Global Short Duration strategy

Double headwind of Omicron and a hawkish Fed

- Credit spreads were wider due to the double headwind of Omicron and a hawkish Fed
- Government bond yields fell due to Omicron related uncertainties
- We reduced our exposure to US high yield

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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 signalled that an interest rate hike would be likely 'over the coming months' but surprised the market by leaving the rate unchanged in November.
- US treasury, German bund, and UK gilt yields fell on the back of Omicron-related uncertainties.

Strategy in focus – representative account (30/11/21)	
Assets under management	£186m
Yield (GBP hedged)[1]	1.6%
Duration[1]	1.1yrs
Average rating[2]	A-
Number of issuers	137
Launch date	17/05/2017

Cumulative net performance – representative account (GBP)[3]	
One month	-0.28%
Year-to-date	+0.37%
One year	+0.94%
Three year (cumulative)	+7.98%
Since launch (cumulative)	+7.60%

Annualised net performance – representative account (GBP)[3]	
One year	+0.94%
Three year	+2.59%
Since launch	+1.63%

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

- **Sovereign:** Our overall sovereign exposure increased by 2% to 32% as we bought some nominal UK gilts. We retained our 15% exposure to US, German, and French inflation-linked bonds to benefit from supportive inflation indexation over the next couple of months.

- **Investment Grade:** Our exposure to investment grade markets was broadly constant at 33% versus 32% last month, as we were active in the US dollar secondary market.

- **High Yield and Emerging Markets**: Our exposure to high yield (HY) and emerging markets (EM) decreased by 6% to 30% as we reduced our exposure to US HY due to the double headwind of Omicron-related uncertainties and a more hawkish Fed. We still participated in an attractive new EM issue.

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 retain our higher exposure to sovereign bonds and linkers while continuing to gradually switch out of HY and EM into investment grade to increase the defensiveness of the portfolio.

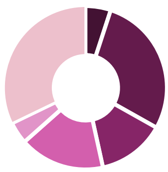
- We continue to expect higher yields by the end of the year as inflationary pressures continue and Omicron uncertainties recede.

Asset class breakdown

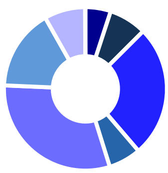
Category	Asset Class	Total
Cash		5%
Sovereign[5]	Nominal	17%
	Inflation-Linked	15%
	Total	32%
Investment Grade Credit	EUR IG Credit	7%
	GBP IG Credit	13%
	USD IG Credit	12%
	Total	33%
High Yield & Emerging Markets	EUR High Yield	17%
	USD High Yield	2%
	Emerging Markets	12%
	Total	30%
Total		100%

Portfolio breakdowns

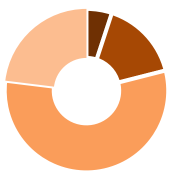
Breakdown by region	
Cash	5%
UK	24%
Core Europe – ex UK	25%
Periphery Europe	10%
North America	21%
Emerging Markets	12%
Developed Asia	2%



Breakdown by sector	
Cash	5%
Financial	28%
Defensive	13%
Cyclical	17%
Securitized	4%
Sovereign[4]	32%



Breakdown by rating[2]	
Cash	5%
AAA	7%
AA	26%
A	6%
BBB	30%
BB	16%
B	8%
CCC & below	0%



Breakdown by maturity	
Cash	5%
0-1 year	16%
1-3 years	56%
3-5 years	23%

(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.

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. 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.