

FIXED INCOME

AXA Sterling Index Linked Bond Fund Z (G) GBP

**NICK HAYES**

Nick is Head of Active UK Fixed Income. He joined AXA IM in June 2010 after spending seven years at New Star/Henderson as a Senior Portfolio Manager.

Objective

The aim of the Fund is to provide income and capital growth, with the objective of reducing the negative effect of inflation over the long term.

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

We added some duration (a measure of sensitivity of a bond's price to a change in interest rates) to the portfolio during the month as well as adding to our curve flattening bias (positioning for a decline in the difference between short-term and long-term rates for bonds of the same credit quality).

Factors affecting performance during August

Developed government bond markets continued to rally through August as markets remained focused on trade negotiations and an increasingly hostile relationship between US and China, a greater likelihood of a no-deal Brexit, and poor economic data from the Eurozone, particularly in Germany. As a result of this challenging backdrop, government bond markets benefitted from their safe haven status as equity markets and risk assets in general were weaker over the month.

The US government bond market was the best-performing market as 10-year US treasuries rallied 50 basis points (bps) to close at 1.5%, while 10-year nominal gilt yields printed record lows at 40bps in mid-August before closing the month at 50bps. Much media focus centred on the inversion of the yield curves in the US and UK which have previously been a good recession indicator and attention also centred on the size of the negative-yielding bond universe as the entire German yield curve moved into negative territory, with 30-year bund yields trading as low as -30bps during the month. 10-yr German bund yields closed at -70bps. In inflation markets, sterling index-linked bonds failed to keep pace with the rally in nominal bonds and breakevens (the difference in yield between a nominal bond and an inflation-linked bond) narrowed by around 5bps to 10bps over the month. The July Retail Price Index came out in line with market expectations at 2.8%.

Year to date to the end of August the AXA Sterling Index Linked fund has returned 20.6% net of fees (R Share Class).

Current market influences and outlook

Government bond market performance will continue to be driven by the reaction of global central banks to signs of further economic weakness, as well as any further escalation in trade tariff tensions and their impact on risk assets. For sterling government bond markets, political developments will remain the focus as negotiations with the EU continue as the Brexit deadline approaches.

With this continued global uncertainty as the backdrop, we remain broadly constructive on gilt and sterling index-linked bond markets and will look for opportunities to selectively add to our duration and curve positioning.

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

	%
UK GILT INFLATION LINKED 0.375% 03/22/2062	7.2
UK GILT INFLATION LINKED 0.125% 03/22/2044	6.0
UK GILT INFLATION LINKED 0.75% 11/22/2047	5.3
UK GILT INFLATION LINKED 0.125% 03/22/2068	4.9
UK GILT INFLATION LINKED 0.5% 03/22/2050	4.8
UK GILT INFLATION LINKED 0.25% 03/22/2052	4.7
UK GILT INFLATION LINKED 1.25% 11/22/2055	4.6
UK GILT INFLATION LINKED 0.13% 03/22/2046	4.6
UK GILT INFLATION LINKED 1.25% 11/22/2032	4.5
UK GILT INFLATION LINKED 0.625% 11/22/2042	4.5
Total*	51.0
Total number of holdings	38

* 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 (%)

	30/06/14	30/06/15	30/06/16	30/06/17	30/06/18
	- 30/06/15	- 30/06/16	- 30/06/17	- 30/06/18	- 30/06/19
AXA Sterling Index Linked Bond Fund Z (G) GBP	13.7	16.8	7.3	1.5	9.6

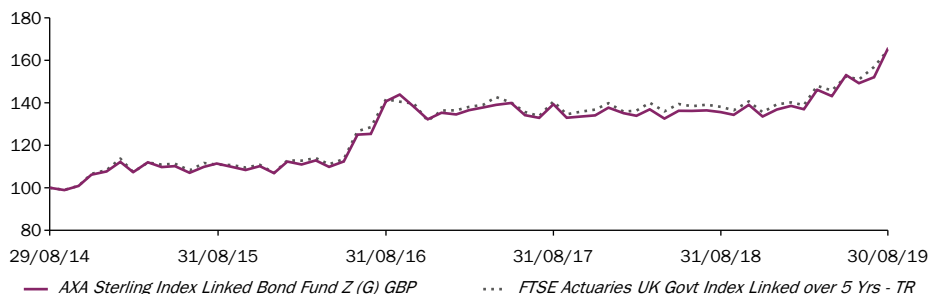
Cumulative performance

	Fund (%)	Benchmark* (%)	Sector median (%)	Ranking	Quartile
6 M.	20.8	18.7	18.8	3/13	1
Year to date	20.9	18.4	19.0	2/13	1
1 Y.	22.0	19.4	19.9	2/13	1
3 Y.	17.6	16.4	15.9	4/12	2
5 Y.	65.5	64.8	59.7	3/12	1

* Comparative Benchmark: FTSE Actuaries UK Govt Index-Linked over 5 Yrs Index

Note that sector median, ranking and quartile figures are based on the funds primary share class, AXA Sterling Index Linked Bond R class.

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. Investments in stock market Funds should normally be viewed as medium to long-term investments.

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.

Asset Class Allocation

	%
Sterling Index-Linked	96.11
Cash	3.31
Sterling Corporate Bonds	0.59

Ratings allocation of bond portfolio

	%
AAA	0.01
AA	99.27
A	0.62
BBB	0.11

Sources: AXA Investment Managers UK Limited and Morningstar. Unless otherwise stated all data shown is at 30/08/2019.

Important information

The value of investments and income generated from them can go down as well as up and is not guaranteed. Investors may not get back the amount originally invested. Past performance is not a guide to future returns.

This document does not provide you with all of the facts you need to make an informed investment decision. Before investing you should read the Key Investor Information Document and where appropriate seek professional investment advice.

Fund facts

Fund type	OEIC
Fund size	£229.3m
Underlying Yield*	0.00%
Yield to Worst*	0.00%
Launch date	24/09/04
IA Sector	UK Index Linked Gilts
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.

*Yield to worst is gross of tax and expenses. All information in this factsheet relates to share class Z only.

Investment information

Initial charge	0.00%
Ongoing charges	0.33%
Min initial investment	£100,000
Min subsequent investment	£5,000
ISA status	Eligible

Fund codes

Sedol	accumulation	B02Y6B2
ISIN	accumulation	GB00B02Y6B22
MEX	accumulation	ELUIBF

Income payments

Accounting	Final	30 June
Ref Dates		
	Interim	30 Sep, 31 Dec, 31 Mar
Distributions	Final	31 Aug
	Interim	30 Nov, 28 Feb, 31 May