Perspectives
US Credit

Market Update

June's data reports continued to detail that economic growth in the United States had indeed shifted to a slower path than that recorded in the first quarter. In fact, it was no sooner than the month had begun, when it was reported that payroll growth in May had all but ceased, once the revisions to previous reports were factored in. Furthermore, numerous survey-based reports from the manufacturing sector indicated that the slowdown was showing few, if any, signs of lessening. That said, construction activity, business investment, consumer consumption and service sector reports over the course of the month were, in fact, more upbeat. Of note, inflationary pressures, away from energy, largely remained within expectations, but did not confirm policy maker's contentions that transitory factors were responsible for the recent softness. All of which lead investors to conclude that the Federal Reserve's tightening cycle was all but completed, now that the US economy was starting to align with the slowing in global economic activity in place for the last year.

The US Intermediate Corporate index's average OAS was 12 bps tighter on the month and ended June at 91 bps. During June, within the broad market, the Utility sector (+93 bps excess return) underperformed the Financial Institutions sector (+108 bps) and the Industrial sector (+168 bps). Lower quality credit, BBB rated (+168 bps excess return) outperformed single A rated (+122 bps) and double A rated (+93 bps).

Investment grade credit gross new issue supply in June was approximately $85 billion, at the higher end of the previously expected range $75-$85 billion. Net of $65 billion redemptions, net new issue supply was actually $20 billion in June. Industrials led supply again in June with around $37 billion followed by Financials with $26 billion, and Utilities with $9 billion. Primary market activity in July is projected to be around $75-$80 billion, consistent with the typical new issue seasonal slowdown during the month. On a year-to-date basis, gross new issue supply totaled $680 billion ($200 billion net), which is about 9% lower than the prior year period.

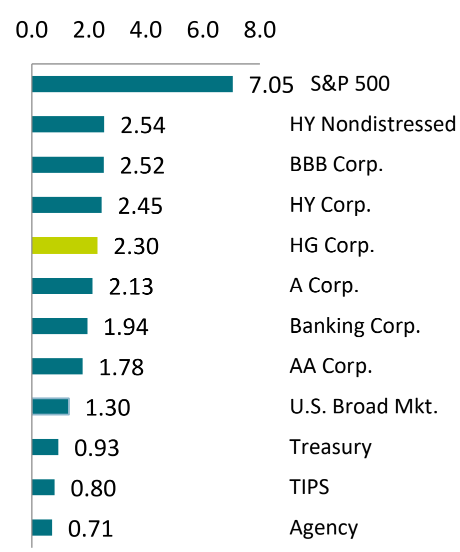
Annual New Issue

Year	Total Supply
2016	1436
2017	1469
2018	1208
YTD 2019	680

ICE BofA ML US Corporate Index YTD Returns %

	Total	Excess
US CORPORATE INDEX	**9.57**	**3.63**
Automotive	7.38	3.24
Banking	8.23	3.52
Basic Industry	10.10	3.97
Capital Goods	9.53	3.54
Consumer Goods	10.58	4.37
Energy	10.34	4.09
Financial Services	7.91	2.71
Healthcare	9.27	2.85
Insurance	10.25	3.76
Leisure	8.59	3.89
Media	11.76	4.90
Real Estate	8.15	2.78
Retail	10.28	3.71
Services	9.79	2.83
Technology & Electronics	9.16	3.19
Telecommunications	13.40	6.25
Transportation	10.79	3.65
Utility	9.73	2.52

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 June 30, 2019.
Past performance is not indicative of future results. For illustrative purposes only.

US Corporate Intermediate Investment Grade Strategy

Portfolio management comments

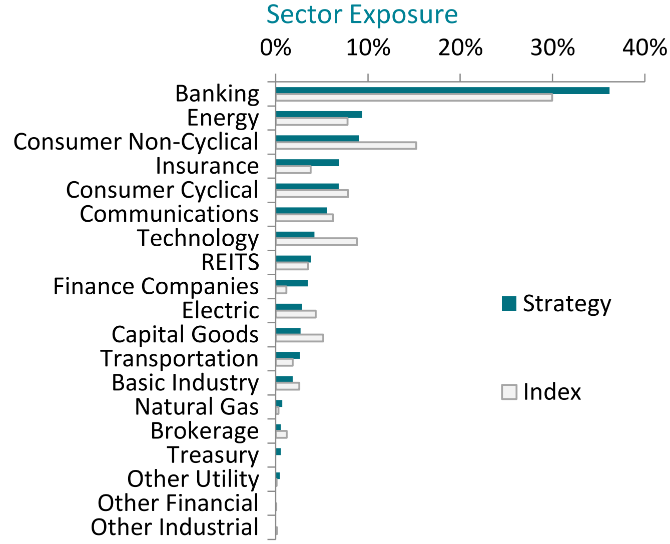
The AXA US Corporate Intermediate Bonds strategy outperformed its benchmark, the Bloomberg Barclays US Intermediate Corporate index during the month of June (gross-of-fees USD). The primary driver of performance during the month was positive security selection in the Industrial sectors Consumer Goods and Telecommunications. The US Intermediate Corporate index had positive total return for the month as US Treasury interest rates decreased while credit spreads tightened. The Corporate Intermediate index posted positive +161 bps of total return and a positive +75 bps of excess return in June. The US Intermediate Corporate index's average OAS was 12 bps tighter on the month and ended June at 91 bps. During June, within the broad market, the Utility sector (+93 bps excess return) underperformed the Financial Institutions sector (+108 bps) and the Industrial sector (+168 bps). Lower quality credit, BBB rated (+168 bps excess return) outperformed single A rated (+122 bps) and double A rated (+93 bps).

