

AXA IM Swiss Fund - Bonds CHF | CHF

Fund Manager's Comment

Investment Goal

This fund invests primarily in CHF-denominated bonds issued by Swiss and foreign debtors in the investment grade category (investments with a minimum rating of BBB- according to S&P or Baa3 according to Moody's). The investment objective of the fund is to achieve a high level of regular income while ensuring capital security.

The Swiss Bond Index „AAA-BBB Total Return“ is used as a benchmark. The aim is to generate higher earnings through proactive duration and yield curve management and by over/underweight specific sectors versus the reference index. To complete the investment profile, we select specific securities and replace “expensive” bonds with other bonds on more favorable terms as a permanent process with respect also to their sustainability and the goal, to outperform the fund's average RI score versus the Benchmark score.

Markets and Performance December 2024

The last month of the year was again fully in the spotlight of Central bank decisions, which offered truly a mixed bag of news! Once more, and this time somehow without any real need, we saw the new president of the Swiss National bank to obviously feel the desire to place his own fragrance by cutting the target rate by 50bps down to 0.50%! The rationale in the joining statement was mainly driven by the low inflation situation but also strong CHF currency (mainly versus EUR). We doubt the real impact of this measure, as seen by the currency pair CHF/EUR, which didn't move more than 1 cent post announcement. Opposite to the SNB, the European Central bank remained on their path of a steady policy, lowering all their target rates by another 25bps, which means now for the Deposit Facility rate a new level of 3%. A surprise into the other direction was then the meeting of the US FED with a so called “hawkish” 25bps cut to new 4.25-4.50%. “Hawkish” because of all their joining statements as was for example for the dot plots, indicating new only 2 further cuts in 2025 (from former 4). Also, here the rationale can be seen in inflation numbers but rather to their forecasts, assuming the new president elect might set in place in a very foreseeable time a couple of measures which could cause upwards price pressure to the US economy.

Away from that, the overall macro picture didn't change that much! US headline CPI for November came in a tick higher at YoY 2.7% (vs 2.6% in October), while the core rate (ex-food and energy) was again totally unchanged versus previous month with its 3.3%, which was in line of market expectations. Considering also other inflation measures as for example the PCE core deflator (2.8% in November which was unchanged vs previous month), the FED's most preferred inflation measure, one can state it's still not at a paste the US FED might wish given their goal of (or below) 2%. A soft (or “no-“) landing scenario remains an ongoing realistic scenario, this also given another strong GDP print for Q3 which got even revised to 3.1% from 2.8%% (QoQ) while also other key indicators, except for the industry, show a solid picture. Also, no big change of the overall picture in Europe, despite that the November-Inflation showed a 2.2% print (vs a final rate of 2.0% in October), while the core rate remained at 2.7% (YoY) which was unchanged versus October. The PMI's recovered slightly versus November (Composite from 48.3 to 51.4) while the industry sticks in a sorrowful state with its 45.3 as a first estimation for December.

We saw US Treasuries therefore moving up from 4.18% till almost 4.60% to finish the year at 4.53%, 35bps higher then as per end of November. Similar for German Bund, which joined UST's in a kind of sympathy from 2.09% up till almost 2.40% to finish the year at 2.36%, 27bps higher then end of November. Less pronounced the increase of the 10yr Swiss yield which dropped first (backed from the unexpected high rate cut by the SNB) from 0.25% to 0.20% to join then from there Bund and UST's to finish the year at 0.33%. The ongoing strong CHF currency but also the CPI print for November (Headline just a tick higher to 0.70% from 0.60% as was with the core rate, coming in at 0.9% from 0.8% in October) can be seen as the rationale for the SNB's decision to cut rates so dramatically. As all wasn't enough, the new president of the Swiss National Bank, Martin Schlegel, dropped various remarks, that the SNB made overall only good experiences with negative target rates, causing market

Benchmark

Since: 01/01/2014

100% SBI Total AAA-BBB

The Fund is actively managed with limited deviation expected in term of constitution and performance compared to benchmark.

Fund Profile

ESG Rating



ESG Relative Rating



CO2 Relative rating



% of AUM covered by ESG absolute rating: Portfolio = 88.9% Benchmark = 68.5% (not meaningful for coverage below 50%)

% of AUM covered by CO2 intensity indicator: Portfolio = 80.7% Benchmark = 63.4% (not meaningful for coverage below 50%)

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

Fund Manager

Richard MOOSER

Gonul CIBIK - Co-Manager

Fund Manager's Comment (Continued)

participants to consider also such a scenario again for 2025!

New issue activities in December were as usual for seasonal reasons very low with CHF 1.8bn, which was even less than December 2023 with its CHF 2.5bn. The fully year 2024 was almost same as in 2023 with in complete CHF 83bn new issuances from the high-grade space. Once again, the last auction in 2024 of the Swiss Treasury department can be seen as rather poor (400mln only among two reopened bonds: the 2038 in green format and the 2047 issuance). Opposite for the covered bond institutions (PSHYPO&PFZENT) where PSHYPO issued in absence of PFZENT another CHF 950mn among three bonds. Away from that and worth to be mentioned a 200mn transaction for Bossard, which issued as a premiere a 5yr bond for rather expensive conditions given its BBB- rating with 110bps above swap (Yield 1.24%).

The fund's duration remained close but very slightly below to the benchmark duration with an almost neutral Alpha-Impact. We kept our underweight in mainly weaker Credit names (BBB/BBB- bucket) while we remained neutral to slightly overweight in other credits such as from the BBB+/A bucket which was a rather neutral bet this month again. On the other side, the fund could benefit a little bit from a slightly steeper rate curve, which applies mainly for 10s-30s, where we still maintain on our steepening position.

