ACT Multi Asset Optimal Impact Strategy

Sustainability being out of favour in the US has yet to shift the appetite for Impact Investing

- Financial markets brace for an US tariffs induced trade war
- Performance suffered from the correction across all impact themes as well as from a weaker dollar.
- Despite the U.S. distancing itself from the UN's Sustainable Development Goals, investor appetite for impact investing remains resilient, with green, social, and sustainable bonds on track for another record-breaking year.

Laurent Ramsamy, Lead Portfolio Manager

What is happening?

The trade war between the United States and its partners dominated headlines in March. While the ECB continues to cut interest rates, the Federal Reserve has paused its cycle, confronted by persistent inflationary pressures.

In the United States, the initial wave of tariffs already represents an inflationary shock, coming just as household inflation expectations are surging. In response, the Fed opted to leave interest rates unchanged. Meanwhile, economic activity appears to be softening, although the labor market remains resilient.

In the Eurozone, Berlin has launched a historic fiscal shift, unveiling a massive spending plan focused on infrastructure and defense. However, the region is grappling with the impact of Trump's automobile tariffs, even as recent economic data remains consistent with subdued growth. Inflation has slowed, providing the ECB with room to cut its deposit rate.

In China, economic activity seems to be recovering, although indicators suggest that domestic demand remains fragile. Beijing continues to target 5% GDP growth by 2025 and has announced increased fiscal support.

Global equity markets were shaken by the threat of further punitive tariffs from the United States, raising concerns about growth and inflation. U.S. and European equity markets were sharply lower. Asian equity markets were mixed, with Japanese stocks falling, while Chinese indices posted modest gains. Emerging markets remained stable in U.S. dollar terms, though they declined in euro terms.

Eurozone sovereign bond markets came under pressure from the region's historic defense and infrastructure spending plans. Meanwhile, U.S. Treasury yields held steady at 4.5% as the Fed kept rates unchanged. Credit markets suffered from rising yields and widening spreads, particularly in the high yield segment.

In tandem with the implementation of "Trump Tariffs" that threaten to disrupt the global order, the new administration has initiated a significant reset of U.S. sustainability policy. In a major—albeit expected—development, the Trump administration formally rejected the United Nations Sustainable Development Goals

(UN SDGs), the global framework adopted unanimously in 2015 as part of the 2030 Agenda for Sustainable Development. This move forms part of a broader U.S. retreat from international climate and sustainability efforts, including the withdrawal from key climate financing mechanisms and the Paris Agreement—one of President Trump's first executive actions following his inauguration in January.*

Positioning and performance:

	ACT MA OPTIMAL IMPACT		
	Dec-24	Feb-25	Mar-25
Net Equity	*69,3%*	*64,5%*	62,9%
Equities	*69,3%*	67,8%	66,5%
Equities derivatives	*0,0%*	-3,3%	-3,6%
Risk Mitigation Strategies	***0,0%***	**0,0%**	**0,0%**
Fixed Income	***26,5%***	**28,5%**	**28,7%**
Govies	*6,9%*	7,7%	7,8%
Bond Derivatives	*16,8%*	8,2%	9,0%
High Yield Credit	*1,5%*	1,5%	1,6%
Investment Grade	*16,5%*	17,7%	17,6%
Emerging Debt	*1,5%*	1,5%	1,6%
Diversification	***0,0%***	**0,0%**	**0,0%**
Cash & Money Market	***4,1%***	**7,1%**	**8,5%**

Equity performance suffered from the correction across all impact themes as well as from a weaker dollar. Both Planet and People oriented themes such as "Energy Efficiency" and " Empowerment" were hard hit by the drop of mega-cap Tech stocks such as Nvidia and Taiwan Semiconductor for the former and Microsoft for the latter. Many key names within the "Healthcare Solutions" theme (Intuitive Surgical, Thermo Fisher Scientific and Eli Lily) were hard hit by the steep drop of the US dollar which also impacted key names (Xylem, Ecolab) in the preservation of "Water" Planet theme whereas European leaders within planet based "Sustainable Materials" were less negatively impacted in the downturn.

On the fixed income side, our Impact bond bucket had a slight positive impact on performance given the drop of sovereign bond yields over the month as spreads on corporate issuers sank to new lows. Despite sustainability seemingly out of favour in the US, the global momentum underpinning sustainable bonds, particularly green bonds, remains in place. Indeed, the global sustainable bond market shows no signs of slowing down. One reason is that the vast majority of issuance already takes place outside the US. In addition, as the latter retreats on sustainability , other countries are stepping up. For instance, Green bond issuance is on track to exceed USD 1.1 trillion by the end of 2025, matching or even surpassing last year's levels.**

In March, we slightly reduced our allocation to impact equities as we navigated a volatile market shaped by shifting trade policies. Meanwhile, our allocation to impact bonds and cash remained steady.

