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# Global Strategic Bonds strategy

## Strong month across the board for fixed income

- Core government bond yields lowered over the month, breaking recent tight range
- We continue to favour a barbell strategy, with Defensive and Aggressive buckets almost at equal weighting
- Strategy's performance boosted by positive returns across the fixed income spectrum

**Nick Hayes**

**Portfolio Manager, Global Strategic Bonds strategy**

### What's happening?

- Another strong month across the board in fixed income.
- Core government bond yields broke their recent tight trading range as they rallied, and bond yields moved close to all-time lows.
- Despite this, risk assets performed well as the monetary stimulus gave investors' confidence.
- Economic data continued to be volatile and the virus data started to show an increase in cases in certain parts of the world.

### Portfolio positioning and performance

- **Defensive (39%):** we increased duration back up to 5 years. Our position in long-dated France had a particularly strong month and was a strong contributor to a good month for duration.
- **Intermediate (24%):** we increased exposure to European and Sterling credit during the month. We are finding opportunities in BBB assets and Financials.
- **Aggressive (37%):** we added to high yield and emerging market assets during the month as the risk asset rally gained momentum. Strong performance across the board boosted fund returns.

### Strategy in focus – representative account (31/07/20)

Assets under management	\$831.1m
Duration	4.89 yrs
Yield <sup>1</sup>	2.10%
Running yield <sup>1</sup>	3.51%
Spread to government <sup>2</sup>	201
Number of holdings	277
Launch date	11/05/2012

### Net performance – representative account (USD)<sup>3</sup>

One month	+1.71%
One year	+6.37%
Three years (cumulative)	+16.77%
Five years (cumulative)	+26.36%

Source: AXA IM as at 31/07/2020. The data is based on a representative account that follows the Global Strategic Bonds strategy and is not intended to represent actual past or simulated past performance of the strategy. **Past performance is not a reliable indicator of future results.** Performance calculations are net of fees, based on the reinvestment of dividends.

## Outlook

- The momentum around an economic recovery story and plentiful monetary stimulus have given another boost to fixed income assets during July.
- Liquidity over the summer should be relatively strong, with flows suggesting that investors are buying into many different asset classes, during what is traditionally a relatively quiet period.
- We continue to monitor both the volatile economic data and growing number of virus cases, but for the moment the markets want to believe a more positive outlook after the shock of Q1 2020.

## Credit rating breakdown

Category	Rating	Total
Defensive	Cash	3.8%
	AAA	23.6%
	AA	11.7%
	<b>Total</b>	<b>39.1%</b>
Intermediate	AA	0.7%
	A	5.1%
	BBB	18.0%
	<b>Total</b>	<b>23.8%</b>
Aggressive	AA	0.7%
	A	0.5%
	BBB	4.4%
	BB	11.4%
	B	11.3%
	CCC	7.8%
	Not rated	1.0%
	<b>Total</b>	<b>37.0%</b>
<b>Total</b>		100.0%

## Portfolio breakdowns

### Strategy breakdown

Defensive	39.1%
Intermediate	23.8%
Aggressive	37.1%
<b>Total</b>	<b>100.0%</b>

### Defensive breakdown

US Government Bonds	20.5%
Core Europe Government Bonds	9.6%
Rest of World Governments	0.0%
Inflation-Linked Bonds	5.2%
Cash	3.8%

### Intermediate breakdown

US IG Credit	8.9%
Euro & Sterling IG Credit	14.9%
Periphery Governments	0.0%

### Aggressive breakdown

High Yield (US 18.3%/Europe 5.7%)	24.0%
Emerging Markets (HC 13.1%/LC 0%/FX 0%)	13.1%

### Derivatives breakdown

Bond Futures	-15.1%
Credit Default Swaps	-12.1%

(1) Yield figures quoted will vary in the future and are not guaranteed.

(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.

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