Euro Buy and Maintain Sustainable Credit

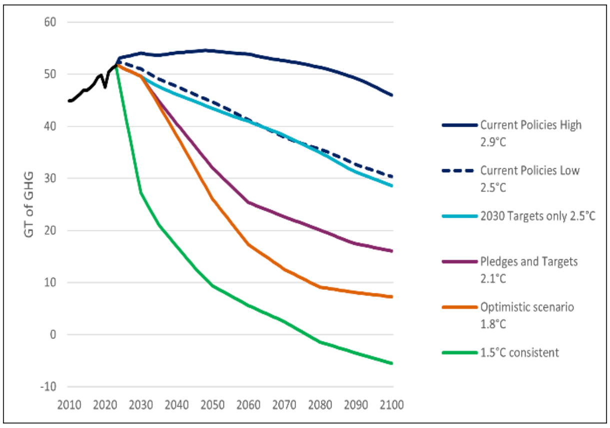
Investing in companies transitioning to a low carbon economy

• 24% lower carbon intensity compared to the investment grade credit index
• Strong focus on companies we see as climate leaders
• Aiming to capture market beta while seeking higher long term performance thanks to low carbon investments

Fixed Income Investment Solutions team

What's happening?

Emission pathway & temperature outcomes post COP28



In one of the latest publication from AXA IM Investment Institute, our climate expert Olivier Eugene talked about energy transition scenarios and how they can be used or misused. It is particularly interesting to note that different pathways would achieve the same outcome. While a 1.5°C scenario seems to be less and less realistic, scenarios ranging from 2.5° C to well below 2°C could be more complacent with fossil fuel energies. For investors, we are convinced that it is important to breach the gap between scenarios and the real world, and work on defining ambitious - yet achievable - climate objectives. The risk would be to disconnect portfolios from real economy conditions with potential impact on long term revenues. We believe that selective divestment and engagement with companies having large environmental footprint would reap the most benefits for companies, investor and the wider world. Sources: World Resources Institutes; Climate Action Tracker; AXA IM. GT of GHG: gigatonnes of greenhouse gases. [What energy transition scenarios are and how they can be used or misused | AXA IM Corporate (axa-im.com)]

Positioning and ESG performance

Main Climate KPIs

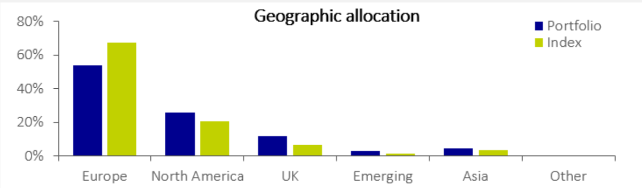
KPI	Strategy	Index
Green bonds*	30%	10%
SBTI coverage	57%	58%
Carbon Intensity	81	106
Brown share	6%	8%

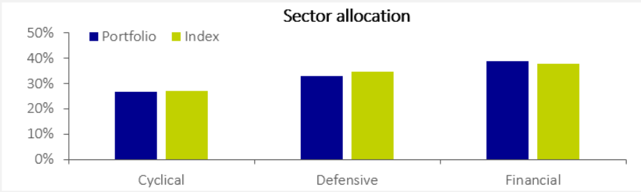
Source: AXA IM, ICE BofAML, Trucost, MSCI Carbon Delta, Bloomberg as of 28 June 2024. *Please note that the strategy does not have any Green Bonds allocation objective or constraints. SBTI coverage: companies having set emissions reduction targets, or at least committed to, through SBTi. Carbon intensity (Scope 1 and 2) expressed in tonnes of carbon emissions per € million invested. Brown share: measure exposure to fossil fuels in % of revenues. Index is the ICE BofAML Euro Corporate (ER00).

Euro Buy and Maintain Sustainable Credit strategy characteristics

Metrics	YTW	Credit Spread	Duration	Average rating
Strategy	4.13	115	4.5	BBB+
Index	3.77	111	4.3	A-

Currency	GBP	EUR	USD
Strategy	3%	91%	4%
Index	-	100%	-





Source: AXA IM as of 28 June 2024. Index is the ICE BofAML Euro Corporate (ER00). Past positioning is not indicative of future positioning and future performance.

Issuer of the quarter - CRH (engagement focus list)

CRH is one of the world's leading building materials and cement company. The cement sector is the largest emitter of carbon following the fossil fuel industry, while it is hard to find a simple alternative to it. It is the most energy intensive manufacturing industry with energy cost about a quarter of material expense. We have been engaging with CRH since 2021, with a focus on its decarbonization strategy and we found it convincing and credible. We lately considered the engagement as successful and will follow-up after the publication of CRH 2024 sustainability report. Source: CRH, AXA IM

Outlook

Fixed income returns are becoming more stable and more income-driven. While monetary tightening was a big problem for bonds – causing the worst bear market in generations – the fact that Central Banks have kept rates at their highs for a prolonged period has been beneficial. The ratio of carry (or income) to volatility has increased in recent months because of income returns going up – especially in fixed income markets – and volatility coming down. The situation reflects the benign nature of the macroeconomic backdrop and growing confidence in a soft-landing scenario where inflation continues to moderate without the need for a recession. In our view, fixed income returns should remain positive for the near future. For those institutional investors that favour a buy-and-maintain approach to matching bond cashflows against their liabilities, the market has not been as well set up for many years. Issuance has been strong in most corporate credit markets during the first half of 2024, giving investors plenty of opportunities to lock in yield and spread.

No assurance can be given that the Euro Buy and Maintain Sustainable Credit Strategy will be successful. Investors can lose some or all of their capital invested. The Euro Buy and Maintain Sustainable Credit Strategy is subject to risks including Credit risk, Liquidity risk, Interest rate risk, Derivatives and Counterparty risk.

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