

AXA IM has launched the AXA WF Universal Inflation Bonds fund during the course of July 2012. This new fund completing our Inflation Linked bonds offering offers access to developed as well as emerging markets inflation linked bonds using a transparent approach in order to enhance diversification.

## Latest releases

Indicators	Country	Previous	Next release
RPI (annual)	UK	2,60%	13-Nov-12
CPI (annual)	US	2,00%	15-Nov-12
	UK	2,20%	13-Nov-12
	Euro	2,60%	15-Nov-12
	FR	2,20%	14-Nov-12
PPI (annual)	US	2,10%	14-Nov-12
	UK	2,50%	13-Nov-12
	Euro	2,70%	04-Dec-12
	FR	2,90%	30-Nov-12

Source: Bloomberg, as at end of October 2012

## Fund Manager's comment

Guess what the Billion Dollar question is for this month? "Why isn't Quantitative Easing working this time?" This has been all over the press in recent weeks with FX traders complaining about the USD going up and Treasury primary dealers caught on the wrong side of the market with 10 year Treasury yields moving up 8bp over the course of the month.

At first glance it is indeed surprising to see that what are supposed to be the first beneficiaries of the Federal Reserve action haven't really reacted as they "should". We believe that Quantitative Easing is actually working and the best way to see how efficient it has been is the new issue market in the US. Thanks to ample liquidity and the US Dollar's status as both the main global reserve currency and the money that global trade is settled in, every company whether American or not is happy to borrow in Dollars. Investors are also keen on buying US Credit as the market is probably one of the most liquid and diversified. This is how Quantitative Easing is working, and it's very efficient as it boosts credit growth over the world!

Returning to the rates market, the reason we believe it hasn't performed according to the plan is because of the Presidential election. Of the two candidates, Mitt Romney has been very vocal about the Federal Reserve's use of

unconventional measures which has led to speculation of a potential resignation should the Republican candidate win. If replaced, the current Chairman could be succeeded by John Taylor explaining why the dollar hasn't depreciated and rates went up. After the elections are over, challenges for the winner will be huge. The debt ceiling is supposed to be reached around the turn of the year, right at the same time as the fiscal cliff...

In the UK, our many conversations with economists, clients and bankers about the linker market reinforce our view that a lot of investors have been avoiding the market with many Pension Fund consultants advising their clients to remain on the sidelines until the consultation on the future method of calculation for the RPI is over.

This debate about changing the calculation method rumbled on during the month, but the mood swung towards a lower probability of a large change which would be bullish for UK linkers. Interestingly clauses in the prospectuses of many UK corporate index-linked issues provide better protection in the event of any major changes to the inflation index which could potentially provide a relative boost for our corporate holdings. November will see UK investors having to reflect a large lengthening to some widely followed UK inflation-linked indices as bonds

move shorter and the Government cancels its Royal Mail Pension Scheme holdings; which leads us to continue to remain positive on the UK market.

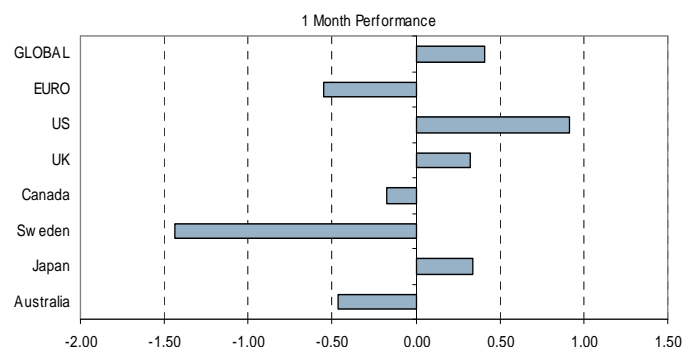
In a background where Central Banks have generally been doing more Quantitative Easing, we find interesting to see that a lot of market participants have scaled down their predictions for an increase in the amount of securities purchased by the Bank of England in November. There is still a big consensus on the fact that if the Bank was to do more, it will not buy linkers.

As UK real yields are now above their US counterparts we find the market very attractive from a valuation standpoint and overweight it against TIPS. We see value on the 10Y tenor of the curve but also in bonds with more than 30 years of remaining life that should benefit from the return of Pension Fund demand in the coming weeks.

Valuation considerations keep us from buying French real yields and we expect them to cheapen at least 20 to 30bp from their current level as these levels are stretched compared to Germany.

Our activity during the course of October has consisted in consolidating the fund's positioning on our key trades that we have now held since the end of the summer. As the carry will deteriorate in the US but is turning more in favor of the Euro Area, we have been reinforcing our position in the short end of the German curve while selling the very short end of the TIPS curve that had benefited from the Federal Reserve's latest actions.

