Perspectives
US Credit

Market Update

The month's data highlighted two main issues: the persistence of higher prices and the potential economic impact from a rising rate of Covid infections. That said, the strength in the nation's job market, despite a slight slowing in hires, continued to reflect an economy essentially at full employment. Goods and service consumption expanded further. Manufacturing activity was robust. Construction activity rebounded and business inventory builds slightly outpaced sales, enabling some reductions in shortages. And while there was some easing in energy prices, the general level of prices remained stubbornly elevated.

The Bloomberg US Corporate Investment Grade index posted a negative -8 bps of total return and positive +60 bps of excess return in December. The Corporate index's average OAS was 7 bps tighter on the month and ended December at 92 bps. During December, within the broad market, the Industrial sector (0.72% of excess return) outperformed both the Financial Institutions sector (0.47% excess return) and the Utility sector (0.16%). Lower quality credit, BBB rated (0.68% excess return) outperformed both single A rated (0.48%) and double A rated (0.60%).

Gross new issue supply was $62 billion in the month of December (and -$13 billion on a net basis), above the $40-$50 billion initially forecasted. Industrials led supply with approximately $36 billion followed by Financials with $18 billion. Issuance during the month was 66% higher than that of December 2020 ($37 billion). FY 2021 gross issuance totaled $1,673 billion, which was 20% lower than the $2,102 billion issued in 2020. Primary market activity in January is projected at $125 - $145 billion, which is similar to the $138 billion that priced in January 2021. The outlook is a balance between supply being pulled forward to get ahead of potential Fed rate hikes in March and lower bank issuance needs for the year. ESG (environmental, social, and governance)-labelled issuance was $5.8 billion in December. ESG YTD 2021 issuance totaled 6.6% of total corporate bond supply.

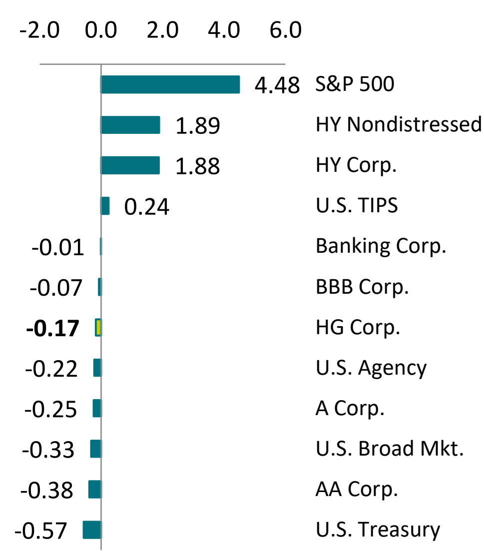
Annual New Issue

Year	Total Supply
2016	1436
2017	1469
2018	1208
2019	1297
2020	2102
2021	1673

ICE BofA ML US Corporate Index YTD Returns %

	Total	Excess
US CORPORATE INDEX	**(0.95)**	**1.53**
Automotive	0.07	1.81
Banking	(1.06)	0.94
Basic Industry	(0.39)	2.19
Capital Goods	(0.79)	1.98
Consumer Goods	(1.37)	1.17
Energy	0.81	3.20
Financial Services	(0.78)	1.10
Healthcare	(1.40)	1.34
Insurance	(0.33)	2.35
Leisure	0.28	2.18
Media	(1.77)	0.99
Real Estate	(0.03)	2.27
Retail	(1.84)	0.80
Services	(0.51)	2.52
Technology & Electronics	(2.02)	0.36
Telecommunications	(0.76)	2.30
Transportation	(0.84)	1.70
Utility	(1.81)	1.12

ICE BofA ML Index Broad Asset Class Total Return – 1 Month



Sources: AXA IM, ICE BofA ML, Bloomberg, Barclays, Deutsche Bank, Citibank, J.P. Morgan as of December 31, 2021.
Past performance is not indicative of future results. For illustrative purposes only.

