Global Short Duration strategy

Credit spreads tightened as government bond yields stabilised

- Credit spreads were tighter, supported by the gradual reopening of economies and lower US treasury yields
- The US Federal Reserve (Fed) continued to dismiss talk about early tapering of quantitative easing
- The risk profile was further reduced

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What's happening?

- Despite concerns about spikes in COVID-19 infections in a number of key countries, credit spreads still tightened, supported by the gradual reopening of economies, positive economic data, and strong earnings results.

- The US Federal Reserve (Fed) left policy unchanged, reiterating that it would be 'some time' before 'substantial further progress' was made and tapering of quantitative easing began. The Fed also dismissed the rising inflation expected over the coming months as 'transitory'. Meanwhile, the European Central Bank kept interest rates on hold and said it was too early to talk about tightening monetary policy.

Strategy in focus – representative account (30/04/21)	
Assets under management	£168m
Yield (GBP hedged)[1]	1.5%
Duration[1]	1.9 yrs
Average rating[2]	BBB
Number of issuers	141
Launch date	17/05/2017
Net performance – representative account (GBP)[3]	
One month	+ 0.37%
Year-to-date	+0.19%
One year	+5.92%
Three year (cumulative)	+6.97%
Since launch (cumulative)	+7.40%

Source: AXA IM as at 30/04/2021. 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.

- US treasury yields fell in April on easing concerns that US interest rates would rise sooner than expected, while German bund yields rose as the pace of COVID-19 vaccinations increased in Europe. Gilt yields were broadly unchanged.

Portfolio positioning and performance

- **Sovereign:** In order to further de-risk the portfolio, we increased our sovereign exposure by 4% to 10% by adding short-dated US treasury inflation-linked and nominal bonds, and government-guaranteed debt.
- **Investment Grade:** We reduced our exposure to investment grade by 4% to 45% in order to reallocate towards sovereign debt. We were active in both primary and secondary markets as we continued to decrease our exposure to COVID-19-sensitive names that performed very strongly.

  High Yield and Emerging Markets: We decreased our exposure to emerging markets while keeping our exposure to high yield broadly stable as the former should be further pressured by higher US treasury yields. We mostly reduced our exposure by selling expensive investment grade-rated emerging markets names. This means that our exposure to high yield and emerging markets peaked in February at 43% compared to 41% at the end of April.

Outlook

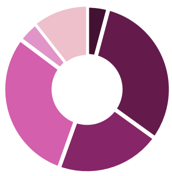
- As we expect continued monetary and fiscal support over the medium term to ensure a full economic recovery, we believe 2021 will be all about carry.
- While we aim to remain overweight in high yield and emerging markets in order to optimise the carry of the portfolio, we also plan to gradually reduce this overweight over the coming months as valuations have become very expensive, starting with emerging markets.

Asset class breakdown

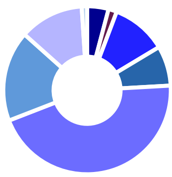
Category	Asset Class	Total
Cash		4%
Sovereign[5]		10%
Investment Grade Credit	EUR IG Credit	11%
	GBP IG Credit	18%
	USD IG Credit	15%
	Total	45%
High Yield & Emerging Markets	EUR High Yield	15%
	USD High Yield	9%
	Emerging Markets	16%
	Total	41%
Total		100%

Portfolio breakdowns

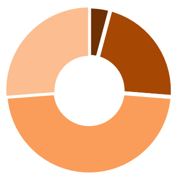
Breakdown by region	
Cash	4%
UK	18%
Core Europe – ex UK	19%
Periphery Europe	11%
North America	28%
Emerging Markets	16%
Developed Asia	3%



Breakdown by sector	
Cash	4%
Financial	31%
Defensive	21%
Cyclical	30%
Securitized	4%
Sovereign[4]	11%



Breakdown by rating[2]	
Cash	4%
AAA	2%
AA	11%
A	8%
BBB	45%
BB	17%
B	12%
CCC & below	1%



Breakdown by maturity	
Cash	4%
0-1 year	22%
1-3 years	48%
3-5 years	26%

(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.