

Not for Retail distribution: this document is intended exclusively for Professional, Institutional, Qualified or Wholesale Investors / Clients, as defined by applicable local laws and regulation. Circulation must be restricted accordingly

Global Strategic Bonds strategy

May moves government bond yields higher and credit spreads tighter

- Upward pressure on yields as markets price out some 2025 central bank rate cuts and the long end reacts to supply, deficit and fiscal concerns
- Progress on US-China and US-UK trade agreements but less straightforward between US and Europe
- A bounce back for Emerging market debt, mixed returns in credit and negative returns for government bonds
- Some market concerns on US assets performance but we think concerns are overdone and our focus remains on structural diversification

Nick Hayes

Portfolio Manager, Global Strategic Bonds strategy

What's happening?

- US data was mixed, we started the month with stronger than expected non-farm payrolls, followed by weaker flash PMIs and a revision down of Q1 US GDP. We then ended the month with higher-than-expected weekly jobless claims.
- In the UK, the unemployment rate rose to 4.5% and wage growth slowed, but in contrast, UK growth exceeded expectations, and headline inflation jumped to 3.5% from 2.6%. In Europe, flash PMIs fell into contraction, and Euro area inflation decreased by 30bps to 1.9%.
- Both the Fed and the BoE made policy rate decision in May. The Fed kept rates on hold, 4.25% to 4.50%, once again sticking to the patient approach citing higher uncertainty and that there are higher risks to inflation and unemployment. A

Strategy in focus – representative account (30/05/25)

Assets under management	\$648 m
Duration	5.33 years
Yield ¹	5.07%
Running yield ¹	4.49%
Spread to government ²	182 bps
Number of holdings	231
Launch date	11/05/2012

Net performance – representative account (USD)³

	Cumulative	Annualised
One month	0.30%	-
One year	5.71%	5.71%
Three years	7.77%	3.09%
Five years	6.38%	0.99%
Ten years	27.53%	2.49%

Source: AXA IM as at 30/05/2025. The data is based on a representative account that follows the Global Strategic Bonds strategy. **Past performance is not a reliable indicator of future results.** Performance calculations are net of fees, based on the reinvestment of dividends.

day later and as expected the BoE cut rates by 25bps to 4.25%. The vote split was two votes for a 50bps cut, five votes for the 25bps cut and two votes for a hold, overall, this was interpreted hawkishly by markets.

- On the trade front, US and China as trade talks resulted in a dramatic 90-day reduction in Tariff levels and the UK became the only US partner to agree a deal with the US, arguably putting the UK in stronger position than other US trading partners. Things were less straightforward between US and Europe; on May 24, Trump threatened a 50% tariff on the EU to take effect June 1, but after a positive call with EC President Ursula von der Leyen, the deadline was extended to July 9. Additionally, a ruling by the US Court of International Trade stated that the Trump administration lacked the authority to impose many of the tariffs, posing a setback for the current US trade policy agenda.
- Other notable news items included Moody's downgrading its AAA rating for US sovereign debt, citing significant fiscal challenges. The House of Representatives narrowly passed the "One Big Beautiful Bill", which extends tax cuts and raises the debt ceiling by \$4 trillion. Meanwhile, in Japan, the finance minister conducted a rare survey regarding sovereign bond issuance, suggesting a potential reduction in the supply of longer-dated JGBs, prompting a 20bps rally in 30-year JGBs in one day.
- Against this backdrop government bond yields moved higher, there was more pressure at short maturities earlier in the month as markets began to price out interest rate cuts, and towards the end of the month debt sustainability and fiscal concerns put pressure on longer term yields. The result was negative returns for rates with Gilts, and US Treasuries underperforming Bunds, returns were, -1.2%, -1.1% and -0.4% respectively. There were positive returns for credit markets, with lower duration higher spread markets outperforming, indeed, US HY achieved a total return of +1.7% and European HY +1.3%. Positive returns though were not universal and despite tighter spreads the duration component of US IG and Sterling IG indices led to flat and negative, -0.2%, returns respectively. Emerging Market Debt (EMD) rebounded strongly, generating a healthy +1.1% return, bolstered by the significant 90-day tariff reduction between the US and China and declining JGB yields.

