

FIXED INCOME

AXA Pan European High Yield Bond Fund R (G) GBP

**JAMES GLEDHILL****Head of European High Yield****Joined June 2011**

James joined AXA IM in June 2011 and has over 22 years' investment experience. He joined AXA IM from Henderson New Star, where he spent 10 years. During his time there he successfully launched and built their retail fixed income business (from nil to circa £3bn in assets in a competitive retail environment), and was appointed Head of Fixed Income in 2007. Between 1992 and 2001, he worked for M&G and Prudential M&G, managing flagship High Yield and Corporate Bond Funds. He holds a degree from Oxford University.

Fund history

+ The AXA Pan European High Yield Bond Fund is a feeder fund to the AXA World Funds-European High Yield Bond Fund. This means that ordinarily at least 85% of the investment from Pan European High Yield Bond Fund will be in the AXA World Funds-European High Yield Bond Fund. As a result, the top ten holdings displayed above are that of the AXA World Funds-European High Yield Bond Fund.

Objective

The aim of the Fund is to generate a high level of income by investing primarily into the AXA World Funds-European High Yield Bonds (the "Master Fund").

Fund manager's commentary**Main changes to the portfolio during May**

May has been characterised by robust primary issuance and more limited secondary (existing debt traded between investors) activity in the market. We took part in new issues, including Allied Universal (security services), Golden Goose (footwear), and Allain Afflelou (optician). This, together with a small outflow, was funded from some minor position trims of names such as Merlin (theme parks) and Schman (gaming).

Factors affecting performance during May

The global high yield market credit spreads (yield premium over the relevant government bond) were essentially flat on the month leaving returns driven by carry (income). Europe and the US had similar returns while emerging markets were the standout component, returning 0.98%. Confidence in the global economic recovery remains strong, with the continued vaccine roll-out progress arguably dampening sensitivity to COVID-19 news.

The high yield market's run of primary issuance (companies issuing new debt) continued at a steady pace through the month; \$48.8bn was priced in the US and €9.9bn in Europe. These numbers were slightly down on last month but still robust. Looking at ratings, the lower-rated corporates - single Bs and CCCs - continued to outperform the BB rated companies. Looking at sectors, the worst performing sectors were healthcare, as last month, and technology, while the best performing were transportation and energy, as last month also.

In May, the ICE BofAML BB-B European Currency High Yield Index recorded +0.22% total return (euro hedged), while excess returns settled at +0.24%.

Current market influences and outlook

The world is recovering from a massive shock that caused its economy to stall for the best part of a year. Now growth is accelerating as pent-up demand and policy stimulus come together. With that comes a recovery in corporate earnings which is obviously positive for the credit element of high yield. Default rates have been low throughout 2021 and we are now beginning to lap the defaults of mid-2020 so 12-month rates will fall sharply.

This positive outlook is priced into high yield allowing for a slight nod in the direction of variant risk and the reality that it seems likely we will live with COVID-19 globally for many years. Outside of international travel, where unlocking is relatively slow, most industries are reviving well.

Rather than credit/default risk, attention is fully focused on inflation. After the sell-off at the beginning of the year, government bonds have been more stable, but the inflation argument will be fought over many more months. While high yield is relatively immune to modest moves in interest rates, a big sell off would have consequences for risk asset generally. We believe that spreads have further to tighten but the upside is limited. Expected returns are certainly lower but the risk has dropped considerably, and investors are once more searching for yield which will push spreads tighter. Currently, the risk, even to high yield, is more a macro 'risk-off' trade than micro credit events.

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 you may not get back the full amount originally invested. **Before investing you should read the fund's Key Investor Information Document (KIID) for full product details including investment risks and contact a financial adviser where unsure.**

Top ten holdings

	%
NATIONWIDE BUILDING SOCIETY VAR PERP	1.1
CONTOURGLOBAL POWER HOLDINGS SA 3.125% 01/01/2028	1.0
ARDAGH PACKAGING FIN / HLDGS 4.75% 07/15/2027	1.0
SCHAEFFLER VERWALTUNG ZWEI GMBH 3.75% 09/15/2026	1.0
KAPLA HOLDING SAS 3.375% 12/15/2026	1.0
PEACH PROPERTY FINANCE GMBH 3.5% 02/15/2023	1.0
ARQIVA BROADCAST FINANCE PLC 6.75% 09/30/2023	1.0
ARENA LUXEMBOURG FINANCE SARL 1.875% 02/01/2028	1.0
WEPA HYGIENEPRODUKTE GMBH 2.875% 12/15/2027	1.0
PICARD GROUPE SAS VAR 11/30/2023	1.0
Total*	10.0

* Total may not equal sum of top ten holdings weightings (above) due to rounding.
Stocks shown for information purposes only. They should not be considered as advice or a recommendation.

