

AXA WF US Credit Short Duration IG UF q (H) GBP

Fund Manager's Comment

The focus in October was once again on the Fed's meeting and the FOMC did cut the funds rate by 25bps, as expected. What surprised investors was Fed's Chair Jerome Powell bluntly raising doubts on another rate cut in December as the FOMC seems very focused on the labor market weakness. The market was quick to reprice lower the probability of a rate cut at the next Fed's meeting. The focus was also on the 3Q earnings season and results have continued to come in very strong: with around 57% of the S&P that has reported so far, the average EPS growth is 11% with most sectors (other than Technology) reporting double digit earnings growth. The strong corporate fundamentals are especially important in the context of the absence of the usual economic data due to the government shutdown. Finally, there was positive momentum on the trade front as the Trump/Xi meeting on the penultimate day of the month resulted in an extension of the truce between US and China. The market reaction was cautious as there was no resolution of the underlying conflicts between the two superpowers, but the meeting's outcome keeps alive the possibility of a more extensive agreement. With this backdrop, credit spreads leaked 5bps wider in October and the US IG excess return was -28bps. The IG total return was +38bps in October, aided by slightly lower rates as the UST 10-year ended the month 7bps lower at 4.08%. Across other risk assets, the US IG underperformed the S&P 500 with 2.34% total return and the US Treasury with +62bps but outperformed the US HY market which posted +20bps.

Primary issuance in October totaled \$149bn, above the the initial forecast of ~\$90bn, as we saw \$79bn of supply alone in the last week of the month making it the most active week in 2025 and the 3rd most active week on record (excluding 2020). This was due to Meta issuing the largest transaction of the year and the 5th largest in the IG history, with \$30bn of debt spread across 6 tranches to help funding the massive AI investments the company is making in servers, data centers and network infrastructure. Within a relatively short period of time, Meta was able to raise around \$57bn through a regular IG bond deal and the Beignet transaction (i.e. JV between Meta and Blue Owl). New issuance during the month was led by Industrials which accounted for \$71bn, followed by Financials \$49bn and Non-corporates \$26bn. October brings the YTD supply to \$1,647bn (on gross basis), which is roughly in line with \$1,628bn over the same period last year. New issue supply for November is projected to be \$115bn, in line with the typical seasonal slowdown.

Industrials (-40bps excess return) underperformed Financials (-14bps excess return) and Utilities (-10bps) in October. BBB-rated credits (-28bps excess return) underperformed A-rated credits (-17bps) and AA-rated credits (-13bps). The best performing sectors were Airlines (+24bps excess return) and Automotive (+20bps), while the worst performing sectors were Cable Satellite (-165bps), Media (-88bps), and Technology (-52bps).

In October, the AXA WF US Credit Short Duration Fund outperformed its performance indicator, the ICE BofA Merrill Lynch 1-3 Year US Corporate Index (gross-of-fees, USD). The main driver of performance was positive security selection, particularly in the Industrial sectors Healthcare and Energy as well as the Financial sector Banking. Sector allocation as well as yield curve effects had a neutral contribution on performance. The index posted +34bps of total return for the month as 2-year US treasury yield declined -4bps to 3.58%. The index posted +1ps of excess return as credit spreads widened. The index's average OAS was +1bps wider and ended the month at 50bps. The fund aims to maintain a yield advantage relative to the performance indicator (4.32% yield to worst relative to 4.17%).

The outlook for the US Investment Grade market remains neutral. The Macro is still supportive as the US economy continues to show resilience in the face of uncertain trade policy influences, though the labor market has been showing signs of deceleration. Corporate fundamentals remain strong and are not exhibiting late cycle leverage concerns. On Valuation, although absolute yields remain attractive and could benefit from lower benchmark rates, credit spreads have been running at the lower end of the range. Sentiment remains positive overall and has been aided by incremental clarity on trade policy with several deals announced between the US and its key trading partners, which has also help investors to better gauge potential impacts of tariffs. Technicals remain very supportive. New issue supply is running slightly ahead of last year's run rate but continues to be very well

Benchmark

The fund doesn't have a benchmark.