US Corporate Intermediate Investment Grade Strategy

Portfolio management comments

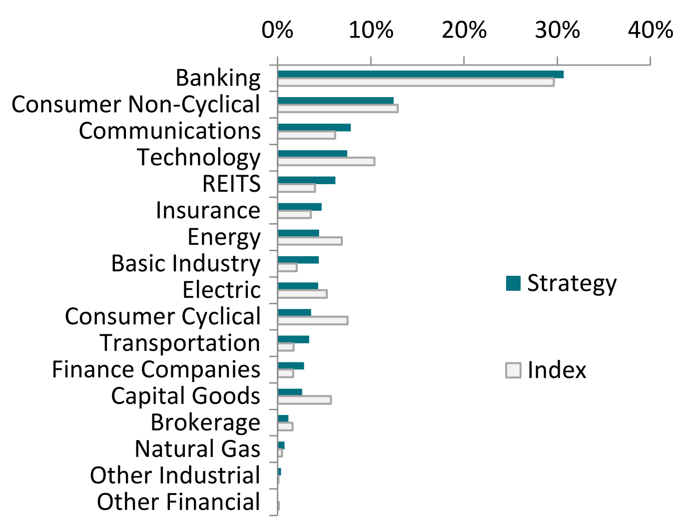
The AXA IM US Corporate Intermediate Bonds strategy underperformed its benchmark, the Bloomberg Barclays US Intermediate Corporate index during the month of December (gross-of-fees USD). The main driver of the strategy's performance was negative security selection, particularly in the Financial sectors Banking and Insurance. The US Intermediate Corporate index had a positive total return for the month as US Treasury interest rates increased, while credit spreads tightened. The US Intermediate Corporate index posted a positive +15 bps of total return and a positive +45 bps of excess return in December. The US Intermediate Corporate index's average OAS was 8 bps tighter on the month and ended December at 68 bps. During December, within the broad market, the Industrial sector (0.72% of excess return) outperformed both the Financial Institutions sector (0.47% excess return) and the Utility sector (0.16%). Lower quality credit, BBB rated (0.68% excess return) outperformed both single A rated (0.48%) and double A rated (0.60%).

The portfolio's sector allocation maintains an overweight to the Financial Institutions sector, particularly in Insurance. Within the broad Industrial sector, the portfolio remains overweight the Basic Industry, Telecommunications, Transportation, Consumer Goods, and Real Estate sectors, and underweight the Leisure, Retail, Energy, Technology & Electronics, and Capital Goods sectors. The portfolio maintains a relative overweight to the lower rated triple-B portion of the market. Also, the portfolio's duration remains approximately in-line with the duration of the benchmark.

Characteristics

CHARACTERISTICS	Strategy	Index
Average Maturity (Years)	**5.1**	5.0
Yield to Maturity	**1.96%**	1.82%
Current Yield	**2.99%**	2.96%
Effective Duration	**4.27**	4.46
Average Coupon	**3.22%**	3.10%
Option Adjusted Spread	**84**	68
Number of Issuers	**157**	733
Number of Positions	**217**	4,316
Average ML Rating	**BBB1**	A3
Cash Position	**2.63%**	N/A

Sector Exposure



Sources: AXA IM, FactSet, as of December 31, 2021. Index: Bloomberg Capital US Intermediate Corporate. The examples shown herein are intended only to illustrate the investment process and should not be considered a recommendation or solicitation to buy or sell any particular security. The representative account shown has been selected because it utilizes an investment setup that is typical for accounts in the relevant strategy and/or on the basis that it has adequate assets under management to effectuate a fair comparison. Please refer to the appendix for additional information about representative accounts.

US Credit Short Duration Investment Grade Strategy

Portfolio management comments

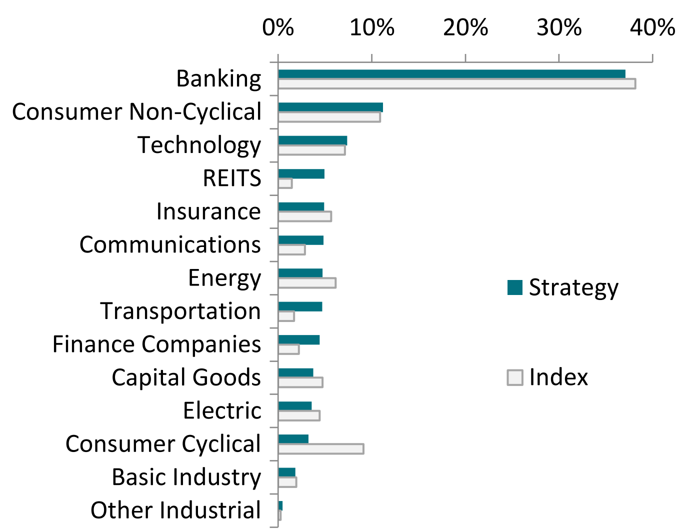
The AXA US Credit Short Duration strategy outperformed its performance indicator, the ICE BofA Merrill Lynch 1-3 Year US Corporate index during the month of December (gross-of-fees USD). Security selection had a neutral impact during the month while the combined impact from duration and yield curve shift was slightly positive. The 1-3 Year US Corporate index had a negative total return for the month as the 2 Year US Treasury interest rate increased +16 bps to 0.73% while credit spreads tightened. The 1-3 Year US Corporate index posted a negative -7 bps of total return during the month and +15 bps of excess return. The 1-3 Year index's average OAS was 4 bps tighter on the month and ended December at 49 bps. During December, within the broad market, the Industrial sector (0.72% of excess return) outperformed both the Financial Institutions sector (0.47% excess return) and the Utility sector (0.16%). Lower quality credit, BBB rated (0.68% excess return) outperformed both single A rated (0.48%) and double A rated (0.60%).

