Global Strategic Income strategy[1]

Another everything rally for Global Fixed Income

- Strong data, progress on trade deals and more accommodative monetary policy outweigh fears in private credit and a potential AI investment bubble
- Credit markets overall performed positively but spreads showed some volatility and lower rating cohorts (CCCs) produced negative returns
- Late in the month the Fed delivered a hawkish 25bps cut and the ECB stayed on hold for a third consecutive meeting
- We have added a 3.6% allocation of ABS/CLO as part of a longer-term structural allocation to securitised assets which we now view as part of Core Fixed Income

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What's happening?

- October was the second consecutive month of *"an everything rally"* for Global Fixed Income, although strong returns hide some dispersion and volatility across credit markets.
- The US government shutdown due to Congress's failure to agree on funding disrupted the usual inflation and labour market data, shifting focus to private releases that indicating steady economic activity and a more stable labour market. September's CPI, released late, surprised to the downside at 3.0% YoY (expected 3.1%), up from 2.9%, with monthly inflation slowing to 0.3% from 0.4%.
- The US trade war was in focus and US-China relations were initially strained. In response to China's sweeping export controls on rare minerals the US threatened 130% tariffs on Chinese imports. Tensions calmed following a meeting between the country's two leaders where a truce on deals until November 2026 were agreed. The US also announced new trade deals with South Korea and Japan.
- In Europe, the focus remains on France's budget situation, and how the French National assembly which remains split across different groups can agree on a sustainable way forward for the country's debt trajectory. This resulted in S&P lowering its credit rating for French sovereigns from AA- to A+. However, Euro area growth surprised positively in Q3,

Strategy in focus – representative account (31/10/25)		
Assets under management		**$588 m**
Duration		**3.86 years**
Yield[1]		**4.92%**
Running yield[1]		**4.37%**
Spread to government[2]		**150 bps**
Number of holdings		**226**
Launch date		**11/05/2012**
Net performance – representative account (USD)[3]		
	Cumulative	**Annualised**
One month	**0.71%**	**-**
One year	**5.94%**	**5.94%**
Three years	**18.89%**	**5.93%**
Five years	**6.02%**	**1.18%**
Ten years	**35.37%**	**3.07%**

Source: AXA IM as at 31/10/2025. The data is based on a representative account that follows the Global Strategic Bonds strategy. **Past performance is not a reliable indicator of future results**. Performance calculations are net of fees, based on the reinvestment of dividends.

[1]As from 08 September AXA WF Global Strategic Bonds has changed name to AXA WF Global Strategic Income
Source: All data sourced from Bloomberg, local currencies, as at 30/09/2025

expanding 0.2% (vs. 0.1% expected), with Spain leading at +0.6% and France close behind at +0.5%, despite the political situation.

- October reversed recent UK market underperformance, with sovereign and credit markets outperforming US and Europe. Driving this performance was progress on the UK's inflation problem which increased market pricing for BoE easing and a corresponding move lower in yields. Inflation data surprised to the downside, 3.8% vs expectation of 4.0%, and unemployment climbed to 4.8% and wage growth slid to a three-year low, both show a cooling in the labour market and should be disinflationary.
- October was another month of Central Bank Activity. The Fed cut rates by 25bps to 3.75%-4.00%, markets interpreted this as a hawkish cut due to Powell's comments that a December cut was not a *"foregone conclusion"* and the three-way FOMC split. The European Central Bank (ECB) maintained rates at 2.0% for the third consecutive meeting. This was largely as expected and had little impact on markets. The Bank of New Zealand also delivered a 50bps cut and the Bank of Japan (BoJ) voted to keep rates on hold at 0.50%.
- Global fixed income markets were buoyed by progress on trade deals, strong data releases and a lower Fed funds rate despite adjustments to expectation of future easing. Headwinds to this, particularly in credit, were from concerns on the state of private credit and fears of an AI bubble. US firms' Tricolour and First Brands, heavily reliant on private credit, collapsed and subsequent losses were felt at US regional Banks exposed to the private credit space.
- The best performing fixed income asset classes during the month were UK Inflation, all maturity Gilts and UK Investment Grade Credit, all producing their strongest monthly returns year-to-date, +3.7%, +2.8% and +2.2% respectively. EMD also produced a healthy return of +2.0%. Returns in the region of +0.6% where produced by Sovereign and Investment Grade Credit in both the US and Europe where both yields and spreads where more or less unchanged. US and European High Yield scraped into positive territory at +0.3% and +0.1% respectively, being dragged down by weakness in lower rated cohorts.