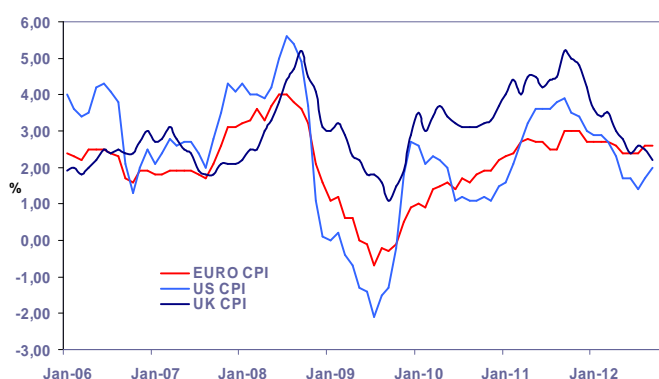
We believe that breakevens are generally too low and are long the Bundei 2016 & 2020 ones as well as on the 5 years via a zero coupon inflation swap in the UK.



Source: Bloomberg as at end of October 2012

Upcoming supply		
Issuer	Type	Amount
France	OATe/i	EUR 1,5
Italy	BTPe	EUR 1,00
US	TIPS 10 Y	USD 13,00
UK	UKTi 30 Y	GBP 4,00

Source: Bloomberg as at end of October 2012



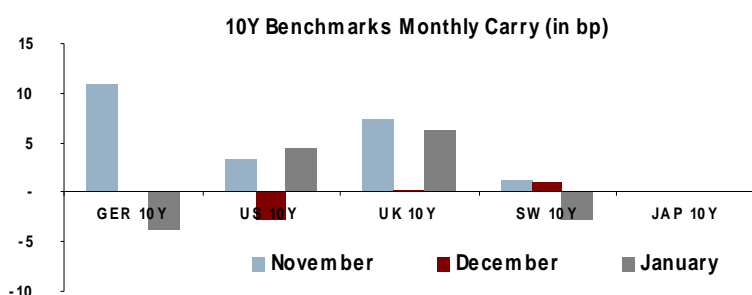
Source: Bloomberg, as at end of October 2012

The AXA WF Global Inflation Bonds fund does not have a reference index. The fund's performance indicator, the Barcap World Inflation Linked Bond Hedged, is given as a basis for comparison only.

## October supply

October 2012								
Issuer	Type	Date	Amount Allotted (in Billions)	Amount Tendered	Bid to Cover Ratio	Reference Yield (%)	Coupon (%)	Maturity
France	OAT i	18/10	2,10 €	3,58 €	1,71	-0,04%	0,10%	25-Jul-21
Germany	DBR ei	10/10	1,17 €	1,80 €	1,54	-0,38%	0,10%	15-Apr-23
Italy	BTP ei	26/10	0,67 €	1,44 €	2,13	3,33%	2,10%	15-Sep-21
Italy	BTP ei	26/10	0,33 €	0,89 €	2,71	3,75%	3,10%	15-Sep-26
Italy	BTP Italia	18/10	18,02 €	18,02 €	1,00	1,00%	2,55%	22-Oct-16
UK	UKT i	11/10	1,5 £	3,85 £	2,56	-0,44%	0,13%	22-Mar-24
US	TIPS	18/10	7 \$	19,772\$	2,82	0,42%	0,75%	15-Feb-42
SW	ILBs	11/10	0,5 SEK	2,335 SEK	4,67	-0,10%	0,25%	1-Jun-22
SW	ILBs	25/10	0,5 SEK	2,105 SEK	4,21	0,22%	0,50%	1-Jun-17
AU	AGGB i	10/16	0,25 A\$	0,77	3,06	0,33%	1,25%	21-Feb-22

## Prospective Carry Figures



Inflation	Portfolio Breakeven	Performance Indicator Breakeven
Australia	2,67	2,69
Canada	2,24	2,19
France	1,79	1,81
Germany	1,53	1,50
Sweden	1,30	1,27
United Kingdom	2,67	2,70
United States	2,34	2,33
Japan	0,79	0,77

## Portfolio Overview

Top five portfolio holdings					
Security name	Coupon (%)	Maturity	Currency	Nominal	%
Dbri 1 1/2 04/15/16	1,50	15 Apr 2016	GBP	122,000,000	6,44
Ukti 1 7/8 11/22/22	1,875	22-Nov-22	USD	73,700,000	5,82
Tii 0 1/8 01/15/22	0,125	15-Jan-22	USD	125,000,000	4,49
Ukti 2 1/2 04/16/20	2,50	16 Apr 2020	USD	21,200,000	4,09
Ukti 0 1/2 03/22/50	0,50	22-Mar-50	USD	47,680,919	2,97