The portfolio maintains a yield advantage relative to the performance indicator (1.27% yield to worst relative to 1.21%), albeit with a similar duration (1.71 effective duration relative to 1.83). The strategy positioning aims to benefit from income and security selection with less volatility derived from interest rates. The portfolio's sector allocation maintains an overweight position to the Financial Institutions sector. Within the broad Industrial sector, the portfolio remains overweight the Services, Real Estate, Transportation, Media, and Telecommunications sectors, and underweight the Leisure, Retail, Automotive, Energy, and Basic Industry sectors. The portfolio maintains a significant relative overweight to the lower rated triple-B portion of the market.

Characteristics

CHARACTERISTICS	Strategy	Index
Average Maturity (Years)	**2.4**	2.0
Yield to Worst	**1.27%**	1.21%
Current Yield	**2.54%**	2.84%
Effective Duration	**1.71**	1.83
Average Coupon	**2.67%**	2.93%
Option Adjusted Spread	**61**	49
Number of Issuers	**117**	676
Number of Securities	**144**	1,679
Average ML Rating	**BBB1**	A3
Cash Position	**2.94%**	N/A

Sector Exposure



Sources: AXA IM, FactSet, as of December 31, 2021. Index: BofA ML 1-3 Year US Corporate. The examples shown herein are intended only to illustrate the investment process and should not be considered a recommendation or solicitation to buy or sell any particular security. The representative account shown has been selected because it utilizes an investment setup that is typical for accounts in the relevant strategy and/or on the basis that it has adequate assets under management to effectuate a fair comparison. Please refer to the appendix for additional information about representative accounts.

US Corporate Investment Grade Low Carbon Strategy

Portfolio management comments

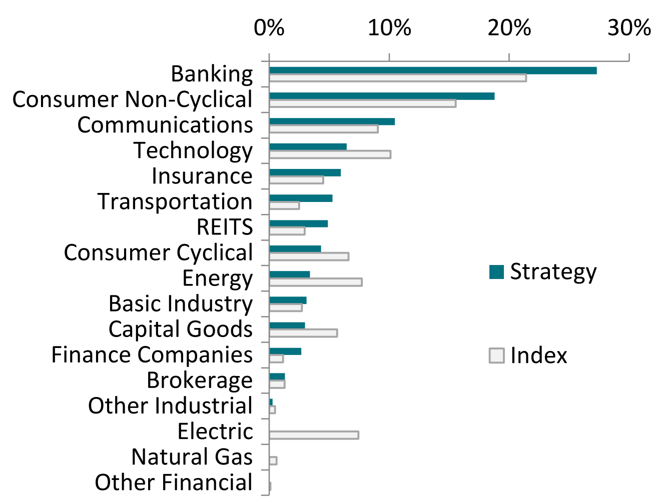
The AXA US Corporate Bonds Low Carbon Strategy's objective is to outperform the Bloomberg US Corporate index with lower carbon emissions intensive exposures. The AXA US Corporate Bonds Low Carbon strategy underperformed its benchmark, the Bloomberg Barclays US Corporate index during the month of December (gross-of-fees USD). The main driver of the strategy's performance was negative security selection in the Financial sectors Banking and Insurance. The US Corporate index had a negative total return for the month as US Treasury interest rates increased, while credit spreads tightened. The Corporate index posted a negative -8 bps of total return and positive +60 bps of excess return in December. The Corporate index's average OAS was 7 bps tighter on the month and ended December at 92 bps. During December, within the broad market, the Industrial sector (0.72% of excess return) outperformed both the Financial Institutions sector (0.47% excess return) and the Utility sector (0.16%). Lower quality credit, BBB rated (0.68% excess return) outperformed both single A rated (0.48%) and double A rated (0.60%).

At month end, the ACT US Corporate Bonds Low Carbon strategy had an average ESG score of 6.20 (compared to 5.84 for the US Corporate index), maintained an average Carbon footprint and Water intensity that were about 40% and 3% of the US Corporate index, respectively, and had an allocation of more than 10% to impact bonds (e.g. green, social, and sustainable bonds). The portfolio's sector allocation maintains an overweight to the Financial Institutions sector. Within the broad Industrial sector, the portfolio remains overweight the Transportation, Automotive, Consumer Goods, Telecommunications, and Real Estate sectors, and underweight the Leisure, Energy, Technology & Electronics, Retail, and Capital Goods sectors. The portfolio maintains a relative overweight to the lower rated triple-B portion of the market. Also, the portfolio's duration remains approximately in-line with the duration of the benchmark.