The portfolio's sector allocation maintains an overweight to the Financial Institutions sector. Within the broad Industrial sector, the portfolio remains overweight the Leisure, Services, and Media sectors, and underweight Automotive, Technology & Electronics, Consumer Goods, Healthcare, Capital Goods, Basic Industry, and Telecommunications. 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)	**5.2**	4.9
Yield to Maturity	**2.79%**	2.75%
Current Yield	**3.63%**	3.47%
Effective Duration	**4.27**	4.27
Average Coupon	**3.87%**	3.60%
Option Adjusted Spread	**97**	91
Number of Issuers	**136**	685
Number of Positions	**182**	3,958
Average S&P Rating	**BBB+**	BBB+
Cash Position	**2.46%**	N/A

Sector Exposure



Sources: AXA IM, FactSet, as of June 30, 2019. Index: Bloomberg Barclay's 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

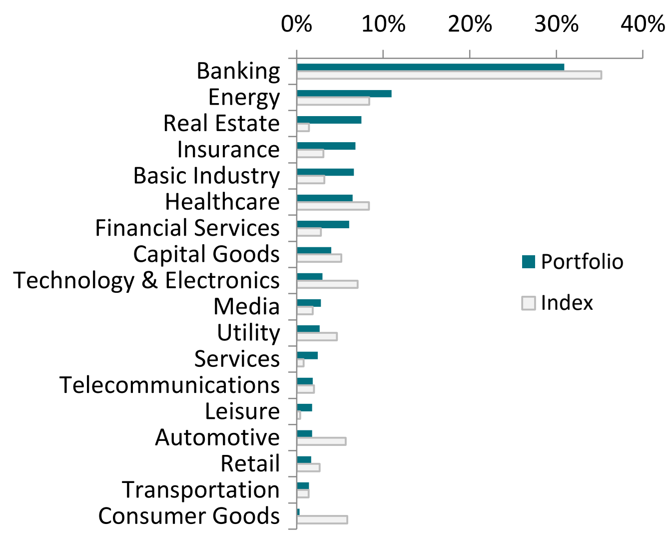
The AXA IM US Credit Short Duration strategy outperformed its performance indicator, the ICE BofA Merrill Lynch 1-3 Year US Corporate index during the month of June as spreads tightened (gross-of-fees USD). The primary driver of performance during the month of June was positive security selection in the Industrial sectors Basic Industry and Healthcare. The 1-3 Year US Corporate index had a positive total return for the month as the 2 Year US Treasury interest rate decreased -17 bps to 1.75%, while credit spreads tightened. The 1-3 Year US Corporate index posted +71 bps of total return and a positive +15 bps of excess return in June. The 1-3 Year index's average OAS was 4 bps tighter on the month and ended June at 67 bps. During June, within the broad market, lower quality credit, BBB rated (+168 bps excess return) outperformed single A rated (+122 bps) and double A rated (+93 bps).

The portfolio maintains a yield advantage relative to the performance indicator (2.67% yield to worst relative to 2.46%), albeit with a similar duration (1.92 effective duration relative to 1.87). The strategy positioning aims to benefit from income and security selection with less volatility derived from interest rates. The portfolio's sector allocation maintains a neutral weight to the Financial Institutions sector. Within the broad Industrial sector, the portfolio remains overweight the Real Estate, Leisure, Services, Basic Industry, Media, and Energy sectors and underweight Consumer Goods, Automotive, Technology & Electronics, Healthcare, Retail, Capital Goods, and Utilities. The portfolio maintains a significant relative overweight to the lower rated triple-B portion of the market.

Characteristics

CHARACTERISTICS	Strategy	Index
Average Maturity (Years)	**2.2**	2.0
Yield to Worst	**2.67%**	2.46%
Current Yield	**3.82%**	3.36%
Effective Duration	**1.92**	1.87
Average Coupon	**3.96%**	3.42%
Option Adjusted Spread	**82**	67
Number of Issuers	**136**	645
Number of Securities	**176**	1,664
Average ML Rating	**BBB1**	A3
Cash Position	**0.82%**	N/A

Sector Exposure



Sources: AXA IM, FactSet, as of June 30, 2019. 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 Strategy

