

Fund manager's report

News in February was significantly affected by developments in the coronavirus epidemic. Despite the roll-out of quarantine measures in China, new outbreaks were identified in mid-February in South Korea, Iran and Italy, reviving fears of a worldwide epidemic and a global recession. Faced with the sharp stockmarket correction (around 12% on average), certain central banks, including the Fed, could act more quickly than expected.

In the US, the number of people contaminated remains strangely low for the moment, especially given the frequency of trips made to China (86 cases noted on 2 March). The partial halt to activity in China is beginning to be felt in the latest surveys. Flash PMIs for February were down, whether in the manufacturing sector (50.8 vs. 51.9 in January) or in services (49.4 vs. 53.4). The Fed warned that it would act in the event of a significant shock. Jay Powell's intervention last Friday backed this view as he stated that the Fed would "use the tools at its disposal to support the economy". We now believe the Fed will drop its refinancing rate by 50 basis points as of March. Finally, in the Democratic Party primaries, it is still difficult to clearly identify the winning candidate. A Trump/Sanders dual is still the most plausible scenario unless Joe Biden, who boasts a crushing victory in South Carolina, manages to contest the Democratic Party leadership in coming weeks. Super Tuesday will be decisive, with 14 states set to vote.

The eurozone did not escape the coronavirus contagion. Italy was in the firing line with around 1,700 cases identified whereas France and Germany declared 130 cases. The latest economic surveys mask an increasingly worrying economic sluggishness, well characterised by the German situation. Indeed, the German PMI jumped back to a peak level for 13 months. However, the details showed that half of these gains stemmed from an extension in delivery times, generally assimilated with higher demand, whereas this time round it was solely due to the partial halt to activity in China. Further proof was the fact that new export orders are at their lowest for three months. At the same time, EU member states met to adopt the 2021-2027 budget. They were nevertheless unable to reach an agreement to fill the €60-75bn hole left by the UK. Disagreements between so-called frugal states (Sweden, Denmark, Austria and the Netherlands) and the EU's net fund receivers were too strong. On a national level, Italian policy remains very volatile while Germany's has become more complex. At the Thuringian regional election, the outgoing CDU candidate revealed he was in negotiations with the far right to form a government. This was enough for Annegret Kramp-Karrenbauer (the chosen successor to Angela Merkel) to resign a few days later. Finally, management of the coronavirus outbreak added further pressure to already fragile governments, especially Italy.

In the UK, Q4 GDP remained at the same level (+0.0%), impacted by the plunge in manufacturing activity as well as the lowest growth in services for almost a decade (+0.1%). The latest surveys seem to reflect a decline in uncertainty relative to Brexit, with the February services PMI reaching a peak level for 16 months, even though we do not share this optimism. The government's pledge to end the transition phase with the EU by the end of this year seems very unlikely and therefore revives the risk of a hard Brexit. At its latest meeting, the Bank of England made no change to its key rate in view of a possible rebound in business. This time round, a cut looks inevitable.

In China, news in February clearly concerned the spreading of the coronavirus. The number of cases exploded, rising from 10,000 people at the start of the month to around 80,000 now. While the number of new cases is falling each day, activity nevertheless remains affected and the return to a normal situation is unlikely for several weeks. The quarantine of entire towns has taken a harsh toll on both demand and production. The government announced extensive measures to try and stimulate the economy: early public orders, tax cuts, state subsidies for affected sectors. The PBOC also coordinated its action by reducing its bond reserve rate and injecting massive liquidity to relieve the financial system.

In Japan, Q4 activity was down 6.3% on a quarter-on-quarter annualised basis. Since the root of the plunge was known and presumed to be temporary (rise in VAT and typhoon), we should have seen a rebound in Q1 activity. However, the recovery is unlikely to materialise given the accumulated difficulties since the start of the year, and the risk of a technical recession (two negative quarters in a row) is clearly on the cards. Domestic demand (consumer spending and investment) is only very gradually recovering from the shock in Q4, whereas exports are suffering from lower international demand. Finally, the impact of Covid-19 is extremely high since Japan depends closely on Chinese activity.

In the fund, we strengthened our positioning in duration relative to the benchmark index and over the month adopted a long bias on Euro and US rates. We favour long maturities (10 years and more) on Euro rates and intermediate maturities (5 years) for US rates.

Concerning asset allocation, we still favour the credit market over quasi-sovereign and sovereign debts, but continued to reinforce our exposure to the latter over the period with a view to reducing risk. With the same aim, we initiated a credit risk hedging position through the purchase of CDS Main indices. We are underweight on the credit segment in dollars given the eligibility constraints on green bonds.

In geographical terms, we still favour European peripheral countries and to a lesser extent emerging markets, which offer a surplus of returns in an environment of historically low interest rates. On the primary market, we participated in Toyota's debt issue.

* 1st NAV date: 05/11/2015

** Performance indicator : Please refer to the Benchmark section in the characteristics/disclaimers part of the document.

