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Focus Product: AXA WF US Credit Short Duration IG

Primary goal is to generate consistent income with low volatility, seeking a higher return than short-term government bonds and cash

Description

Short maturity USD Investment Grade bond fund with 10+ year track record of consistent alpha generation in both positive and negative credit environments.

Team

3 PMs with 23 years' average industry experience, dedicated to managing US active IG credit portfolios within a broader team managing a total of USD 42bn US corporate credit.

Differentiators

Investment style based on consistency and superior credit selection through best-in-class fundamental analysis. Close collaboration with High Yield team to identify rising stars + reinforce sell discipline.

WHAT IS THE FUND?

- Invests mainly in short duration (1-3Y) corporate investment grade bonds denominated in USD.
- Managed with a total return style the fund targets consistent and incremental returns by focusing on income generation and capital preservation.

WHY THE FUND?

1. Superior risk/return profile vs short-term government bonds and cash.
2. A short duration portfolio reduces interest rate sensitivity against the overall US credit market.
3. Security selection is the main driver of returns, leading to consistent alpha generation with positive alpha on over 70% of (gross) historic monthly returns.

WHY NOW?

- Inverted yield curve offers chance to lock in attractive yield per unit of duration.
- "Higher for longer" is supportive of focus on consistent income capture.
- Diversifier out of cash, with short-term rates set to decline.

PERFORMANCE & DRIVER: Q2 2024

- The fund outperformed its indicator, the ICE BofA 1-3 Year US Corporate Index (net of fees, USD).
- Primary driver was positive security selection, particularly in Banking but also in Financial Services, Healthcare, Media and Energy.
- Combined duration & yield curve effects were also positive given the fund's short duration positioning relative to indicator.

New shares for JP Morgan, class UF and UA only launched 1st July 2024.

Historic gross of fees representative performance below based on:

- AXA WF US Credit Short Duration IG - institutional class I Cap USD
- ICE BofA 1-3 Year US Corporate Index

Total return	Calendar year returns					
	2019	2020	2021	2022	2023	YTD
Fund	6.12%	4.53%	0.31%	-2.95%	5.78%	2.39%
Reference index	5.43%	4.16%	-0.01%	-4.05%	5.61%	1.96%
Alpha	0.69%	0.37%	0.32%	1.10%	0.17%	0.43%

Source: AXA IM as at 30 June 2024

Did you know? 99% of longer-term US credit returns come from coupon and only a small fraction from price movement
– this is why the strategy invests for income and capital preservation