The Fund is actively managed without reference to any benchmark.

Fund Profile

ESG Rating



% of AUM covered by ESG absolute rating: Portfolio = 100.0% (not meaningful for coverage below 50%)

For more information about the methodology, please read the section 'ESG Metrics Definition' below

Fund Manager

Frank OLSZEWSKI

Guillaume ARNOULD - Co-Manager

Fund Manager's Comment (Continued)

digested as flows continue into the asset class reflecting still strong interest from yield-base buyers. Within sectors, we are overweight Financials and Telecommunications and underweight Technology & Automotive, Electronics, Consumer Goods, Basic Industry and Retail.

Additional Information

Administration: UF q (H) GBP

Legal form	SICAV
UCITS Compliant	Yes
AIF Compliant	No
Legal country	Luxembourg
1st NAV date	01/07/2024
Fund currency	USD
Shareclass currency	GBP
Valuation	Daily
Share type	Income
ISIN code	LU2819793709
Distribution Type	Net Income
Transaction costs	0.03%
Ongoing charges	0.22%
Financial management fees	0.07%
Performance fees : none	
Minimum initial subscription	30 000 000 GBP
Management company	AXA INVESTMENT MANAGERS PARIS SA
(Sub) Financial delegation	AXA Investment Manager US Inc
Delegation of account administration	State Street Bank International GmbH (Luxembourg Branch)
Custodian	State Street Bank International GmbH (Luxembourg Branch)

The actual costs can be found in the annual reports and are deducted each time the net asset value is calculated. The value of the investment is reduced by these costs. As disclosed in the most recent Annual Report, the ongoing charges calculation excludes performance fees, but includes management and applied services fees. The effective Applied Service Fee is accrued at each calculation of the Net Asset Value and included in the ongoing charges of each Share Class. The investment will be reduced by the payment of the above mentioned fees.

Fund Objectives

The Sub-Fund's investment objective is to seek performance by investing in investment grade corporate debt securities in USD over a medium term period.

The Share Class aims at hedging the foreign exchange risk resulting from the divergence between the reference currency of the Sub-Fund and the currency of this Share Class by using derivatives instruments whilst retaining the exposure to Investment Policy of the Sub-Fund.

Investment Horizon

The risk and the reward of the product may vary depending on the expected holding period. We recommend holding this product at least for 2 years.

Risk Indicator

The information shown below is from the KID PRIIPS.



The risk indicator assumes you keep the product for 2 years.

The actual risk can vary significantly if you cash in at an early stage and you may get back less.

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you.

We have classified this product as 2 out of 7 which is the low risk class. This rates the potential losses from future performance at a low level. The risk category associated to this product was determined based on past observations, it is not guaranteed and can evolve in the future.

Be aware of currency risk. You will receive payments in a different currency, so the final return you will get depend on the exchange rate between the two currencies. This risk is not considered in the indicator shown above.

Other risks not included in the Summary risk indicator can be materially relevant, such as counterparty risk. For further information, please refer to the prospectus.

This product does not include any protection from future market performance so you could lose some or all of your investment.

Subscription Redemption

The subscription, conversion or redemption orders must be received by the Registrar and Transfer Agent on any Valuation Day no later than 3 p.m. Luxembourg time. Orders will be processed at the Net Asset Value applicable to such Valuation Day. The investor's attention is drawn to the existence of potential additional processing time due to the possible involvement of intermediaries such as Financial Advisers or distributors. The Net Asset Value of this Sub-Fund is calculated on a daily basis.

Additional Information (Continued)

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ESG Metrics Definition

Our approach to ESG measurement seeks to combine qualitative and quantitative techniques. The tree rating shown in this report is a simple pictorial representation of the overall ESG rating of the fund's portfolio. A fund which has 1 tree has a poor ESG rating, whereas a fund with 5 trees has a high ESG rating. For more information on our ESG standards, approach and methodology please visit: Putting ESG to work | AXA IM Core (axa-im.com).

ESG indicators are for informational purposes only.

The portfolio has a contractual objective on one or more ESG indicators.

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Additional Information (Continued)

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Additional Information (Continued)

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