

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 Convertibles Strategy

Converts rally along with risk-assets in June

- Over the month, the fund successfully captured the positive global equity market performance, posting a total return of 2.88% (net of fees, F EUR share class)
- Europe and the US were the main contributors to the portfolio's performance with no specific relative deviation compared to the index
- Information Technology and Consumer Discretionary, where we have our highest convictions, were again driving the performance

Xavier Lattaignant & Alexandre Fade

Co-Lead Portfolio Managers, AXA WF Framlington Global Convertibles

What's happening?

Risk assets rebounded in June amid investor optimism that the Fed and the ECB would ease monetary policy in the second half of the year, while near month-end markets got a boost on G20 trade deal hopes. In this context, global converts added 2.90% in USD during the month (+2.44% in local currency).

Although performance across all regions has outperformed our forecasts so far this year, we maintain a cautious view as economic data has softened, trade risks persist, and dovish expectations have already been priced-in. Looking ahead, we think key downside risks include central banks acting more hawkish than expected and a full-on recession, while a key upside factor would be a trade war resolution.

Portfolio positioning and performance

Over the month, **AXA WF Framlington Global Convertibles** (net of fees, F EUR share class) successfully captured the positive global equity market performance, posting a total return of 2.88% while the Thomson Reuters Convertible Global Focus Hedged EUR was up 2.41%. This outperformance was achieved with a similar equity sensitivity with the benchmark. YTD, the fund (net of fees, F EUR share class) is posting a total return of 6.68%, 37 bps ahead of the Thomson Reuters Convertible Global Focus Hedged EUR.

In terms of region, Europe and the US were the main contributors with no specific relative deviation compared to the index. Information Technology and Consumer Discretionary, where we have our highest convictions, were again driving the performance.

Overall, more positive news to highlight than negative ones in June. Equity sensitive names performed well, notably positions exposed to the Semiconductor ecosystem following the partial lift on the Huawei sales ban. **Lumentum**, a key supplier rebounded positively but globally all semiconductors names benefited from this tailwind like **Nvidia, Teradyne, STM & On Semiconductors**.

After a few months trading sideways, **Illumina** performed strongly in June. We recently switched our exposure in the convertible maturing in 2019 for the ones maturing in 2021 and 2023. Given the strong growth profile of the company, we are well positioned to accompany it over the long term.

In Europe, **LVMH & Kering** have benefited from the expected drop in import taxes in China, that should decrease further in the coming months.

Negative contributors in the portfolio were names exposed to the German residential sector. **Deutsche Wohnen & Leg Immobilien** have been trading lower in June as Berlin's city government approved a proposal to freeze rents from 2020 for five years. However, this planned rent cap is far from entering into force and it could be deemed unconstitutional; we are closely monitoring the situation to adjust if necessary. Furthermore, the convex profile of the Deutsche Wohnen convertible has played its role as the bond floor held very well. The DWNI 2026 convertible lost 4.39% on the month whereas the equity was down 21.7%. As **Leg Immobilien** has no exposure to Berlin, the loss on the name was more linked to fears of contagion of rents freeze to other German cities than real impact on future rents.

In June, the primary market for convertible bonds picked up and added 4 new issues in Europe for a total of EUR 1.6 billion, among which EUR 850 million of **Cellnex** senior unsecured convertible bonds maturing in 2028 have been placed. We participated to it as we strongly believe in the long-term potential of investments in wireless telecommunications and broadcasting infrastructures.

Outlook

In this environment, we will focus on being opportunistic to reinforce or start positions on names only if we are fully convinced of their unique and resilient growth potential over the long term. Additionally, we will keep reinforcing the defensive profile of the portfolio in case of further stress in the credit market by investing in quality names with solid balance sheet and positive yield to maturity.

More broadly, given the uncertainty in the macro environment, we continue to adopt a defensive profile, i.e. focusing on names with strong balance sheets, strong cash-flow generation and visible growth. Therefore, we particularly favour Aerospace, Technology and companies exposed to long-term secular trends which can enable them to generate solid revenue growth over time.

At the end of the month, the fund's delta was slightly below the index at 43.0% for the fund versus 44.2% for the index, coherent with our conservative approach.

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.

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.

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.

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.

