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# Global Short Duration strategy

## Yields sharply rise on hopes of progress in peace talks

- Despite continued hawkishness from central banks and the ongoing Russian invasion of Ukraine, credit spreads tightened supported by hopes of progress in peace talks
- Government bond yields were again volatile, ending the month significantly higher
- We continued to re-risk the portfolio by mostly increasing our exposure to high-yield and emerging markets

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### What's happening?

- Despite continued hawkishness from central banks and the ongoing Russian invasion of Ukraine, credit spreads tightened supported by better-than-expected economic releases and hopes of progress in peace talks.
- The US Federal Reserve (Fed) raised interest rates by 0.25% to 0.25%-0.50% in a widely anticipated move as Fed chairman Jerome Powell pledged to 'restore price stability'. The European Central Bank surprised market participants on the hawkish side with the announcement of an acceleration of its tapering program while the Bank of England increased interest rates for the third consecutive time by 0.25% to 0.75%.
- US treasury, German bund, and UK gilt yields sharply rose to levels not seen since before the pandemic as the market focused on the inflationary impact of the war and as peace talks progressed.

### Portfolio positioning and performance

- **Sovereign:** Our exposure to sovereign bonds further decreased by 7% to 13% as we continued to re-risk the portfolio. We sold our French inflation-linked bonds following their strong performance but kept our exposure to shorter-dated US and German inflation-linked bonds broadly stable, with our overall inflation exposure falling by 5% to 8%. We also continued to reduce our exposure to nominal government bonds by 2% to 5%. The duration was actively managed during the month as we successfully benefited from the high level of volatility.

Strategy in focus – representative account (31/03/22)	
Assets under management	£180m
Yield (GBP hedged) <sup>1</sup>	3.6%
Duration <sup>1</sup>	2.0 yrs
Average rating <sup>2</sup>	BBB
Number of issuers	161
Launch date	17/05/2017

Past performance is not a reliable indicator of future results

Cumulative net performance – representative account (GBP) <sup>3</sup>	
One month	-0.09%
Year-to-date	-1.30%
One year	-0.56%
Three year (cumulative)	+4.83%
Since launch (cumulative)	+6.40%

Annualised net performance – representative account (GBP) <sup>3</sup>	
One year	-0.56%
Three year	+1.58%
Since launch	+1.28%

Source: AXA IM as at 31/03/2022. 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. **Return may increase or decrease as a result of currency fluctuations.** Performance calculations are net of fees, based on reinvestment of dividends.

- **Investment Grade:** Our exposure to investment grade markets further increased by 2% to 48% to benefit from wider credit spreads. We were mostly active in the sterling primary market to capture attractive new issue premia, with a bias towards the banking sector.
- **High Yield and Emerging Markets:** Our exposure to high-yield and emerging markets further increased by 7% to 38% as we increased our allocation to European high-yield and emerging markets to benefit from wider credit spreads. We were mostly active in the secondary market as new issues were very scarce during the month.

## Outlook

- We continued to re-risk the portfolio in March to benefit from the strong market sell-off in the first half of the month. With spreads having tightened back again, we have paused for now the re-risking waiting for better entry points.
- While we still expect to see higher yields in 2022 due to continued inflationary pressures and hawkishness from central banks, Russia's invasion of Ukraine has led to a much more volatile environment hence the importance to keep on managing actively the duration and credit exposure.

## Asset class breakdown

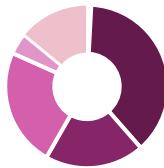
Category	Asset Class	Total
Cash		1%
Sovereign <sup>5</sup>	Nominal	5%
	Inflation-Linked	8%
	<b>Total</b>	<b>13%</b>
Investment Grade Credit	EUR IG Credit	13%
	GBP IG Credit	23%
	USD IG Credit	13%
	<b>Total</b>	<b>48%</b>
High Yield & Emerging Markets	EUR High Yield	22%
	USD High Yield	3%
	Emerging Markets	13%
	<b>Total</b>	<b>38%</b>
<b>Total</b>		100%



## Portfolio breakdowns

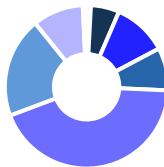
### Breakdown by region

Cash	1%
UK	26%
Core Europe – ex UK	21%
Periphery Europe	14%
North America	25%
Emerging Markets	13%
Developed Asia	1%



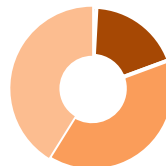
### Breakdown by sector

Cash	1%
Financial	38%
Defensive	20%
Cyclical	23%
Securitized	4%
Sovereign <sup>4</sup>	14%



### Breakdown by rating<sup>2</sup>

Cash	1%
AAA	6%
AA	11%
A	8%
BBB	44%
BB	20%
B	10%
CCC & below	1%



### Breakdown by maturity

Cash	1%
0-1 year	19%
1-3 years	39%
3-5 years	41%

(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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