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Global Short Duration strategy

The rally resumes despite the re-imposition of national lockdowns

- Credit spreads tightened, supported by strong technicals
- Sharp increases in coronavirus infections led to the re-imposition of national lockdowns
- We kept the risk profile broadly stable

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What's happening?

- Despite renewed national lockdowns, particularly in Europe, the prospect of a contested US election, and the lack of progress on a new stimulus package in the US, credit spreads still tightened supported by strong technicals.
- The European Central Bank, which again held interest rates steady, hinted that it could provide further monetary policy support before the end of this year.
- US treasuries significantly underperformed in October, with yields sharply rising, as the market started to price in a Democratic sweep which would lead to higher levels of fiscal stimulus. While UK gilt yields rose slightly driven by US treasury yields, German bund yields fell due to the reintroduction of national lockdown measures.

Strategy in focus – representative account (31/10/20)

Assets under management	£201m
Yield (GBP hedged) ¹	2.1%
Duration ¹	2.2 yrs
Average rating ²	BBB
Number of issuers	155
Launch date	17/05/2017

Net performance – representative account (GBP)³

One month	+0.38%
Year-to-date	+1.34%
One year	+1.83%
Three year (cumulative)	+4.77%
Since launch (cumulative)	+5.50%

Source: AXA IM as at 31/10/2020. 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, this time in order to raise some cash ahead of the US elections. We were still active in secondary markets.
- **High Yield and Emerging Markets:** We kept our exposure to high yield and emerging markets broadly stable during the month as we participated in only one European high yield new issue. Due to the gradual re-risking undertaken since late March, we now have a 36% 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 particularly since the fourth quarter is expected to be softer.
- As such, with valuations back to early March levels, we've paused the re-risking of the Fund as the outlook remains uncertain with a potentially contested US election, renewed national lockdowns in Europe to contain the second wave of coronavirus that could become stricter and/or be extended, and heightened 'no-deal' Brexit risk.

Asset class breakdown

Category	Asset Class	Total
Cash		6%
Sovereign ⁵		3%
Investment Grade Credit	EUR IG Credit	17%
	GBP IG Credit	19%
	USD IG Credit	19%
	Total	55%
High Yield & Emerging Markets	EUR High Yield	12%
	USD High Yield	6%
	Emerging Markets	18%
	Total	36%
Total		100%



Portfolio breakdowns

Breakdown by region

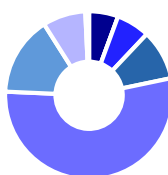
Cash	6%
UK	17%
Core Europe – ex UK	17%
Periphery Europe	11%
North America	28%
Emerging Markets	18%
Developed Asia	3%

Breakdown by sector

Cash	6%
Financial	34%
Defensive	20%
Cyclical	32%
Securitized	4%
Sovereign ⁴	4%

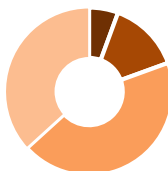
Breakdown by rating

Cash	6%
AAA	0%
AA	6%
A	10%
BBB	54%
BB	15%
B	8%
CCC & below	1%



Breakdown by maturity

Cash	6%
0-1 year	14%
1-3 years	44%
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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