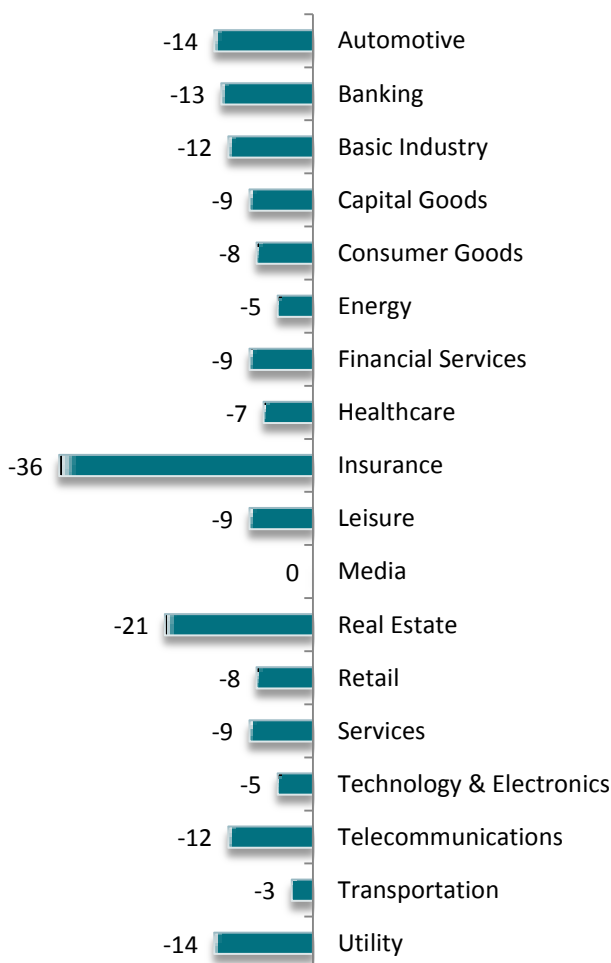


For professional clients only. This is not to be viewed by or used with retail clients

Euro Credit Perspectives

- **Prospects of central banks easing and potentially renewed QE by the ECB pushed spreads tighter this month**
- **Technicals remain strong despite the flurry of new issuance**
- **We maintain our constructive view on the IG credit, for now**

What's happening








- 2019 is off to a strong start for nearly all global risky assets and the May dip was not enough to offset the strong performance seen this year. **The prospect of synchronised central banks easing, optimism over a trade resolution between US/China and increasing proportion of bonds with negative yield** pushed spreads much tighter in June, almost offsetting the May losses. Indeed, investment-grade excess returns was the highest since 2012 reporting 3.1% in the first half of the year. In terms of total return, the asset class recorded a nice 5.35% supported by declining risk-free rates, one of the best returns reported over the last decade.
- The Euro BofA ML Corporates index tightened by 11bps to 74bps, but still off YTD tightens. **BBBs and long-dated bonds delivered the highest returns as did the high beta buckets.** Indeed, the Financial subordinated sector tightened by 31bps during the month and 32bps for the corporate Hybrids. In the senior, **real estate was the outperformer despite higher issuance** (Prifii, Klepierre, In'li), with a nice tightening in names like Aroundtown, VestNL, and Foncières des Régions. Energy has been the laggard affected by the weak performance of Pemex following the downgrade by Fitch and the negative outlook by Moody's.