Source for all charts & tables on this page: AXA IM, Bloomberg as at end of October 2012

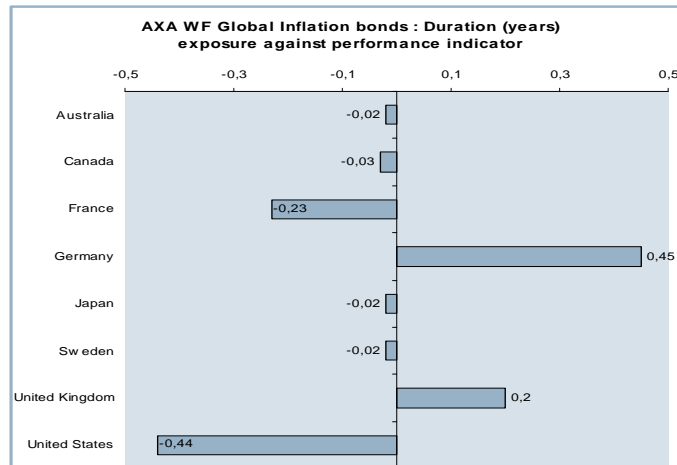
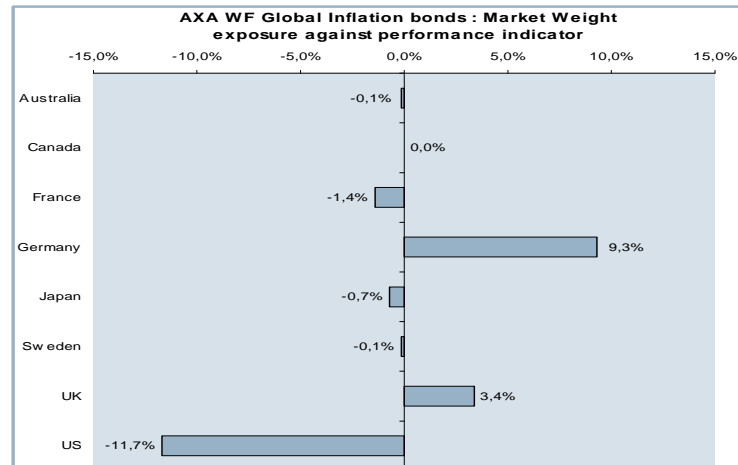
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## Portfolio Overview

Characteristics	Fund
Average Years to Maturity	12,95
Yield Before Indexation (%)	-0,52%
Annual Yield (%)	1,73%
Standard shareclass duration (in years)	11,28
Redex shareclass duration (in years)	1,86
Average Rating	AA+
Average Coupon (%)	1,67%
Cash Position (%)	1,37%
Number of Positions (ex. Futures, Cash and FX)	77

Non Inflation linked exposure (including futures)	%
Euro Area	-2,57%
US	0,00%
UK	0,00%

% of NAV	AXA WF Global Inflation bonds	Barclays World Inflation All Mat
Australia	1,3%	1,4%
Canada	3,3%	3,4%
France	10,5%	11,9%
Germany	12,7%	3,5%
Japan	1,8%	2,5%
Sweden	1,8%	2,0%
UK	30,6%	27,2%
US	36,6%	48,3%
	100%	100%

