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# Global Strategic Income strategy<sup>1</sup>

## Mixed returns as US assets once again outperform

- A weaker month for Global Fixed Income but US assets outperform
- Much anticipated UK Budget received smoothly by markets
- Market pricing for a 25bps Fed rate cuts see saws from <30% to >80%
- Overall duration risk reduced to 3.0 years with most of the risk been taken out of UK exposure

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### What's happening?

- Following a couple of strong months for Global Fixed Income, bond and credit returns were weaker and there was notable dispersion across markets. Spreads moved marginally wider or were flat across the board, and all, but US rates markets moved higher in yield.
- The path towards lower US yields during November was choppy. 10 -year yields traded in an 81bps range before ending the month down 7bps. Contributing to this volatility was the Government Shutdown, which despite ending after 43 days on 13th November, meant usual data releases continued to be delayed. One such print was September's non-farm payrolls which were firmer than expected. This contrasted with an uptick in the unemployment rate to 4.4% from 4.3%, an ADP private payrolls report showing continued private sector job losses and weak forward looking sentiment indicators. The mixed data reports led to large swings in market pricing for a December Fed cut, at one point it moved to <30% before reverting to >80% by the end of the month.
- While the end of the US shutdown did breathe some relief for US credit markets, concerns around tech valuations and a stock market correction has not gone away. There has also been a large increase in US IG issuance, last month Meta issued \$30bn of bonds, the largest issue of the year, and this month Amazon followed suit and issued \$15bn.
- European sovereigns underperformed. Whilst much of the moves higher in yield were due to global factors, accelerating the sell-off in Europe was an upside surprise in the latest European CPI print, November YoY +2.2% versus expectations of +2.1%, and some hawkish messaging from the ECB. The weakness in European Sovereigns weighed on European Credit, Euro IG delivered its worst month of total returns year to-date, and we saw two defaults in European HY. That said Euro HY, was offered some reprieve as low cash rates in Europe are keeping demand high for higher yielding asset classes, this

### Strategy in focus – representative account (30/11/25)

Assets under management	\$589 m
Duration	3.00 years
Yield <sup>1</sup>	5.06%
Running yield <sup>1</sup>	4.35%
Spread to government <sup>2</sup>	168 bps
Number of holdings	230
Launch date	11/05/2012

### Net performance – representative account (USD)<sup>3</sup>

	Cumulative	Annualised
One month	0.36%	-
One year	4.96%	4.96%
Three years	16.43%	5.21%
Five years	4.96%	0.97%
Ten years	35.93%	3.12%

Source: AXA IM as at 30/11/2025. 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.

<sup>1</sup>As from 08 September AXA WF Global Strategic Bonds has changed name to AXA WF Global Strategic Income  
Source: All index and economic data sourced from Bloomberg, local currencies, as at 30/11/2025



combined with issuance tailing off into year-end was enough to counteract the weakness in the underlying sovereign curve.

- In the UK the main story was the UK Budget delivered on the 26th of November. The contents of which included tax rises, and more spending. However, the tax measures seemed to avoid inflationary aspects, and progress was made on bringing down the deficit and increasing the UK's fiscal headroom. Overall, the budget was received well by UK bond and credit markets. Preceding the budget, was this year's penultimate BoE's MPC meeting. Given its timing and with inflation still above target it was perhaps no surprise that the MPC voted to keep rates on hold at 4.00%. Data prints later in the month though showed UK unemployment rising to 5.0%, Q3 GDP surprising to the downside and inflation slowing to 3.6%. These prints dialled up expectations for a cut at the next BoE meeting in December and saw shorter dated more rate sensitive Gilts move lower in yield.
- Overall monthly total returns across fixed income markets were weaker than what have seen recently. Returns of between 50bps and 60bps could have been found in US fixed income, which was closely followed by Emerging markets which at Index level returned 40bps. Sterling markets and European HY eked into positive territory with returns of approx. 10bps, but European IG, European Sovereign and UK Inflation were all negative on the month.