Portfolio positioning and performance

- **Defensive (34%):** Cash bond trading activity in the defensive risk bucket was minimal during May, and overall exposure was maintained at approximately 34%, with 11% in US Treasuries, 9% in UK and European Sovereigns, and 10% in inflation-linked bonds. While there were no purchases, we did dispose of a single US Sovereign that was approaching maturity. As there was increasing upward pressure on government bond yields, we reduced overall duration quarter of a year. The majority of this was taken away from US curves, which leaves our duration exposure at 1.1 years to Europe, 1.3 years to the UK, and 2.9 years to the US.
- **Intermediate (25%):** Overall allocation to the Intermediate risk bucket dropped by approximately 1%; the decline in allocation was primarily due to negative price returns across investment grade credit during May. While trading activity was limited, we did use the opportunity to switch out of two US IG Financial names that were beginning to look expensive and into two other US IG Financials that were trading at more attractive prices.
- **Aggressive (42%):** Whilst still at more moderate levels than we had six months ago, exposure to the Aggressive risk bucket increased by approximately 1% during the month. We remain cautious on Emerging Market Debt and used the strong total returns from the asset class as opportunity to sell down and take profits on one Emerging Market quasi-sovereign and one Emerging Market pure sovereign. Strong returns for US high yield, particularly further down the curve, allowed us to sell down and take profits on lower quality names we own and rotate into higher quality and cheaper US high yield names. Overall, this meant our allocation to US high yield increased by 0.9% over the month. We are comfortable holding and maintaining our current level of high yield risk but continue to hold 7.0% CDS to hedge away some of this risk should spreads start to materially widen.

Outlook

- Our central view has not changed, and we continue to forecast that government bond volatility will persist but the deteriorating growth and inflation outlook, coupled with uncertainty across markets, will mean higher levels of scrutiny on central banks. On balance we believe the Fed will react more to slower growth than higher inflation and as the impacts of US Trade Policy start to pass through into the real economy and have a lasting effect on markets the likelihood for more immediate central bank action increases.
- Structural changes should see curves continue to steepen increasing long end risk premia, prompting us to rotate into longer maturities to benefit from a pickup in yield and better opportunities for capital appreciation.
- Whilst there of plenty of headwinds for credit, for now, fundamentals and demand remain strong. This is helping to reduce risk premiums and upward pressure on spreads. In the short to medium term our base case is for this to continue, and we will continue to use widening episodes as an opportunity to selectively add to high conviction credits.
- Our expectations are for the current levels of uncertainty and volatility to persist, and we do not expect a slowdown in US Policymaking over the coming months. Our expectations are for US assets to outperform longer term due to relative value and structural factors, but there is also good value in other parts of the market. Our focus remains on diversification as volatility and dispersion continues



Strategy breakdown

Defensive	33.7%
Intermediate	24.8%
Aggressive	41.5%
Total	100%



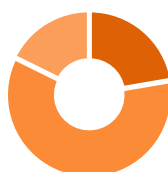
Defensive breakdown

US Government Bonds	11.3%
Core Europe Government Bonds	8.5%
Inflation-Linked Bonds	10.1%
Cash	3.7%



Intermediate breakdown

US IG Credit	9.4%
Euro & Sterling IG Credit	15.4%



Aggressive breakdown

Emerging Markets (HC 9.2%/LC 0%/FX 0%)	9.2%
US High Yield	24.9%
European High Yield	7.3%



Derivatives breakdown

Bond Futures	23.0%
Credit Default Swaps	-7.0%

Credit rating breakdown

Category	Rating	Total
Defensive	Cash	3.7%
	AAA	0.0%
	AA	30.0%
	Total	33.7%
Intermediate	AA	0.6%
	A	7.5%
	BBB	16.7%
	BB	0.0%
	Total	24.8%
Aggressive	AA	0.0%
	A	0.3%
	BBB	1.6%
	BB	17.1%
	B	15.4%
	CCC & below	7.0%
	Not rated	0.1%
	Total	41.4%

(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 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.

