AXA Global Short Duration Bond

Fund Research Centre
Recommended

Why we recommend the fund

- This Recommended fund is managed by Nicolas Trindade, who is experienced in managing short-dated credit mandates. He has managed the Sterling Credit Short Duration Bond fund since 2010.
- Mr Trindade is passionate about the opportunity to generate attractive risk-adjusted returns from across global fixed income markets that have a final maturity date (or call date) of less than five years.
- The manager's comprehensive and considered approach is supported by the team's rigorous macro-economic analysis, and the assistance of a well-resourced team of short duration managers and credit analysts.

Key characteristics and expected outcome

- The fund invests globally in short-dated bonds with a maturity of less than five years. The key aim is to provide an attractive yield while limiting volatility. The fund's performance success is judged against the compounded return available from cash.
- The investment palette is broad, covering all the major components of the fixed income universe across sovereign and credit markets. The manager expects most of the alpha generation to come from top-down factors such as asset allocation across global markets, sectors and countries. Security selection is expected to be a less important driver of performance.
- The manager aims to deliver a more favourable drawdown experience than is typically seen from strategic bond funds that are invested across the maturity spectrum, although the fund is not entirely immune from the vagaries of market direction. Equally, the fund is unlikely to participate fully in rallies driven by falling long-dated yields, although this potential headwind is mitigated by the opportunities offered by the broad, global mandate and the manager's highly flexible approach.
- The fund is suitable for investors seeking a more defensive way in which to invest broadly in global bonds.

Risk commentary

The fund's KIID Synthetic Risk and Reward Indicator (SRRI) is 3. This is a regulatory measurement that is, where possible, calculated from the volatility of its weekly performance over a five-year period. A score of 3 means the fund's historic volatility is between 2% and 5%.

The fund resides in the IA Sterling Strategic Bond sector but invests globally in short-dated bonds that have a final maturity date (call date) of less than five years. As such, the fund is typically less volatile than the sector in which it resides, as well as mainstream global investment grade bond indices. This is reflected in the low SRRI score of 3. Different share classes could have different SRRI scores.



Key Fund Facts

Inception Date:	17 May 2017
Manager(s) Since:	Nicolas Trindade (May 17)
	Phil Rowntree (Jul 26)
Fund Domicile:	United Kingdom
Base Currency:	£ Sterling
Fund Benchmark:	Sonia Compounded
IA Sector:	£ Strategic Bond

Formal documentation, including the fund prospectus and the KIID, should be sought directly from the asset manager. A link to the asset manager's website can be found on the relevant fund page at fundresearchcentre.co.uk.

Fund Snapshot

A conservatively managed strategic bond fund that focuses on short-dated, final maturity date (or call date) bonds of less than five years. The fund is invested flexibly in short-dated opportunities from across the global fixed income spectrum. Within its sector, the fund features in our 'Diversified, Global Short Duration' category.

Investment Team

Lead manager, Nicolas Trindade, joined AXA Investment Managers (AXA IM) in 2006 and is a senior portfolio manager at the firm. He has managed the fund since its launch in 2017 and is also the lead manager of the Sterling Credit Short Duration Bond fund. Mr Trindade and the fund's deputy manager, Phil Rowntree, are members of the firm's London-based Active Sterling Fixed Income team. They are supported by AXA IM's local short duration managers, who provide insight and best ideas. The US investment grade portion is managed as a carve-out by Frank Olszewski, Head of Investment Grade Active US Credit, in consultation with Mr Trindade.

Investment Philosophy

The team believes that the key to generating superior long-term returns in fixed income is to compound current income and avoid principal loss. They seek to do this through active management based upon fundamental credit analysis and macro-economic research. For the short duration credit strategies, there is a particular focus upon capital preservation, reducing the fund's sensitivity to changes in interest rates and being mindful of portfolio volatility and trading costs.

Investment Process

The process begins with an assessment of the macro environment. This takes in the views of the in-house strategy team and fund managers, together with external inputs from investment banks and ratings agencies. These views are consolidated into a macro framework, which is used by the specialised Alpha groups (small sub-teams of individuals split by expertise) as a foundation from which to build their views. The Alpha groups define overall market expectations and active strategies using their proprietary "MVST" (macro, valuation, sentiment and technicals) analysis. The amalgamation of their views forms the top-down strategy that determines the direction and shape of the funds for the next three months. From the bottom-up perspective, a global team of credit analysts provides fundamental opinions on the full credit universe, identifying issuers with solid fundamentals and financial stability.

The split between the different fixed income asset classes is determined by the portfolio manager. While there is a notional neutral allocation of 10% in cash/sovereign bonds, 60% in investment grade bonds and 30% in high yield and emerging market bonds, within certain guidelines, he has full flexibility to invest where he perceives the greatest value.

Portfolio Construction and Risk Controls

The fund can invest in bonds issued by companies and governments globally where the period for full repayment is expected to be less than five years. The investable universe encompasses cash, government bonds, investment grade credit, high yield credit and hard currency emerging market bonds. Typically, around 20% of the fund matures each year, providing both liquidity and a natural hedge against rising bond yields. The fund will never hold more than 20% in inflation-linked bonds, or more than 60% in high yield and emerging markets debt combined. Currency forwards are used to hedge currency exposure back to sterling. Derivatives are used for hedging purposes as well as for the purpose of additional alpha generation, particularly in the context of tactical duration exposure

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