The share class A (AXABDAI – ISIN CH0112537516 – Retail Class) performed during December with -0.24% (Benchmark -0.21%) and finished the year at +4.73% vs Bench +5.35% (0.61% underperformance). The share class I (AXABDII – ISIN CH0112537557 – Institutional Class) finished December -0.21% (flat versus Benchmark) and finished the year with +5.16% (-0.19% versus Benchmark). All figures are as usual reported net of all fees and costs (TER Class A: 78bps and Class I 38bps).

Additional Information

Administration: I CHF

Legal form	Mutual Fund
UCITS Compliant	No
AIF Compliant	No
Legal country	Switzerland
1st NAV date	05/10/2010
Fund currency	CHF
Shareclass currency	CHF
Valuation	Daily
Share type	Income
ISIN code	CH0112537557
Bloomberg Code	AXABDII Sw
Swiss Valor Code	11253755
Maximum subscription fees	5%
Maximum redemption fees	2%
Transaction costs	0.00%
Ongoing charges	0.38%
Financial management fees	0.35%
Maximum management fees	0.35%
Performance fees : Not Applicable	
Management company	AXA Investment Managers Schweiz AG
(Sub) Financial delegation	AXA Investment Managers Switzerland
Delegation of account administration	State Street Bank International GmbH, Muenchen, Zweigniederlassung Zuerich
Custodian	State Street Bank International GmbH, Muenchen, Zweigniederlassung Zuerich

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 investment objective of the sub-fund is to achieve a high and regular income from the point of view of capital security. The sub-fund aims to achieve a consistently higher ESG rating than that of the benchmark. The Swiss Bond Index SBI Total AAA-BBB is used as a benchmark.

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 3 years.

Risk Indicator

The information shown below is from the KID PRIIPS.



The risk indicator assumes you keep the product for 3 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 a 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 may be materially relevant, such as risks associated with derivatives or counterparty risk. For further information, please refer to the prospectus.

This product does not provide any protection against future market developments, so you could lose all or part of the capital invested.

Subscription Redemption

Subscriptions and redemptions are accepted on any bank working day. Subscription and redemption orders received by the custodian no later than 1:30 p.m. on a bank working day (order date) are processed on the next bank working day (valuation day) based on the net asset value calculated on that day (forward pricing).

Additional Information (Continued)

How to Invest

Before making an investment, investors should read the relevant Prospectus and the Key Investor Information Document (particularly for UK investors) / Key Information Document / scheme documents, which provide full product details including investment charges and risks. The information contained herein is not a substitute for those documents or for professional external advice.

Retail Investors

Retail investors should contact their Financial intermediary.

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 relative rating is calculated as the difference between the ESG absolute rating of the portfolio and the ESG absolute rating of benchmark. If ESG Relative rating is positive (negative), this means that the portfolio has a higher (lower) ESG absolute rating than the benchmark.

CO2 relative intensity is calculated as the difference between the intensity of the fund (expressed in tCO₂/M€ Revenues) and the one of benchmark.

If CO2 Relative intensity is green, it means that the intensity of portfolio is lower than that of the benchmark. If CO2 Relative intensity orange, it means that the intensity of the portfolio is higher than that of the benchmark. If CO2 Relative intensity is yellow, it means that intensity of the portfolio is similar than that of the benchmark.

ESG indicators are for informational purposes only.

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

Disclaimers

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The tax treatment associated with holding, buying or disposing of shares or units in a fund depends on the status or tax treatment of each investor and may be subject to change. Potential investors are strongly encouraged to seek the advice of their own tax adviser.

Due to its simplification, this document is partial and opinions, estimates and forecasts herein are subjective and subject to change without notice. There is no guarantee forecasts made will come to pass. Data, figures, declarations, analysis, predictions and other

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The Fund's characteristics do not protect the investors from the potential effect of inflation over time. The investments and/or any potential income generated during the period will not be adjusted by the rate of inflation over the same period. Thus, the return on the fund adjusted from the rate of inflation could be negative. Consequently, the inflation might undermine the performance and/or the value of your investment.

The Fund referenced herein has not been registered under the United States Investment Company Act of 1940, as amended, nor the United States Securities Act of 1933, as amended. None of the shares may be offered or sold, directly or indirectly in the United States or to any US Person unless the securities are registered under the Act, or an exemption from the registration requirements of the Act is available. A US Person is defined as (a) any individual who is a citizen or resident of the United States for federal income tax purposes; (b) a corporation, partnership or other entity created or organized under the laws of or existing in the United States; (c) an estate or trust the income of which is subject to United States federal income tax regardless of whether such income is effectively connected with a United States trade or business. In the United States, this material may be distributed only to a person who is a "distributor," or who is not a "U.S. person," as defined by Regulation S under the U.S. Securities Act of 1933 (as amended).

For more information on sustainability-related aspects please visit <https://www.axa-im.com/what-is-sfdr>.

Depending on the recipient's respective jurisdiction or region, the following additional disclosures may apply:

For the AXA IM Swiss Fund, a contractual open-ended umbrella fund under Swiss law ("Other Funds for Traditional Investments" category), the prospectus, the Key Information Document (PRIIP KID) and the annual and semi-annual reports can be obtained free of charge from the fund management company AXA Investment Managers Switzerland Ltd, Ernst-Nobs-Platz 7, P.O. Box 1078, CH-8021 Zurich. The custodian bank is State Street Bank International GmbH, Munich, Zurich branch, Beethovenstrasse 19, CH-8002 Zurich. In respect of the units distributed in Switzerland, the place of performance and jurisdiction is Zurich, Switzerland.