El presente documento y cualquier información y/o datos financieros reseñados en el mismo no suponen invitación o recomendación de adquisición o inversión, ni deben constituir la base para la toma de decisiones inversoras ni de garantía de rentabilidad futura de inversiones financieras y, en ningún caso, está dirigido a clientes minoristas y/o inversores finales. La información contenida en el mismo está destinada a clientes profesionales y contrapartes elegibles tal y como son definidos en tanto en los artículos 205 y 207 del Texto Refundido de la Ley del Mercado de Valores como en las normas MiFID (Directiva sobre Mercados de Instrumentos Financieros) 2004/39/CE, presumiéndose, por tanto, la experiencia, conocimientos y cualificación necesarios para tomar sus propias decisiones de inversión y valorar correctamente sus riesgos y el de sus clientes. Dicha información y datos tienen una finalidad meramente informativa y se recomienda tener un conocimiento más detallado a través de los documentos y folletos inscritos en los organismos nacionales e internacionales de regulación especialmente la toma en consideración y conocimiento del Documento de Datos Fundamentales para el Inversor (DFI). El receptor de esta información debe tener presente que la evolución de las variables económicas y los valores de los mercados financieros pueden cambiar significativamente y ser diferentes a los análisis e indicaciones que figuran en este documento. Los inversores deben tener en cuenta que el mercado financiero es fluctuante y que está sujeto a variaciones y que los tipos de cambio pueden sufrir oscilaciones que incidan directamente en la rentabilidad de las inversiones, tanto al alza como a la baja. No debe tomarse como referencia la rentabilidad pasada del producto pues no implica que se comporte de igual forma en el futuro. Para una mayor información y especialmente para el conocimiento de la disponibilidad de los productos se recomienda visitar las páginas web, www.axa-im.com y www.axa-im.es. Les invitamos a verificar con la sociedad de gestión o directamente en nuestra página web, www.axa-im.com, la lista de países en los que se comercializa el fondo.

AXA INVESTMENT MANAGERS no asume responsabilidad alguna por cualquier acto u omisión derivada del uso de la información facilitada, declinando toda responsabilidad por el uso incorrecto o inadecuado del presente documento.

AXA INVESTMENT MANAGERS GS LIMITED SUCURSAL EN ESPAÑA, tiene su domicilio social en Madrid, Paseo de la Castellana núm. 93, 6ª planta, se encuentra inscrita en el Registro Mercantil de Madrid, hoja M-301801, y se encuentra registrada en la CNMV bajo el número 19 como ESI del Espacio Económico Europeo con Sucursal.

AXA FUNDS MANAGEMENT, es una sociedad anónima constituida conforme a la legislación vigente en Luxemburgo, con número de Registro en Luxemburgo B 32.223RC, y con domicilio social situado en el nº 49, Avenue J.F. Kennedy L-1885 Luxemburgo.

AXA ROSENBERG MANAGEMENT IRELAND LIMITED es una sociedad de responsabilidad limitada constituida y regulada por las leyes de Irlanda, con domicilio social en 78 Sir John Rogerson's Quay Dublín 2, regulada por el Banco Central de Irlanda y registrada en dicho Estado con el número 310308.

Los subfondos de AXA WORLD FUNDS, SICAV de derecho luxemburgués armonizada domiciliada en 49 Avenue J.F. Kennedy L-1855 (Luxemburgo), registrada en la CSSF y en el Registro Mercantil de Luxemburgo bajo el número B-63.116 están inscritos en la CNMV con el número 239 (*verificar en CNMV las clases registradas).

Los subfondos de AXA ROSENBERG EQUITY ALPHA TRUST, fondo de derecho irlandés armonizado, domiciliado en Dublín 1 (Irlanda) Guaid House Guaid Street registrado en la Ireland Financial Market Authority (IFMA) bajo el número 310308 están inscritos en la CNMV con el número 294 (*verificar en CNMV las clases registradas).

Los subfondos de AXA IM FIXED INCOME INVESTMENT STRATEGIES, Fondo de Inversión de derecho luxemburgués armonizado, domiciliado en 49 Avenue J.F. Kennedy L-1855 (Luxemburgo), autorizado y registrado en la Commission de Surveillance du Secteur Financier CSSF bajo el número 3692 están inscritos en la CNMV con el número 867 (*verificar en CNMV las clases registradas).