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Discrete performance over 12 month periods to latest quarter end (%)

	31/03/16	31/03/17	31/03/18	31/03/19	31/03/20	31/03/21
	- 31/03/17	- 31/03/18	- 31/03/19	- 31/03/20	- 31/03/21	
AXA Pan European High Yield Bond Fund R (G) GBP	9.3	3.5	1.4	-11.7	19.4	

Cumulative performance

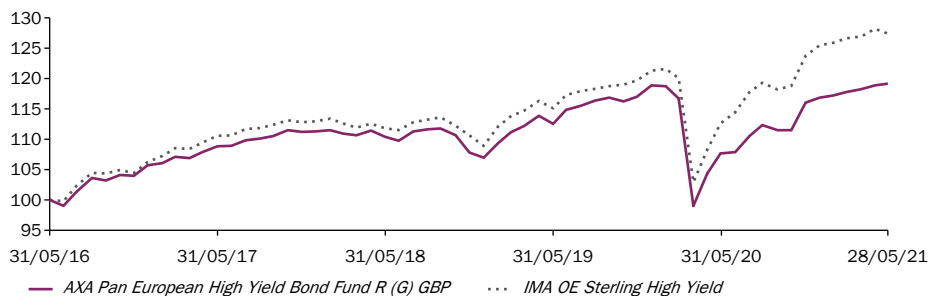
	Fund (%)	Benchmark* (%)	Sector median (%)	Ranking	Quartile
6 M.	2.7	3.0	3.5	31/37	4
Year to date	2.0	2.2	2.3	26/38	3
1 Y.	10.7	12.3	13.4	29/37	4
3 Y.	7.9	16.0	15.2	31/34	4
5 Y.	19.2	31.1	28.5	26/30	4

Fund performance is net of fees and tax

* Comparative Benchmark: BofA Merrill Lynch European High Yield BB-B Rated Index (gross of fees)

The Fund sector is the £ High Yield, which changed from the Global Bonds sector. This change occurred on 06/08/2010.

Cumulative performance over five years



Performance data takes into account the annual management charges, but not any initial charge that may be payable. Figures are quoted on a single pricing basis, in sterling terms, net of fees and expenses, and assume gross income is reinvested.

Past performance is not a guide to future returns. Fund returns are on a bid to bid basis, net of fees and expenses and include net income reinvested, in sterling terms. Discrete and cumulative performance returns are based on published dealing prices. Breakdowns may not sum to 100% due to roundings.

In order that investors can monitor the progress of their investment, the returns on the Fund are compared with those of a Composite Index/Benchmark/Sector which we believe best matches the long term objectives of the Fund. This information has been included for comparative purposes only. The objective and policy of the Fund may not precisely match this comparison.

Sources: AXA Investment Managers UK Limited and Morningstar. Unless otherwise stated all data shown is at 28/05/2021.

Important information

The value of investments and the income from them can go down as well as up and is not guaranteed. This may be due to market fluctuations or changes in exchange rates, or both. The amount returned may not be as great as the amount invested. Investments in newer markets, smaller companies or single sectors offers the possibility of higher returns but may also involve a higher degree of risk. The fund concentrates on the generation of income as a higher priority than capital growth and allocates the Manager's charge to capital. Whilst this will increase the distributable income, it may accordingly constrain or erode capital growth.

This document does not provide you with all the facts you need to make an informed decision about investing. You need to read the Key Investor Information Document and speak to your financial advisor.

Fund facts

Fund type	Unit Trust
Fund size	£13.4m
Historic Yield*	3.90%
Launch date	29/01/99
IA Sector	£ High Yield
Currencies available	GBP
Dealing day	09:00 to 17:30 business hours
Valuation point	12:00 London time

* Underlying Yield is gross of tax and net of expenses.
All information in this factsheet relates to share class R only.

Investment information

Initial charge	Nil%
Ongoing charges	1.35%
Min initial investment	£1,000
Min subsequent investment	£100.0
Min monthly investment	£50.0
ISA status	Eligible

Fund codes

Sedol	accumulation	B4PJKG5
	income	B558ZR5
ISIN	accumulation	GB00B4PJKG53
	income	GB00B558ZR53
MEX	accumulation	FREBFA
	income	FREBI

Income payments

Accounting	Final	06 Feb
Ref Dates		
	Interim	06 Aug
Distributions	Final	06 Mar
Calendar year		Net income (p)
2016		6.10
2017		4.94
2018		4.75
2019		3.98
2020		4.02