Portfolio management comments

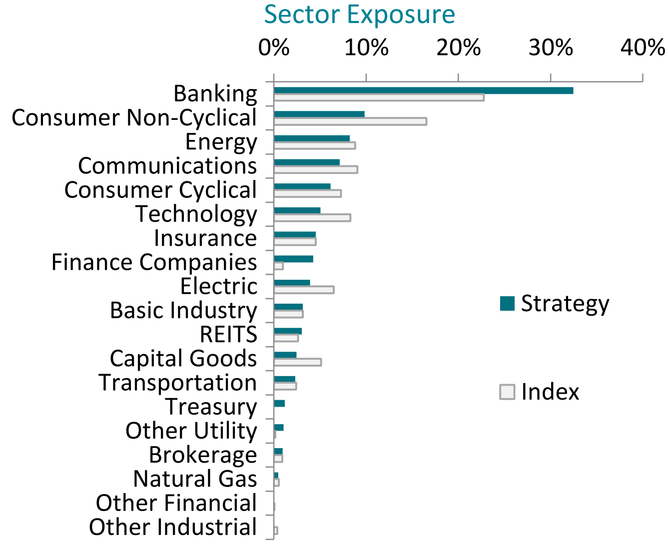
The AXA IM US Corporate Bonds strategy outperformed its benchmark, the Bloomberg Barclays US Corporate index during the month of June (gross-of-fees USD). The primary driver of performance during the month was positive security selection in the Industrial sectors Healthcare, Telecommunications, and Consumer Goods. The US Corporate index had a positive total return for the month as US Treasury interest rates decreased while credit spreads tightened. The Corporate index posted a positive +245 bps of total return and a positive +144 bps of excess return in June. The Corporate index's average OAS was 14 bps tighter on the month and ended June at 115 bps. During June, within the broad market, the Utility sector (+93 bps excess return) underperformed the Financial Institutions sector (+108 bps) and the Industrial sector (+168 bps). Lower quality credit, BBB rated (+168 bps excess return) outperformed single A rated (+122 bps) and double A rated (+93 bps).

The portfolio's sector allocation maintains an overweight to the Financial Institutions sector. Within the broad Industrial sector, the portfolio remains overweight the Leisure, Services, and Real Estate sectors, and underweight Automotive, Basic Industry, Technology & Electronics, Consumer Goods, Telecommunications, Healthcare, and Capital Goods. 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)	**12.3**	11.2
Yield to Maturity	**3.15%**	3.16%
Current Yield	**3.78%**	3.78%
Effective Duration	**7.63**	7.64
Average Coupon	**4.17%**	4.04%
Option Adjusted Spread	**119**	115
Number of Issuers	**146**	757
Number of Securities	**173**	5,952
Average S&P Rating	**BBB+**	BBB+
Cash Position	**3.91%**	N/A

Sector Exposure



Sources: AXA IM, FactSet, as of June 30, 2019. Index: Bloomberg Barclays 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.

Market Outlook

Macro Outlook - US View

If the economic data reports in the month of July weaken more than expected, the debate amongst market participants will become whether or not the Federal Reserve moves to cut rates at the end of July by either 25 or 50 basis points. The framework for the debate will be, in the case of a 25 basis point cut, an insurance move intended to engender further economic expansion, or in the case of a 50 basis point cut, an effort to forestall a policy error. That said, in as much as consumer confidence in the US remains near multi-year highs, the driving force of the US economy, consumer consumption, should factor positively. On the other hand, a lack of business investment due to trade uncertainty and slowing global growth, could provide an unwelcome headwind.

Macro Outlook - Global View

Fixed income returns were positive in June as investors focused on the growing possibility of easier monetary policies. Comments from US Federal Reserve and European Central Bank officials suggested that monetary easing could be provided should risks to the global expansion increase. The biggest risk is the possible impact of any escalation in global trade tensions and protectionist policies. Global manufacturing output growth has already slowed, as indicated by purchasing manager surveys, and there is concern that this could broaden to other sectors of the major economies. While credit spreads have narrowed since the beginning of the year, a further increase in global recession risks would likely reverse this trend, especially if equity market volatility also increased. Hence, going into the third quarter the determinants of market behavior will be the economic data – to gauge how trade tensions have already impacted on economic activity, the evolution of discussions between China and the US on trade, and the willingness of the central banks to meet market expectations of easier policy. Our view is that rates will generally be lower and that a recession will be avoided. However, valuations are less attractive in both rates and credit markets and there are considerable uncertainties in the outlook. As a result, fixed income returns may be less appealing than so far in 2019.

Source: AXA IM as of June 30, 2019.

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 June 30, 2019.

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The Barclays Capital US Corporate Credit – Intermediate Index is composed dollar-denominated investment grade debt from U.S. and non-U.S. industrial, utility, and financial institutions issuers of intermediate maturities (1-10 years). Subordinated issues, securities with normal call and put provisions and sinking funds, medium-term notes (if they are publicly underwritten), 144A securities with registration rights, and global issues that are SEC-registered are included. Structured notes with embedded swaps or other special features, as well as private placements, floating-rate securities, and Eurobonds are excluded from the U.S. Corporate Index.

The ICE BofA Merrill Lynch 1-3 Year US Corporate Index, a subset of the BofA Merrill Lynch US Corporate Master Index, tracks the performance of US dollar denominated investment grade rated corporate debt publically issued in the US domestic market. This subset includes all securities with a remaining term to maturity of less than 3 years. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of $250 million.

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