

AXA IM FIIS US Libor Plus

Fixed Income Management / US / MBS / Luxembourg fund / FCP/ € or \$

«Access to strong diversification benefits by investing across a wide range of fixed income instruments from various sectors of the US economy.»

AXA IM FIIS US Libor Plus
Portfolio management team

MANAGEMENT OBJECTIVES

- **Performance objective:** to outperform the 1 month US Libor index by 50 bp net
- **Recommended investment period:** 1 year minimum
- **Investment zone:** US
- **Portfolio split:** mortgage-backed securities (MBS) and other types of structured securities (SS) of public and private issuers with an average effective duration < 1 year
- **Credit rating:** average credit quality = BBB+ ; with at least 85% BBB or above
- **Volatility objective:** less than 1%⁽¹⁾
- **Currency risk (for an investor in euros):** - none (Euro share)
- yes (USD share)

COMPETITIVE ADVANTAGES

Access to superior risk-return

- Strong diversification benefits by investing across a wide range of fixed income instruments from various sectors of the US economy (real estate, credit cards, auto, equipment, loans...).
- Yield enhancement: MBS/SS offer expected returns superior to that of traditional debt instruments with similar ratings.
- Investing primarily in short-duration and floating rate instruments thus reducing the risk of adverse market conditions such as unexpected shifts in interest rates.
- Risk-controlled environment: selection of securities delivering stable, predictable cash flows, with low probability of impairment.

The benefits of leadership

- AXA Investment Managers' strong resources and investment capacity in mortgage-backed and structured securities have made it one of the global players in that market.

The strength of our organisational structure

- Specialist team: a specialist approach in response to increasingly broad and complex fixed income markets. These managers have spent decades focusing on these markets.
- Active management: a strong, bottom-up security selection approach in order to capture every source of added value whatever the segment of the market.
- Fully integrated: optimal decisions resulting from the integration of credit research and risk management in the investment process. Emphasizing on intensive fundamental credit analysis in particular is critical to mitigating the risk of principal loss.

PRACTICAL INFORMATION

- | | |
|---|--|
| ■ Legal form
Compartment of Luxembourg FCP UCITS III | ■ ISIN Code Share A EUR
C: LU0194338389
D: LU0194339601 |
| ■ Valuation currency
US Dollar or Euro | ■ ISIN Code Share I USD
C: LU0231443952
D: LU0231444331 |
| ■ Type of share
Capitalisation and Distribution | ■ ISIN Code Share I EUR
C: LU0231444174
D: LU0231444414 |
| ■ Valuation
Daily | ■ Financial Manager
AXA Investment Managers, Inc. |
| ■ Subscription/ Redemption
Unknown price, D - 1 before 10:00 a.m. (C.E.T) | ■ Custodian
State Street Bank Luxembourg |
| ■ Settlement
Subscription: D +3 / Redemption: D + 5 | |
| ■ ISIN Code Share A USD
C: LU0194337654
D: LU0194339197 | |

⁽¹⁾ This figure is a working base for fund management teams. It is subject to change without notice and should not be construed as a firm commitment on the part of AXA Investment Managers

Date of CSSF registration: June 2004

An investor must rely on the terms of the prospectus or offering document of the relevant Fund in subscribing for or purchasing shares

The 5-step investment process



INVESTMENT PHILOSOPHY AND SOURCES OF VALUE

- We view the MBS/SS market as the most dynamic and least efficient sector within US Fixed Income; our dedicated, cohesive, highly experienced team of investment experts with a thorough knowledge of the real-estate market and its dynamics captures opportunities inaccessible to the mainstream managers.
- The MBS asset class offers an unparalleled complexity, sophistication and diversity in terms of structures and collateral; our unique, disciplined research methodology is designed to apprehend the complexity of the MBS/SS market.
- We consider that solid security selection is the most consistent way to produce superior risk-adjusted returns. Hence curve and duration strategies are not the primary contributor to alpha generation.
- We assume that spread products tend to outperform Treasuries and Agencies; we capture all alpha-generation opportunities by investing beyond the scope of the index.
- The distribution of returns is asymmetrical, therefore Risk management is integrated at every step of our investment process, and we mitigate the risk of capital loss with a strong selling discipline.

INVESTMENT PROCESS

■ Step 1: Idea generation

We analyze the whole universe of available securities and focus on the key market indicators:

- real estate market dynamics – which are one of the MBS market's drivers.
- primary market issuance – including non-Agency MBS issuance.
- prepayment trends.
- default trends.
- credit trends.

■ Step 2: Bottom-up research

The universe is filtered down to securities offering a high probability of outperformance.

The team's intensive due diligence includes:

- analysis of credit measures, trends and the industry.
- analysis of structure, property type, loan characteristics and cash flow stability.
- evaluation of originator, servicer credit culture, financial strength and trustee responsibilities.
- analysis of credit fundamentals of collateral and real estate markets.

■ Step 3: Relative value assessment

After identifying opportunities, we search for the best securities based on relative value.

Our process in that regard evaluates:

- whether the price accurately reflects the risks involved (emphasis on avoiding principal loss).
- whether the security represents a better choice compared to others.

■ Step 4: Portfolio construction

We rationalize the outputs of previous steps to maximize alpha generation under the client's constraints.

■ Step 5: Constant portfolio review

The portfolio construction is refined and optimized at all times with regard to constraints, market environment, our hypothesis and anticipations, and market opportunities.

OUR TEAMS

AXA Investment Managers, 71 Fixed Income portfolio managers specialised in 12 Fixed Income sub-expertises, including 4 dedicated senior portfolio managers with an average of 25 years of investment experience.

- Credit Research: an international team composed of 20 analysts (with an average professional experience of 9 years), specialised by sector covering the US, Europe and Asia.
- Investment Strategy: 13 strategists (with an average professional experience of 14 years), specialised by asset class and by country.
- Portfolio Engineering Group: 10 engineers (with an average professional experience of 10 years) dedicated to risk management optimisation and creation of quantitative tools for the Fixed Income team.
- Dedicated Fixed Income dealing desk with 39 investment professionals

Completed on 03/10/2006
Prospectus May 2006

AXA Investment Managers : « Coeur Défense » Tour B – La Défense 4 – 100, Esplanade du Général de Gaulle 92400 Courbevoie
S.A. au capital de 49 079 136 euros, 393 051 826 R.C.S. Nanterre

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