Our Sector Positioning

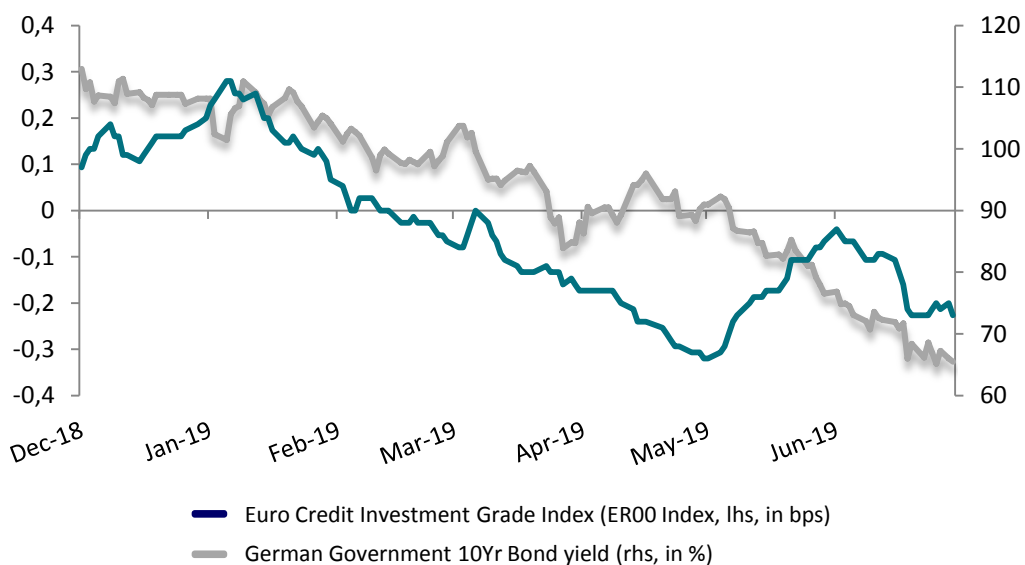
- **Overweight** on financial subordinated and corporate hybrids with a preference for bonds with intermediate call date, selective on high-yield names favoring sectors like Telecoms, Basic industry and Services
- **Neutral** on Financial senior given our expectations for higher supply especially in the Non-preferred/Holdco segment in the coming quarters. We expect more supply from UK and US banks notably
- **Positive** on Real Estate, TMT and Transportation issuers on the back of adequate fundamentals, modest M&A and satisfactory valuations. We maintain our **Underweight** on Auto, Healthcare, Basics and Consumers as spreads are unappealing

Our Country Positioning

	UW	N	OW
		●	
			●
			●
			●
	●		

- **Overweight on peripheral debt with a preference for financials** that benefit from attractive valuations vs. Govies. On the top of that, we have a constructive view on their fundamentals: adequate capitalization and improving asset quality (lower NPL mainly for Italian banks), Valuations remain unappealing on UK banks and corporates

Euro Credit Market Valuation



Outlook

- Central banks policy has been supportive for the investment-grade credit asset since early this year. In a low risk free rate environment, we believe these **strong technicals should continue to support credit spreads**. More QE and/or rate cuts should squeeze spreads even more
- **Investment grade fundamentals are expected to remain fairly stable** in terms of Ebitda margins and leverage, with weakness in some well-flagged sectors like Automotive and Retail. Large M&A deals should be contained to highly rates companies
- We **maintain our positive view on the asset class with an Overweight on high-beta buckets**. Our view is that spread compression should continue in the next few months

	UW	N	OW
Financial Senior		●	
Financial Subordinated			●
Corporate Hybrids			●
Defensive Senior		●	
Cyclical Senior	●		

Duration Time Spread (DTS%)



We remain constructive with our risky asset positioning with a targeted DTS between 130%-150%

Source of all information: AXA Investment Managers as at 31/05/2019 unless otherwise stated.

For professional clients only. This is not to be viewed by or used with retail clients.

Circulation must be restricted accordingly. Any reproduction of this information, in whole or in part, is prohibited.

This communication does not constitute an offer to buy or sell any AXA Investment Managers group of companies' ('the Group') product or service and should not be regarded as a solicitation, invitation or recommendation to enter into any investment transaction or any other form of planning. It is provided to you for information purposes only. The views expressed do not constitute investment advice, do not necessarily represent the views of any company within the Group and may be subject to change without notice. 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.

Past performance is not a guide to future performance. 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. Due to this and the initial charge that is usually made, an investment is not usually suitable as a short term holding.

Before making an investment, investors should read the relevant Prospectus and the Key Investor Information Document / scheme documents, which provide full product details including investment charges and risks. The information contained herein is not a substitute for those documents or for independent advice. Some of the investment vehicles mentioned may not be available in certain jurisdictions. Please check the countries in which they are registered with the asset manager.

AXA WF Euro Credit Plus, AXA WF Euro Credit IG, AXA WF Euro Credit Total Return and AXA WF Euro Credit Short Duration are sub-funds of AXA World Funds, which is a SICAV fund domiciled in Luxembourg. The sub-funds are recognised by the UK Financial Conduct Authority and are available for sale to the public in the UK. There may be tax implications for a UK investor investing in the Fund and tax advice should be obtained before an investment is made.

AXA WORLD FUNDS's registered office is 49, avenue J.F Kennedy L-1885 Luxembourg. The Company is registered under the number B. 63.116 at the "Registre de Commerce et des Sociétés". The Company is a Luxembourg SICAV UCITS IV approved by the CSSF.

Issued 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. Telephone calls may be recorded for quality assurance purpose. 21242 02/2018

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) Guiad House Guiad 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).