Portfolio positioning and performance

- **Defensive (31%):** Allocation to the defensive risk bucket decreased by c.2% during the month. The main change came from selling down the limited exposure we had to French Sovereign bonds to fund purchases elsewhere. French Sovereigns had shown a fair bit of weakness earlier in the month and at their worst point the Franco German spread widened to levels last seen in the Eurozone crisis in 2012. We also trimmed duration back to 3.9 years, keeping the bulk of this exposure to the belly of the curve, 2.5 years at 5-to-10-year maturities. Cross market exposure is still tilted to the US with 1.62 year of US duration risk, and 1.12 and 1.11 years of duration risk in the UK and Europe respectively.
- **Intermediate (26%):** Allocation to the intermediate risk bucket decreased by just over 1% during the month. We took advantage of volatility in US investment Grade spreads to add to several US Insurance names at more attractive prices. These were BBB names we have held in the portfolio for some time and all offer yields close to 5%. Conversely, we sold down and took profit on our UK Investment Grade allocation after what was a very strong month of performance for this part of the market. Some of the more well-known names we sold down were Lloyds Banking Group, Shell and Nationwide, all which had strong price movement across the bonds we own.
- **Aggressive (43%):** Allocation to the aggressive risk bucket increased by c.2% during the month. Across both Emerging Market Debt and US High Yield we moved up in quality. Our view has shifted, and we now see the risk reward profile being more favourable in higher quality high yield. We're also now deploying capital into securitised assets. In this asset class we have built up a 3.6% allocation across 10 names with an average BBB rating producing a yield of close to 6%. Using securitised assets, namely ABS/CLO, is a long-term structural decision in the view that these markets have reached a point of maturity, depth and liquidity which they can now be considered as part of core fixed income. The higher spread sensitivity gives us more leavers to pull should we want to be less correlated to higher quality parts of the market.

Source: All data sourced from Bloomberg, local currencies, as at 30/09/2025

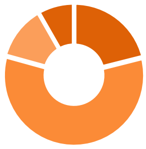
Outlook

- Our view is that US Treasuries yields are fairly priced to expensive. Markets pricing in/out of Fed easing creates higher volatility and there is a risk that when the normal run of macro data resumes it could be contrary to people's expectations.
- We're still cautious on European duration but are seeing more opportunity in the UK curve. The ECB has less room to ease, and Euro area economics are improving. Relative value in the UK is still attractive and the BoE is behind in its easing cycle - the direction for UK yields hinges on the outcome of next month's budget.
- We expect steepening to continue, albeit there may be a reversal of this in the short term - at some point, but not yet, we will look to roll out into longer maturities to crystallise profits and capture yield.
- The macro environment is supportive for credit, fundamentals are strong, and supply and demand dynamics are still robust, but at current credit valuations a more selective approach is key. Even At current credit valuations though it's possible that either moves sideways or modest wider in spread would deliver decent returns.
- Policy uncertainty, the risk of a more pronounced slowdown, a correction of AI/Tech valuations in the US, or overspill from stress in private credit markets are the key risks to credit valuations. Whereas the risk to market yields indiscriminately moving higher, are if the upside risks to inflation is not fully priced, a tighter than presumed labour market, or if the Fed were to cut into a strengthening economy.
- Alternatively, if tariff induced inflation goes unrealised, the Fed achieves a much-vaunted soft landing, and markets are right not to excessively price geopolitical risk, we could experience a bull steepening of sovereign curve and tighter credit spreads into year end.

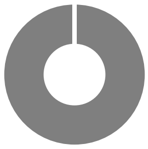
Strategy breakdown	
Defensive	30.7%
Intermediate	26.3%
Aggressive	43.0%
Total	**100%**

Defensive breakdown	30.7%
US Government Bonds	6.2%
Core Europe Government Bonds	7.5%
Inflation-Linked Bonds	10.6%
Cash	6.4%

Intermediate breakdown	26.3%
US IG Credit	10.6%
Euro & Sterling IG Credit	15.6%



Aggressive breakdown	43.0%
Emerging Markets (HC 9.1%/LC 0%/FX 0%)	9.1%
US High Yield	25.1%
European High Yield	5.3%
Securitised	3.6%



Derivatives breakdown	7.0%
Bond Futures	7.0%
Credit Default Swaps	0.0%

Credit rating breakdown

Category	Rating	Total
Defensive	Cash	6.4%
	AAA	0.0%
	AA	24.3%
	Total	30.7%
Intermediate	AAA	2.2%
	AA	0.6%
	A	6.5%
	BBB	17.0%
	BB	0.0%
	Total	26.2%
Aggressive	AA	0.2%
	A	2.3%
	BBB	4.1%
	BB	15.5%
	B	14.0%
	CCC & below	6.8%
	Not rated	0.1%
	Total	43.0%

Source: All data sourced from Bloomberg, local currencies, as at 30/09/2025

(1) Yield figures quoted will vary in the future and are not guaranteed. Yield calculated to maturity, assuming next call date, using local currency yields.
(2) Average credit spread relative to government bonds.

(3) Representative account has been selected based on objective, non-performance-based criteria, including, but not limited to the size and the overall duration of the management of the account, the type of investment strategies and the asset selection procedures in place. Therefore, the results portrayed relate only to such accounts and are not indicative of the future performance of such accounts or other accounts, strategies and/or services described herein. In addition, these results may be similar to the applicable GIPS composite results, but they are not identical and are not being presented as such. Account performance vary based upon the inception date of the account, restrictions on the account, along with other factors, and may not equal the performance of the representative accounts presented herein. The performance results for representative accounts are net of all fees and reflect the reinvestment of dividends or other earnings.

No assurance can be given that the Global Strategic Bonds strategy will be successful. Investors can lose some or all of their

capital invested. The Global Strategic Bonds strategy is subject to risks including credit risk, operational risk and counterparty risk. The strategy is also subject to derivatives and leverage, emerging markets, global investment grade and high yield securities, securitised assets and collateralised debt risks.

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