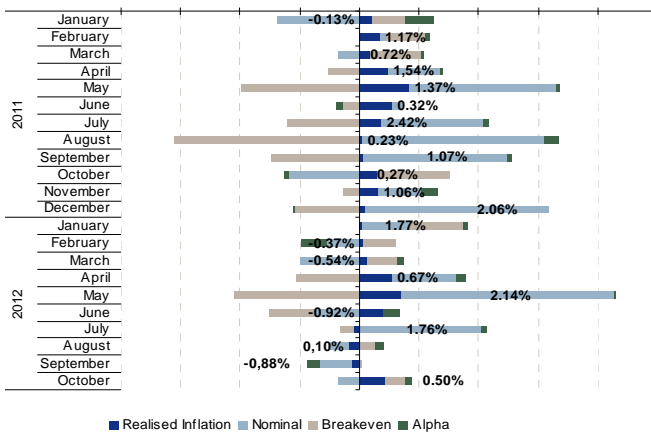


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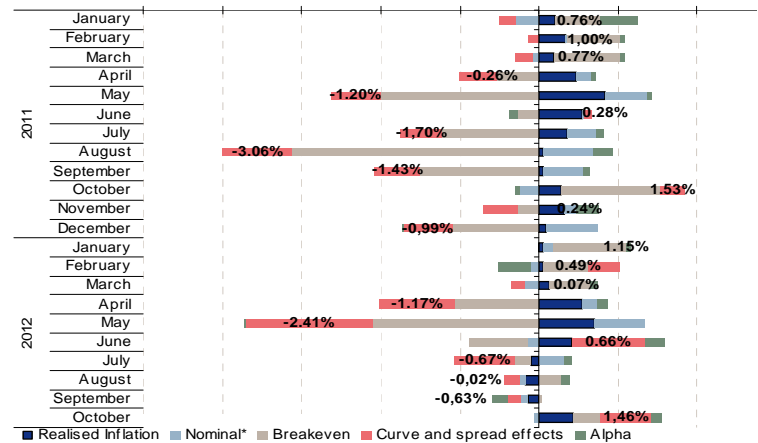
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## Focus on Redex Shareclasses

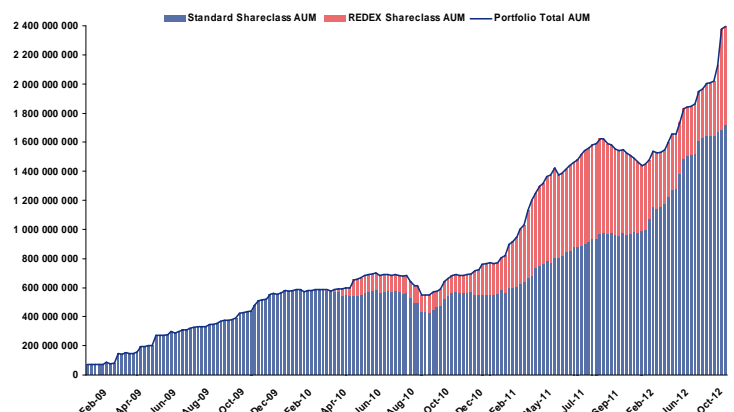
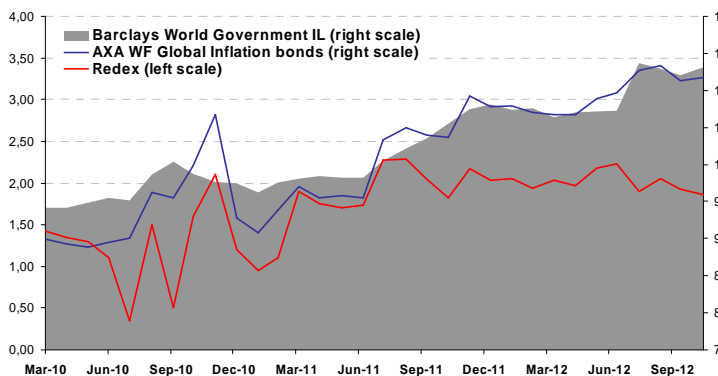
**Performance Engines**  
AXA WF Global Inflation, I Share, EUR



**Performance Engines**  
AXA WF Global Inflation, I Redex Share, EUR



**Macaulay's Duration**



Source for all charts on this page: AXA IM, as at end of October 2012

*Risk on Cross Class Liabilities for all share classes (standard and Redex): Although there is an accounting attribution of assets and liabilities to the relevant Class, there is no legal segregation with respect to Classes of the same Sub-Fund. Therefore, if the liabilities of a Class exceed its assets, creditors of said Class of the Sub-Fund may seek to have recourse to the assets attributable to the other Classes of the same Sub-Fund. As there is an accounting attribution of assets and liabilities without any legal segregation amongst Classes, a transaction relating to a Class could affect the other Classes of the same Sub-Fund*

The AXA WF Hedged, is g

**Performance objective:** Medium-term capital growth

**Recommended investment horizon:** Minimum 3 years

**Investment zone:** OECD

**Investment universe:** Inflation-linked bonds and any other related debt securities issued by OECD governments, corporations or public institutions worldwide (at least two-thirds of assets).