Characteristics

CHARACTERISTICS	Strategy	Index
Average Maturity (Years)	**13.0**	12.3
Yield to Maturity	**2.45%**	2.33%
Current Yield	**3.07%**	3.24%
Effective Duration	**8.46**	8.70
Average Coupon	**3.44%**	3.55%
Option Adjusted Spread	**107**	92
Number of Issuers	**135**	836
Number of Securities	**159**	7,004
Average ML Rating	**BBB1**	A3
Cash Position	**2.87%**	N/A

Sector Exposure



Sources: AXA IM, FactSet, as of December 31, 2021. Index: Bloomberg US Corporate Investment Grade. The examples shown herein are intended only to illustrate the investment process and should not be considered a recommendation or solicitation to buy or sell any particular security. The representative account shown has been selected because it utilizes an investment setup that is typical for accounts in the relevant strategy and/or on the basis that it has adequate assets under management to effectuate a fair comparison. Please refer to the appendix for additional information about representative accounts. Carbon Intensity is defined as the amount of carbon dioxide released into the atmosphere as a result of the activities of a particular organization, most often expressed as tons of CO2 emission per USD million of revenues. Water Intensity is defined as the volume of water purchased by the company from utility companies divided by revenue. For more information about AXA IM's Responsible Investment practices please refer to https://www.axa-im.com/responsible-investing. The ESG data used in the investment process are based on ESG methodologies which rely in part on third party data, and in some cases are internally developed. They are subjective and may change over time. Despite several initiatives, the lack of harmonized definitions can make ESG criteria heterogeneous. As such, the different investment strategies that use ESG criteria and ESG reporting are difficult to compare with each other. Strategies that incorporate ESG criteria and those that incorporate sustainable development criteria may use ESG data that appear similar but which should be distinguished because their calculation method may be different. ESG Score is a metric that reflects a company's performance across a range of environmental (E), social (S), and governance (G) criteria. An ESG score may not be available for all of the investments in the universe. It applies a floor at 0 (worst) and a cap at 10 (best). ESG scores contribute to, but are not the only item in AXA IM's decision making. The ESG score consists of many metrics. For more information, please see: https://www.axa-im.com/who-we-are/environmental-social-and-governance

Market Outlook

Macro Outlook - US View

The unanswered question that defines the outlook for economic activity in the coming months is, how will the current Covid outbreak be handled by state and local authorities? If lockdowns, proof of vaccination for entrance, remote work and learning are widely adopted, growth may quickly decelerate toward longer term trends last seen in 2019. On the other hand, if a more balanced strategy is undertaken at the state and local levels, it may serve to cushion some of the negative impact from a dramatically reduced level of federal pandemic-related spending..

Source: AXA IM as of December 31, 2021.

US IG Risks Overview

CREDIT RISK - If an issuer of bonds defaults on its obligations to pay income or repay capital, it may result in a decrease in portfolio value. The value of a bond (and subsequently, the portfolio) is also affected by changes in credit rating downgrades and/ or market perceptions of the risk of future default. Investment grade issuers are regarded as less likely to default than issuers of high yield bonds. High-yield, lower-rated, securities involve greater risk than higher-rated securities. Portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not.

RISK OF CAPITAL LOSS – Any investment in our high yield strategies are not guaranteed and returns can be negative. The performance of a portfolio may not be consistent with the objectives of investors and their investment may not be fully returned.

INTEREST RATE RISK - Fluctuations in interest rates will change the value of bonds, impacting the value of the investment portfolio. Often, when interest rates rise, the value of the bonds fall and vice versa. The valuation of bonds will also change according to market perceptions of future movements in interest rates.

LIQUIDITY RISK - Some investments may trade infrequently and in small volumes and the risk of low liquidity level in certain market conditions might lead to difficulties in valuing, purchasing or selling bonds.

RE-INVESTMENT RISK - Reinvestment risk describes the risk that, as interest rates or market environment changes, the future coupons and principal from any bond may have to be reinvested in a less favorable rate environment. This is more likely to occur during periods of declining interest rates when issuers can issue bonds with lower levels of coupon. Re-investment risk may be greater with callable bonds

HIGH YIELD BOND RISK –US Credit IG portfolios may be exposed to a risk related to investments in high yield financial instruments. These instruments present higher default risks than those of the investment grade category. In case of default, the value of these instruments may decrease significantly, which would affect the value of the portfolio. Lower-rated securities generally tend to reflect short-term corporate and market developments to a greater extent than higher-rated securities which respond primarily to fluctuations in the general level of interest rates.

Source: AXA IM as of December 31, 2021.

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