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Sterling Credit Short Duration strategy

Higher US treasury yields put pressure on risk assets

- Sterling credit spreads slightly widened in March
- Higher US treasury yields and renewed concerns about the pandemic put pressure on risk assets
- The risk profile was broadly unchanged

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What's happening?

- Credit spreads widened slightly in March as the continued support from central banks, the improved global economic outlook, and progress in the roll-out of coronavirus vaccinations (despite supply issues) were offset by sharply higher US treasury yields and renewed concerns about the pandemic, particularly as Europe battled a third wave of infections.

- The US Federal Reserve reassured markets about an early tightening of monetary policy by suggesting that no interest rate hikes were likely before 2024. Meanwhile, the European Central Bank announced it would raise the rate of its monthly bond purchasing under its Pandemic Emergency Purchasing Programme to counter the recent rise in yields.

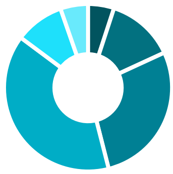
Strategy in focus – representative account (31/03/21)	
Assets under management	£559m
Yield (GBP hedged)[1]	1.0%
Duration[1]	1.7 yrs
Average rating[2]	A-
Number of issuers	109
Launch date	12/11/2010
Net performance – representative account (GBP)[3]	
One month	+0.08%
Year-to-date	0.00%
One year	+5.55%
Three years (cumulative)	+5.73%
Five years (cumulative)	+9.36%
Ten years (cumulative)	+26.64%

Source: AXA IM as at 31/03/2021. 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.

- UK gilt yields rose slightly supported by the country's very successful vaccination programme and improved economic outlook, with the Bank of England leaving policy unchanged.

Portfolio positioning and performance

- Despite sterling investment grade primary issuance jumping to £8.3bn in March, the most since June 2020, we did not participate in any new issues. However, we added a new exposure to UK retailer Marks & Spencer in the secondary market. As such, our exposure to BBB rated bonds was stable at 51%.

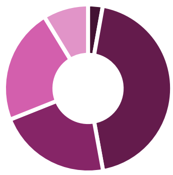


Breakdown by region	
Cash	5%
UK	35%
Europe Core – ex UK	25%
Europe Periphery	9%
North America	12%
Emerging Markets	5%
Developed Asia	9%

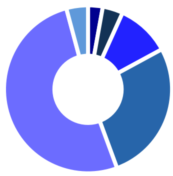
Outlook

- As we expect continued monetary and fiscal support over the medium term to ensure a full economic recovery, we believe 2021 will be all about carry.

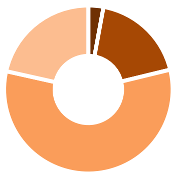
- While we aim to remain overweight in BBB rated bonds in order to optimise the carry of the portfolio, we also plan to gradually reduce this overweight over the coming months as valuations have become very expensive.



Breakdown by sector	
Cash	5%
Financial	44%
Defensive	21%
Cyclical	21%
Securitized	9%
Sovereign	1%



Breakdown by rating	
Cash	5%
AAA	4%
AA	10%
A	27%
BBB	51%
BB or below	4%



Breakdown by maturity	
Cash	5%
0-1 year	19%
1-3 years	55%
3-5 years	22%

(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. Please note that the yield calculations are based on the portfolio of assets and may NOT be representative of what clients invested in the fund 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.

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

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