Redex shareclass risk factor relating to interest rate

## Practical information

### PRACTICAL INFORMATION

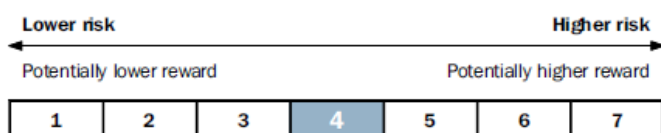
Share Class		A	A RedEx	E	E RedEx	I	I RedEx
Investor Type		All Investors	All Investors	All Investors	All Investors	For Institutional Investors only	For Institutional Investors only
ISIN Code (Capitalisation)	EUR	LU0266009793	LU0482270153	LU0266010296	LU0482270401	LU0227145629	LU0482270666
	CHF (H)	LU0397279430	LU0482270237	-	-	LU0397279356	LU0482270740
	GBP (H)	LU0420068156	-	-	-	LU0420068404	LU0482271045
	USD (H)	LU0266009959	LU0482269908	-	-	LU0266010452	-
ISIN Code (Distribution)	EUR	LU0451400831	LU0645061374	-	-	LU0227145975	-
	GBP (H)	-	-	-	-	LU0814370507	-
	USD (H)	-	-	-	-	LU0266010379	-
Minimum Initial Subscription		None	None	None	None	1000 000	1000 000
Minimum Subsequent Investment		None	None	None	None	10 000	10 000
Maximum Subscription Fees		3.00%	3.00%	None	None	None	None
Maximum Redemption Fees		None	None	None	None	None	None
Maximum Annual Management Fees		0.60%	0.60% + 0.05% <sup>1</sup>	0.60%	0.60% + 0.05% <sup>1</sup>	0.30%	0.30% + 0.05% <sup>1</sup>
Real Annual Management Fees		0.60%	0.60% + 0.05% <sup>1</sup>	0.60%	0.60% + 0.05% <sup>1</sup>	0.30%	0.30% + 0.05% <sup>1</sup>
Maximum Distribution Fees		None	None	0.65%	0.65%	None	None

(H) This share is protected against exchange rate fluctuations (at least 95% hedged) between the fund's reference currency and that of the share class.

(1) Maximum Annual Fees linked to reduction of duration exposure of the RedEx share classes.

Please refer to the Prospectus for details of other available share classes.

## Risk and Reward Profile



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.

**Additional Risks**

**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.

**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.

Impact of any techniques such as derivatives: certain management strategies involve specific risks, such as liquidity risk, credit risk, counterparty risk, legal risk, valuation risk, operational risk and risks related to the underlying assets.

The use of such strategies may also involve leverage, which may increase the effect of market movements on the Sub-Fund and may result in significant risk of losses.

Legal form: Sub-fund of AXA World Funds, a Luxembourg-based SICAV\*\*\*

Reference currency: EUR

Type of share: Capitalisation and Distribution

Valuation: Daily

Subscription/Redemption: Forward price, daily (D) before 3:00 pm (CET)

Settlement: D+4 working days

Management company: AXA Funds Management SA

Investment manager: AXA Investment Managers Paris

Custodian: State Street Bank Luxembourg

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\*\*\* 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.

Completed on 09/10/2009 - Last CSSF approved prospectus February 2012.

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-funds.com](http://www.axa-im-funds.com), where a fund registration map is available. This document is for informational purposes only and does not constitute, on AXA Investment Managers Paris's part, an offer to buy or sell or a solicitation or investment advice. Due to its simplification, this document is partial and the information can be subjective. AXA Investment Managers Paris may, but shall not be obligated to, update, or otherwise revise, this document without any prior notice. AXA Investment Managers Paris disclaims any and all liability relating to a decision based on, or relying on, this document. AXA Investment Managers and/or its affiliates may receive or pay fees or rebates in relation to the Mutual Fund or investment vehicle. The most recent prospectus is available to all investors and must be read prior to subscription and the decision whether to invest or not must be based on the information contained in the prospectus. Depending on the investment strategy used the information contained herein may be different from 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 cases where the client's reference currency differs from the Fund's reference currency, resulting gains or losses may vary considerably due to exchange rate fluctuations. AXA INVESTMENT MANAGERS PARIS, a company incorporated under the laws of France, having its registered office located at Coeur Défense Tour B La Défense 4, 100, Esplanade du Général de Gaulle 92400 Courbevoie, registered with the Nanterre Trade and Companies Register under number 353 534 506, a Portfolio Management Company, holder of AMF approval no. GP 92-08, issued on 7 April 1992. AXA Funds Management, a Société Anonyme organised 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.

The index Barclays World Government Inflation Linked bonds is the fund's performance indicator. The fund has no reference index.

Past performance does not guarantee future results. Investors should be aware that the price of units/shares and the income from them may go down as well as up and is not guaranteed. Data information into the document has not been yet certified by the Fund's Auditors. The AXA IM Inflation Perspective is a publication of AXA Investment Managers.

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