

Not for Retail distribution: this document is intended exclusively for Professional, Institutional, Qualified or Wholesale Investors / Clients, as defined by applicable local laws and regulation. Circulation must be restricted accordingly

Sterling Credit Short Duration strategy

Double headwind of Omicron and a hawkish Fed

- Sterling investment grade credit spreads were wider due to the double headwind of Omicron and a hawkish Fed
- Gilt yields fell due to Omicron related uncertainties
- The risk profile was broadly unchanged

Nicolas Trindade
Portfolio Manager, Sterling Credit Short Duration strategy

What's happening?

- Despite positive corporate results and strong US economic data, credit spreads widened due to a hawkish US Federal Reserve (Fed), the reintroduction of COVID-19-related restrictions in some countries, and the new, highly-mutated Omicron variant that could be more transmissible and resistant to existing vaccines.
- The Fed confirmed plans to start scaling back its asset-purchase programme from November while Fed chairman Jerome Powell indicated that the speed of tapering could be accelerated because of persistently high inflation. Meanwhile, the Bank of England (BoE) signalled that an interest rate hike would be likely 'over the coming months' but surprised the market by leaving the Bank rate unchanged in November.
- UK gilt yields fell on the back of Omicron-related uncertainties and a more dovish than expected BoE.

Strategy in focus – representative account (30/11/21)

Assets under management	£523m
Yield (GBP hedged) ¹	1.3%
Duration ¹	1.7 yrs
Average rating ²	A-
Number of issuers	108
Launch date	12/11/2010

Cumulative net performance – representative account (GBP)³

One month	+0.16%
Year-to-date	+0.08%
One year	+0.39%
Three years	+5.72%
Five years	+7.05%
Ten years	+25.74%
Since launch	+27.50%

Annualised net performance – representative account (GBP)³

One year	+0.39%
Three years	+1.87%
Five years	+1.37%
Ten years	+2.31%
Since launch	+2.22%

Source: AXA IM as at 30/11/2021. 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.

Portfolio positioning and performance

- Sterling investment grade primary issuance posted a solid £3.8bn in November as we participated in the new issues from German and Norwegian banks Commerzbank and DNB. We were also active in the secondary market buying bonds, for example, from Spanish toll road operator Abertis and UK utility company Anglian Water. Our exposure to BBB-rated bonds remained broadly unchanged at 47% versus 46% last month, while our exposure to sovereign debt increased by 2% to 10%.

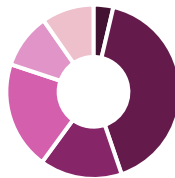
Outlook

- With the market having to grapple with expensive valuations, a more hawkish Fed due to persistently high inflation, and Omicron-related uncertainties, we plan to continue reducing our exposure to BBB rated bonds over the coming months.
- We continue to expect higher yields by the end of the year as inflationary pressures continue and Omicron uncertainties recede.



Breakdown by region

Cash	4%
UK	34%
Europe Core – ex UK	32%
Europe Periphery	7%
North America	10%
Emerging Markets	4%
Developed Asia	8%



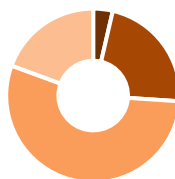
Breakdown by sector

Cash	4%
Financial	41%
Defensive	15%
Cyclical	20%
Securitized	10%
Sovereign	10%



Breakdown by rating

Cash	4%
AAA	9%
AA	12%
A	25%
BBB	47%
BB or below	3%



Breakdown by maturity

Cash	4%
0-1 year	22%
1-3 years	54%
3-5 years	19%

(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.

Not for Retail distribution: This document is intended exclusively for Professional, Institutional, Qualified or Wholesale Clients / Investors only, as defined by applicable local laws and regulation. Circulation must be restricted accordingly.

This document is for informational purposes only and does not constitute investment research or financial analysis relating to transactions in financial instruments as per MIF Directive (2014/65/EU), nor does it constitute on the part of AXA Investment Managers or its affiliated companies an offer to buy or sell any investments, products or services, and should not be considered as solicitation or investment, legal or tax advice, a recommendation for an investment strategy or a personalized recommendation to buy or sell securities.

Due to its simplification, this document is partial and opinions, estimates and forecasts herein are subjective and subject to change without notice. There is no guarantee forecasts made will come to pass. Data, figures, declarations, analysis, predictions and other information in this document is provided based on our state of knowledge at the time of creation of this document. Whilst every care is taken, no representation or warranty (including liability towards third parties), express or implied, is made as to the accuracy, reliability or completeness of the information contained herein. Reliance upon information in this material is at the sole discretion of the recipient. This material does not contain sufficient information to support an investment decision.

Past performance is not a guide to current or future performance, and any performance or return data displayed does not take into account commissions and costs incurred when issuing or redeeming units. References to league tables and awards are not an indicator of future performance or places in league tables or awards and should not be construed as an endorsement of any AXA IM company or their products or services. Please refer to the websites of the sponsors/issuers for information regarding the criteria on which the awards/ratings are based. The value of investments, and the income from them, can fall as well as rise and investors may not get back the amount originally invested. Exchange-rate fluctuations may also affect the value of their investment. Due to this and the initial charge that is usually made, an investment is not usually suitable as a short term holding.

Issued in the UK by AXA Investment Managers UK Limited, which is authorised and regulated by the Financial Conduct Authority in the UK. Registered in England and Wales No: 01431068. Registered Office: 22 Bishopsgate London EC2N 4BQ

In other jurisdictions, this document is issued by AXA Investment Managers SA's affiliates in those countries.