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Global Short Duration strategy

The rally stalls

- Credit spreads widened for the first time since March
- A sharp increase in coronavirus infections led to the re-imposition of local lockdown restrictions
- We kept the risk profile broadly stable

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What's happening?

- For the first time since March, credit spreads widened in September, due to several factors: a sharp increase in coronavirus infections, particularly in Europe, and the subsequent re-imposition of local lockdown restrictions; a lack of agreement on further fiscal spending in the US; and heightened risk of a 'no-deal' Brexit as tensions between the UK and the European Union increased.
- At its September policy meeting, the US Federal Reserve projected that its ultra-low interest rate policy would likely remain in place until the end of 2023. Meanwhile, the European Central Bank assured markets that its current accommodative monetary strategy would remain in place; and the Bank of England said that, although it was exploring negative interest rates, it would not impose them in the near future.
- US treasury, German bund and UK gilt yields fell in September as coronavirus case numbers continued to rise, threatening the global economic recovery.

Strategy in focus – representative account (30/09/20)

Assets under management	£215m
Yield (GBP hedged) ¹	2.2%
Duration ¹	2.2 yrs
Average rating ²	BBB
Number of issuers	166
Launch date	17/05/2017

Net performance – representative account (GBP)³

One month	+0.10%
Year-to-date	+0.96%
One year	+1.64%
Three year (cumulative)	+4.58%
Since launch (cumulative)	+5.10%

Source: AXA IM as at 30/09/2020. The data is based on a representative account that follows the strategy and is not intended to represent actual past or simulated past performance of the strategy. **Past performance is not a reliable indicator of future results.** Performance calculations are net of fees, based on reinvestment of dividends.

Portfolio positioning and performance

- **Sovereign:** We remained invested in short-dated US treasury inflation-linked bonds due to attractive valuations.

- **Investment Grade:** We continued to gradually reduce our bias towards investment grade in the Fund, favouring high yield and emerging markets. We were still active in primary and secondary markets.
- **High Yield and Emerging Markets:** Despite reducing our exposure to US high yield ahead of the US elections, we slightly increased our overall exposure to high yield and emerging markets. Through this period, we remained active in primary markets, participating in several European high yield and emerging markets new issues. Due to the gradual re-risking undertaken since late March, we now have a 35% allocation to high yield and emerging markets - up from 19% at the end of February.

Outlook

- With the world's economy not experiencing a 'V-shaped' recovery in our opinion but rather a 'swoosh' one, policy and fiscal support remain paramount.
- As such, with valuations back to early March levels, we pause for now the re-risking of the Fund as the outlook remains uncertain with a potentially contested US election, renewed widespread local lockdowns to contain the second wave of coronavirus, and heightened 'no-deal' Brexit risk.

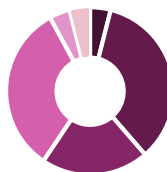
Asset class breakdown

Category	Asset Class	Total
Cash		4%
Sovereign ⁵		3%
Investment Grade Credit	EUR IG Credit	18%
	GBP IG Credit	19%
	USD IG Credit	20%
	Total	57%
High Yield & Emerging Markets	EUR High Yield	12%
	USD High Yield	5%
	Emerging Markets	18%
	Total	35%
Total		100%



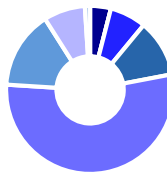
Breakdown by region

Cash	4%
UK	16%
Core Europe – ex UK	19%
Periphery Europe	11%
North America	28%
Emerging Markets	18%
Developed Asia	4%



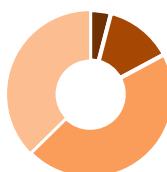
Breakdown by sector

Cash	4%
Financial	35%
Defensive	21%
Cyclical	33%
Securitized	4%
Sovereign ⁴	4%



Breakdown by rating

Cash	4%
AAA	0%
AA	7%
A	11%
BBB	54%
BB	15%
B	8%
CCC & below	1%



Breakdown by maturity

Cash	4%
0-1 year	13%
1-3 years	45%
3-5 years	37%

(1) Yield and duration calculations include cash held within the portfolio, use the next-call method for all Financials in the portfolio and duration/yield-to-worst for all other holdings. The yield is calculated gross of fees. Please note that the yield calculations are based on the portfolio of assets and may NOT be representative of what clients invested in the strategy may receive as a distribution yield. Yields are not guaranteed and will change in future.

(2) Rating is the worst of S&P, Moody's and Fitch. In the rare case of an unrated issuer we will assign an internal credit rating.

(3) Representative Account has been selected based on objective, non-performance based criteria, including, but not limited to the size and the overall duration of the management of the account, the type of investment strategies and the asset selection procedures in place. Therefore, the results portrayed relate only to such accounts and are not indicative of the future performance of such accounts or other accounts, strategies and/or services described herein. In addition, these results may be similar to the applicable GIPS composite results, but they are not identical and are not being presented as such. Account performance will vary based upon the inception date of the account,

restrictions on the account, along with other factors, and may not equal the performance of the representative accounts presented herein. The performance results for representative accounts are net of all fees and reflect the reinvestment of dividends or other earnings.

(4) Any Emerging Market Sovereigns are classified under “Sovereign” for the purpose of this breakdown.

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