## Portfolio positioning and performance

- **Defensive (31%):** Allocation to the defensive risk bucket remained stable throughout November, and currently we're holding 6.5% in US Treasuries, 6.0% in UK Gilts and 1.5% in French OATs. We also own 10.7% in inflation linked bonds, the majority of which is in the US with a small amount of UK Inflation Linked Gilts. While cash bond allocation has remained stable, we have reduced overall duration by 0.8 years. The majority of this was taken away from UK curves. We first reduced UK duration after Gilts rallied following a weaker than expected CPI, we then took away more UK duration when gilts yields moved lower immediately after the UK budget, our view is that the UK market could give back some of these gains, so we were happy to take profits. Across curves our duration exposure is 1.1 years in Europe, 0.3 years in the UK and 1.7 years in the US. We're also now more tilted to shorter maturities with 2.3 years of our overall duration exposure at maturities of seven years or less.
- **Intermediate (26%):** Our intermediate risk bucket allocation decreased by 0.6% during the month. In the US IG carve out we sold out of the Netflix A- 2054 bond we owned and also out of a 2055 BBB- US Consumer Goods name. We did though purchase a US BBB 2045 Utility and an US BBB 2055 Energy name, so overall our allocation to US IG remained stable. There was no trading activity across the UK and European IG names we own, however given the weakness in European IG there was a fall in overall allocation to the Intermediate risk bucket.
- **Aggressive (44%):** Allocation to the Aggressive risk bucket increased by 0.7% during November. We reduced our allocation to both US HY and Emerging Markets during the month. In both cases we moved up in quality as we continue to now see the risk reward profile being more favourable in the higher quality cohorts of these asset classes. During the month we also continued to add to our Securitised sleeve now represents approx. 5% of the overall portfolio and producing a yield of 5.6% with a BBB average rating.

## 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 now cautious on both European and UK duration. The ECB has less room to ease, and Euro area economics are improving. UK Yields have performed well recently but inflation is still above target and a hawkish surprise by the BoE could see much of the recent gains be reversed.
- 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 demand is still strong enough to outweigh the uptick in supply. Current credit valuations are still a concern however even at this level 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 and beyond.



### Strategy breakdown

Defensive	30.5%
Intermediate	25.7%
Aggressive	43.8%
<b>Total</b>	<b>100%</b>



### Defensive breakdown

<b>Defensive breakdown</b>	<b>30.5%</b>
US Government Bonds	6.2%
Core Europe Government Bonds	7.5%
Inflation-Linked Bonds	10.6%
Cash	6.4%



### Intermediate breakdown

<b>Intermediate breakdown</b>	<b>25.7%</b>
US IG Credit	10.6%
Euro & Sterling IG Credit	15.1%



### Aggressive breakdown

<b>Aggressive breakdown</b>	<b>43.8%</b>
Emerging Markets (HC 8.8%/LC 0%/FX 0%)	8.8%
US High Yield	24.8%
European High Yield	5.1%
Securitised	5.0%



### Derivatives breakdown

<b>Derivatives breakdown</b>	<b>1.8%</b>
Bond Futures	1.8%
Credit Default Swaps	0.0%

## Credit rating breakdown

Category	Rating	Total
Defensive	Cash	6.2%
	AAA	0.0%
	AA	24.4%
	<b>Total</b>	<b>30.6%</b>
Intermediate	AAA	2.3%
	AA	0.6%
	A	6.4%
	BBB	16.5%
	BB	0.0%
	<b>Total</b>	<b>25.7%</b>
Aggressive	AA	0.2%
	A	2.1%
	BBB	5.7%
	BB	15.2%
	B	14.1%
	CCC & below	6.4%
	Not rated	0.1%
	<b>Total</b>	<b>43.7%</b>

(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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**Source: All index and economic data sourced from Bloomberg, local currencies, as at 30/11/2025**



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