Source(s): AXA Investment Managers as at 28/02/2020

Editor: AXA Investment Managers Paris

AXA WF Global Green Bonds A EUR

Performance evolution (in EUR)

Annualized performance

	1 Y.	3 Y.	5 Y.	8 Y.	Launch
Portfolio*	8.04%	2.30%	-	-	1.82%
Performance Indicator**	8.88%	3.40%	-	-	2.91%

Cumulative performance

	1 M.	3 M.	YTD	1 Y.	3 Y.	5 Y.	8 Y.	Launch
Portfolio*	0.87%	2.00%	2.70%	8.04%	7.06%	-	-	8.12%
Performance Indicator**	0.87%	2.31%	3.04%	8.88%	10.55%	-	-	13.18%

The figures provided relate to previous months or years and past performance is not a reliable indicator as to future performance.

FIXED INCOME

AXA WF Global Green Bonds A EUR

Objective and investment strategy

The Sub-Fund seeks to achieve a mix of income and capital growth by investing mainly in investment grade government or corporate debt securities over a medium term period.

Performance Indicator

100% ICE BofA Green Bond Hedged EUR from 19/12/19
The Fund doesn't have a benchmark. The performance indicator is provided for comparison purposes only.

Risk characteristics

Recommended Investment Time Horizon : This Sub-Fund may not be suitable for investors who plan to withdraw their contribution within 3 years.

Valuation	Daily
Share type	Accumulation / Income
ISIN code C / D	LU1280195881 / LU2094260564
Maximum initial fees	3%
Ongoing charges	1.00%
Financial management fee*	0.75%
Maximum management fees	0.75%

	AXA Funds Management SA (Luxembourg)
Management company	
(Sub) Financial delegation	AXA IM Paris
Delegation of account administration	State Street Bank Luxembourg S.C.A
Custodian	State Street Bank Luxembourg S.C.A

*The fund may incur other costs, fees and administrative expenses (see prospectus).

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.

Disclaimers

Performance calculations are net of management or distribution fees. Performance are shown as annual performance (365 days). Performance calculations are based on the reinvestment dividend.

Risk Ratios are calculated from gross performances

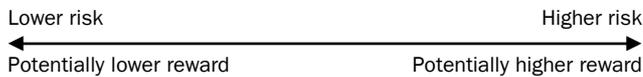
Geographical breakdown - Investments will be classified to match that of the index or by their principle country of investment, this may be different to the legal country of incorporation. This breakdown excludes cash.

The fund is registered for public distribution in Luxembourg. Please check the countries of registration with the asset manager, or on the web site www.axa-im-international.com, where a fund registration map is available.

The tax treatment relating to the holding, acquisition or disposal of shares or units in the fund depend on each investor's tax status or treatment and may be subject to change. Any potential investor is strongly encouraged to seek advice from its own tax advisors.

Depending on the investment strategy used the information contained herein may be more detailed than the information disclosed in the prospectus. Any such information (i) does not constitute a representation or undertaking on the part of the investment manager; (ii) is subjective and (iii) may be modified at any time within the limits provided in the fund prospectus.

In the credit rating (per holding), to each holding of the portfolio is a rating issued by the two following rating agencies : Moody's (www.moody.com), and S & P (www.standardandpoors.com). Based on a comparison between the ratings for each holding, the management company takes into account the worst rating (Moody's or S & P) for each holding. The identified ratings are expressed or converted into S&P ratings to obtain a uniform graph with the total portfolio breakdown. For the meaning of the letters of the ratings as listed on the graph, please refer



1	2	3	4	5	6	7
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The risk category is calculated using historical performance data and may not be a reliable indicator of the Sub-Fund's future risk profile.

The risk category shown is not guaranteed and may shift over time. The lowest category does not mean risk free.

Why is this Sub-Fund in this category?

The capital of the Sub-Fund is not guaranteed. The Sub-Fund is invested in financial markets and uses techniques and instruments which are subject to some levels of variation, which may result in gains or losses.

Significant risks not taken account by the risk indicator

Counterparty Risk: Risk of bankruptcy, insolvency, or payment or delivery failure of any of the Sub-Fund's counterparties, leading to a payment or delivery default. Geopolitical Risk: investments in securities issued or listed in different countries may imply the application of different standards and regulations. Investments may be affected by movements of foreign exchange rates, changes in laws or restrictions applicable to such investments, changes in exchange control regulations or price volatility. Liquidity Risk: risk of low liquidity level in certain market conditions that might lead the Sub-Fund to face difficulties valuing, purchasing or selling all/part of its assets and resulting in potential impact on its net asset value. Credit Risk: Risk that issuers of debt securities held in the Sub-Fund may default on their obligations or have their credit rating downgraded, resulting in a decrease in the Net Asset Value.

General characteristics

Legal form	SICAV
Legal country	Luxembourg
Launch date	05/11/15
Fund currency	EUR
Shareclass currency	EUR

FIXED INCOME

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to the website www.standardandpoors.com. For more information on the methodology, please refer to the websites of the rating agencies or please contact the financial service AXA Bank Belgium S.A.

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AXA Funds Management, a société anonyme organized under the laws of Luxembourg with the Luxembourg Register Number B 32 223RC, and whose registered office is located at 49, Avenue J.F. Kennedy L-1885 Luxembourg

AXA WORLD FUNDS 's registered office is 49, avenue J.F Kennedy L-1885 Luxembourg. The Company is registered under the number B. 63.116 at the "Registre de Commerce et des Sociétés" The Company is a Luxembourg SICAV UCITS IV approved by the CSSF.

For your information

Regulatory documents are available on demand

AXA Investment Managers Paris
a company incorporated under the laws of France, having its registered office located at
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