Not for Retail distribution: This document is intended exclusively for Professional, Institutional, Qualified or Wholesale Clients / Investors only, as defined by applicable local laws and regulation. Circulation must be restricted accordingly.

Past performance is not a guide to current or future performance, and any performance or return data displayed does not take into account commissions and costs incurred when issuing or redeeming units. The value of investments, and the income from them, can fall as well as rise and investors may not get back the amount originally invested. Exchange-rate fluctuations may also affect the value of their investment. Due to this and the initial charge that is usually made, an investment is not usually suitable as a short term holding.

This document is for informational purposes only and does not constitute investment research or financial analysis relating to transactions in financial instruments as per MIF Directive (2014/65/EU), nor does it constitute on the part of AXA Investment Managers or its affiliated companies an offer to buy or sell any investments, products or services, and should not be considered as solicitation or investment, legal or tax advice, a recommendation for an investment strategy or a personalized recommendation to buy or sell securities. The strategies discussed in this document may not be available in your jurisdiction.

Due to its simplification, this document is partial and opinions, estimates and forecasts herein are subjective and subject to change without notice. There is no guarantee forecasts made will come to pass. Data, figures, declarations, analysis, predictions and other information in this document is provided based on our state of knowledge at the time of creation of this document. Whilst every care is taken, no representation or warranty (including liability towards third parties), express or implied, is made as to the accuracy, reliability or completeness of the information contained herein. Reliance upon information in this material is at the sole discretion of the recipient. This material does not contain sufficient information to support an investment decision.

Please note that the management company reserves the right, at any time, to no longer market the product(s) mentioned in this communication in a European Union country by notification to its authority of supervision in accordance with European passport rules. In the event of dissatisfaction with the products or services, you have the right to make a complaint either with the marketer or directly with the management company (more information on our complaints policy available in English here). You also have the right to take legal or extra-judicial action at any time if you reside in one of the countries of the European Union. The European online dispute resolution platform allows you to enter a complaint form (by clicking here) and informs you, depending on your jurisdiction, about your means of redress (by clicking here).

Issued in the U.K. by AXA Investment Managers UK Limited, which is authorised and regulated by the Financial Conduct Authority in the UK. Registered in England and Wales, No: 01431068. Registered Office: 22 Bishopsgate, London, EC2N 4BQ. In other jurisdictions, this document is issued by AXA Investment Managers SA's affiliates in those countries.

In Hong Kong, 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 is to be used only by persons defined as "professional investor" under Part 1 of Schedule 1 to the Securities and Futures Ordinance (SFO) and other regulations, rules, guidelines or circulars which reference "professional investor" as defined under Part 1 of Schedule 1 to the SFO. This document must not be relied upon by retail investors. Circulation must be restricted accordingly.

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.

For Filipino investors: The shares or units referred to in this document (if any) have not been registered with the Securities and Exchange Commission under the Securities Regulation Code. Any future offer or sale thereof is subject to registration requirements under the Code unless such offer or sale qualifies as an exempt transaction.

For Vietnam investors: This document does not contemplate an offer to sell the interests in any funds in Vietnam. The document has not been approved by the State Securities Commission of Vietnam or any other competent authorities in Vietnam which takes no responsibility for its contents. No offer to purchase the interests in any funds will be made in Vietnam and this document is intended to be read by the addressee only and must not be passed to, issued to, or shown to the public generally. The value of the interests in any funds, the possibility of gaining profit and the level of risk stipulated in this document is purely for reference purposes only and may change at any time depending on market status. Investment in fund(s) does not carry any assurance that investors will make a profit. Investors should themselves carefully balance the risks and the level of those risks before they make any decision to invest in any funds. It is investors’ responsibilities to ensure that they are eligible to make investment in any funds. Investors are responsible for obtaining all applicable approvals and complying with requirements under Vietnamese laws.