Global Short Duration strategy

The rally continues

- Credit spreads continued to tighten
- Vaccine rollout started but coronavirus infections remained elevated
- The risk profile was broadly unchanged

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Strategy in focus – representative account (31/12/20)	
Assets under management	£191m
Yield (GBP hedged)[1]	1.8%
Duration[1]	2.2 yrs
Average rating[2]	BBB-
Number of issuers	157
Launch date	17/05/2017
Net performance – representative account (GBP)[3]	
One month	+0.56%
Year-to-date	+2.98%
One year	+2.98%
Three year (cumulative)	+6.45%
Since launch (cumulative)	+7.20%

Source: AXA IM as at 31/12/2020. 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.

What's happening?

- Despite elevated levels of coronavirus infections globally and the discovery of a new, highly contagious variant in the UK, credit spreads still tightened in December, supported by the start of coronavirus vaccinations in a number of countries, the announcement of a new $900bn fiscal stimulus in the US, and news that the UK and EU had finally struck a trade agreement.
- The US Federal Reserve left interest rates and balance sheet policy unchanged, while the European Central Bank raised its emergency asset-purchasing programme by a further €500bn to €1.85trn and also extended the programme's closure date by nine months to the end of March 2022 at the earliest.
- US treasury yields increased in December following the additional $900bn fiscal stimulus, while UK gilt yields fell following the discovery of a new variant of coronavirus leading to stricter lockdown measures. German bund yields were broadly unchanged.

Portfolio positioning and performance

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

- **Investment Grade:** We kept our exposure to investment grade broadly constant during the month. We were still active in both primary and secondary markets, participating in two US dollar new issues while taking profits on some names.
- **High Yield and Emerging Markets**: Despite keeping our exposure to high yield and emerging markets broadly constant, we were still active in both primary and secondary markets. Due to the gradual re-risking undertaken since late March, we now have a 42% allocation to high yield and emerging markets, up from 19% at the end of February.

Outlook

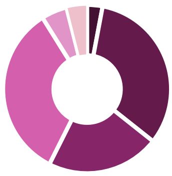
- Monetary and fiscal support remain paramount to help cushion the economic damage caused by the new round of lockdowns.
- Following the conclusive US elections and the start of the vaccine roll-out in an increasing number of countries, we are ready to look through some near-term risks and believe that 2021 will be all about carry. Therefore, we plan to remain overweight in high yield and emerging markets in order to optimise the level of carry within the portfolio.

Asset class breakdown

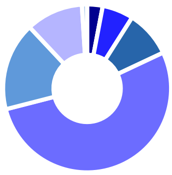
Category	Asset Class	Total
Cash		3%
Sovereign[5]		3%
Investment Grade Credit	EUR IG Credit	16%
	GBP IG Credit	20%
	USD IG Credit	17%
	Total	53%
High Yield & Emerging Markets	EUR High Yield	13%
	USD High Yield	9%
	Emerging Markets	20%
	Total	42%
Total		100%

Portfolio breakdowns

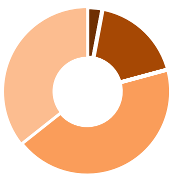
Breakdown by region	
Cash	3%
UK	17%
Core Europe – ex UK	17%
Periphery Europe	12%
North America	29%
Emerging Markets	20%
Developed Asia	2%



Breakdown by sector	
Cash	3%
Financial	33%
Defensive	22%
Cyclical	34%
Securitized	5%
Sovereign[4]	4%



Breakdown by rating	
Cash	3%
AAA	0%
AA	6%
A	9%
BBB	53%
BB	17%
B	11%
CCC & below	1%



Breakdown by maturity	
Cash	3%
0-1 year	18%
1-3 years	44%
3-5 years	36%

(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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No assurance can be given that the Global Short Duration strategy will be successful. Investors can lose some or all of their capital invested. The Global Short Duration strategy is subject to risks including credit risk, liquidity risk and interest rate risk and counterparty risk. The strategy is also subject to derivatives and leverage, emerging markets and global investment risks.