Focus stock of the month:

Iberdrola : Albeit focused on Spain, Iberdrola is international leader amongst integrated power utilities, producing and distributing electricity for business and household end users globally. Iberdrola contributes positively to the global efforts in power decarbonization and electrification, thanks to its integrated approach in power management, taking on an ambitious strategy to increase renewable generation capacity. With one of the most ambitious directions of travel towards decarbonization within the global utilities sector, Iberdrola contributes principally to SDG 7 (Access to affordable, reliable, sustainable and modern energy for all) and specifically to target 7.2 (to substantially increase the share of renewable energy in the global energy mix by 2030)

Source: AXA IM as end of March 2025

via its strategic shift towards low-carbon and renewable sources of electricity generation and its investments in electricity network infrastructure.

Outlook:

The early months of President Trump's second term have been marked by a policy agenda reminiscent of mid-2018, with a strong focus on tariffs rather than deregulation or fiscal stimulus. This has introduced new tensions in financial markets, as shifting trade policies—often announced, postponed, or redirected—keep investors on edge. Markets are reacting to the unpredictability of these moves, trying to assess whether Trump's approach is strategic or ideological. Despite heightened volatility, the broader economic backdrop remains one of limited disinflation and resilient growth, keeping markets just outside the "Danger Zone" where high interest rates hurt equity valuations.

A recent article from the UN highlights that the way we invest is changing. Increasingly, investors demand that their money not only yields financial returns but also tackles major global challenges and drives socio-economic change. With investors increasingly looking for purpose-driven opportunities, leveraging financial instruments for sustainable impact investing presents an exciting opportunity to reshape the global financial landscape. By offering returns alongside measurable social and environmental benefits, this approach can serve sectors as diverse as education, healthcare, sustainable agriculture, microfinance, renewable energy, and clean water as well as being increasingly vital for meeting international commitments such as the Paris Climate Accords. As such, impact investing is not only a tool for market innovation but also a mechanism for addressing deep-rooted structural challenges. Globally, investor interest in impact-driven opportunities is surging. A recent survey by Vontobel indicates that a significant majority of investors (81%) view decarbonization as a current or future goal, while 77% prioritize the transition to net zero. The survey also highlights an increasing emphasis being placed on equal opportunities and diversity, as well as biodiversity-focused investments. Regional trends are equally revealing with robust activity in Europe and North America, while Southeast Asia and sub-Saharan Africa are witnessing an uptick. These findings suggest that with the right investment frameworks and regulatory incentives, the full potential of impact investing can be unleashed even if challenges persist. Looking ahead, global partnerships are essential to scaling impact investments that address sustainable development challenges. Policymakers, financial institutions, development organizations, and civil society must align financial instruments with the SDGs to unlock the full potential of financial instruments and address the root causes of global crises and build a world where no one is left behind.*** As such, AWF Act Multi Asset Optimal answers this need to generate financial returns while also addressing the ongoing challenges facing our planet and its population by investing in providers of solutions towards decarbonisation including Renewables, Energy Efficiency, Green Buildings and Low Carbon Transport in both the developed but also developing world as well as investing in companies and projects that address the biggest barriers to equity and prosperity by focusing on companies and projects that provide a positive impact in terms of Healthcare solutions as well as companies promoting social inclusion or promoting empowerment within underserved communities.

*ESG Today 07/03/2025
U.S. Rejects UN Sustainable Development Goals - ESG Today
**Bloomberg, Nikko AM 28/03/2025
Sustaining the future: the ongoing case for sustainable bonds | Nikko AM Asia
***" Harnessing Financial Instruments for Impact Investing" Global Impact Investing Marlet 2025 Report"
United Nations Development Programme (UNDP) 17/03/2025
Harnessing Financial Instruments for Impact Investing | United Nations Development Programme

Disclaimer

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.

The products or strategies discussed in this document may not be registered nor available in your jurisdiction. Please check the countries of registration with the asset manager, or on the web site https://www.axa-im.com/en/registration-map, where a fund registration map is available. Please note that the management company reserves the right, at any time, to no longer market the product(s) mentioned in this communication in an European Union country by notification to its authority of supervision in accordance with European passport rules. In particular units of the funds may not be offered, sold or delivered to U.S. Persons within the meaning of Regulation S of the U.S. Securities Act of 1933. The tax treatment relating to the holding, acquisition or disposal of shares or units in the fund depends on each investor's tax status or treatment and may be subject to change. Any potential investor is strongly encouraged to seek advice from its own tax advisors.

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).

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.

SFDR product categorization: the product categorization is provided based on the basis of the European Directive (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR Regulation"). The attention of each recipient is drawn to the fact that, as of today the SFDR related regulatory technical standards ("RTS") have not been finalized and remain subject to the approval and formal adoption by the European Commission and the European Parliament and Council. Furthermore, there may be further guidance in relation to the interpretation of the SFDR Regulation. We are monitoring regulatory developments closely, and the product categorization shall be re-assessed and may evolve when the RTS and/or further guidance is published.

Issued in the UK 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: 7 Newgate Street, London EC1A 7NX. 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 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.

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.

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.