4 (y/y), down 0.2 points from Q3. Negotiated wages have therefore begun to slow down but remain firm. The ECB remained concerned about the impact of core inflation on the economy: strong wage growth and persistent inflation in the services sector.
In the United States, Q4 GDP growth was revised to 3.3% from 3.2% (annualised) after +4.9% in Q3, which is still remarkable. Strong growth in labour supply, productivity gains and a likely higher neutral rate could explain this performance. However, the latest retail sales report in January showed a more subdued start to the year (-0.8% m/m). Inflation fell to 3.1% in January, despite the sharp rise in GDP. Donald Trump continued to dominate the primaries and seemed on track to win the Republican party nomination. President Biden was weakened by a politically motivated report describing his "poor memory". This widened the Democrats' lag in the polls, but the incumbent could benefit from a stronger-than-expected economic outlook.
The United Kingdom technically entered recession with a 0.3% drop in GDP in Q4 after a contraction of 0.1% in Q3. There are, however, signs of improvement. Manufacturing output increased by 0.8% m/m over the last two months of 2023, while the services PMI and consumer sentiment improved. Inflation remained stable at +4% in January. The Bank of England's monetary policy committee, which kept interest rates on hold at 5.25% in February, said that most members now consider that it is a matter of when, not if, rates would be lowered.
In China, the fall in the stock markets at the start of February echoed the country's weaknesses, which led the authorities to further strengthen their fiscal and monetary support. Weak demand pushed inflation down to -0.8% (y/y) in January, its lowest level since 2009. The Chinese New Year, celebrated on 10 February, is followed by a period of holidays and strong consumer spending. We will have to wait for data announcements to see what effect this had, but we already know that leisure travel reached its highest level in the past five years.
In Japan, GDP fell once again in Q4 (-0.1% q/q). After -0.8% in Q3, the economy therefore entered a technical recession. Activity seemed to remain weak in Q1 according to the flash PMI figures for February in both the manufacturing and services sectors (47.2 and 52.5 respectively). The Tokyo consumer price index fell again, to 1.6% (y/y), down -0.8% from December. Despite weak growth, the governor of the Bank of Japan said he remained confident in future rises in purchasing power and a virtuous cycle for inflation.

On the fund, we increased duration over the month to take a slight overweight stance compared to the benchmark index.
In our sovereign debt allocation, we slightly increased our exposure to Italian debt to return to neutral, and remain overweight on Austrian debt. We remain close to neutral on emerging market debt.
In our asset allocation, we remain underweight on quasi-sovereign debt and close to neutral on covered debt. As regards credit, we are pursuing our opportunistic approach to take advantage of the dynamic primary market with a view to optimising carry and are maintaining our overweight stance on both senior and subordinated debt.

Benchmark

Since: 10/02/2020

100% FTSE EMEA EURO BROAD INVESTMENT GRADE BOND

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

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 = 98.0% Benchmark = 98.5% (not meaningful for coverage below 50%)

% of AUM covered by CO2 intensity indicator: Portfolio = 91.1% Benchmark = 94.4% (not meaningful for coverage below 50%)

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

Fund Manager

Johann PLE

Rui LI - Co-Manager

Source(s): AXA Investment Managers as at 29/02/2024

Additional Information

Administration: A EUR

Legal form	SICAV
UCITS Compliant	Yes
AIF Compliant	No
Legal country	Luxembourg
1st NAV date	10/02/2020
Fund currency	EUR
Shareclass currency	EUR
Valuation	Daily
Share type	Accumulation
ISIN code	LU2013535997
Maximum initial fees	3%
Transaction costs	0.06%
Ongoing charges	1.02%
Performance fees : none	
Management company	AXA INVESTMENT MANAGERS PARIS S.A.
Delegation of account administration	State Street Bank International GmbH (Luxembourg Branch)
Custodian	State Street Bank International GmbH (Luxembourg Branch)
Guarantor	.Not Applicable

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

To seek both income and growth of your investment, in EUR, from an actively managed bond portfolio, and to apply an ESG approach.

Investment Horizon

The risk and the reward of the product may vary depending on the expected holding period. We recommend holding this product at least for 3 years.

Risk Indicator

The information shown below is from the KID PRIIPS.

1	**2**	3	4	5	6	7

Lower risk ← → Higher risk

The risk indicator assumes you keep the product for 3 years.

The actual risk can vary significantly if you cash in at an early stage and you may get back less.

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you.

We have classified this product as 2 out of 7 which is the a low risk class. This rates the potential losses from future performance at a low level. The risk category associated to this product was determined based on past observations, it is not guaranteed and can evolve in the future.

Be aware of currency risk. You will receive payments in a different currency, so the final return you will get depend on the exchange rate between the two currencies. This risk is not considered in the indicator shown above.

Other risks not included in the Summary risk indicator can be materially relevant, such as derivatives risk. For further information, please refer to the prospectus.

This product does not include any protection from future market performance so you could lose some or all of your investment.

Subscription Redemption

The subscription, conversion or redemption orders must be received by the Registrar and Transfer Agent on any Valuation Day no later than 3 p.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.

** 1st NAV date: 10/02/2020*

Source(s): AXA Investment Managers as at 29/02/2024

Additional Information (Continued)

How to Invest

Before making an investment, investors should read the relevant Prospectus and the Key Investor Information Document (particularly for UK investors) / Key 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

Our approach to ESG measurement seeks to combine qualitative and quantitative techniques. The tree rating shown in this report is a simple pictorial representation of the overall ESG rating of the fund's portfolio. A fund which has 1 tree has a poor ESG rating, whereas a fund with 5 trees has a high ESG rating. For more information on our ESG standards, approach and methodology please visit: Putting ESG to work | AXA IM Core (axa-im.com).

ESG relative rating is calculated as the difference between the ESG absolute rating of the portfolio and the ESG absolute rating of 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 intensity 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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For more information on sustainability-related aspects please visit https://www.axa-im.com/what-is-sfdr.

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** 1st NAV date: 10/02/2020*

Additional Information (Continued)

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** 1st NAV date: 10/02/2020*

Source(s): AXA Investment Managers as at 29/02/2024