

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

Global Short Duration strategy

Markets stabilise as volatility recedes

- Credit spreads were mixed, with investment grade outperforming high-yield
- UK gilts underperformed US treasuries and German bunds as UK inflation surprised on the upside
- The risk profile was stable

Nicolas Trindade

Portfolio Manager, Global Short Duration strategy

What's happening?

- Despite a positive corporate earnings season, credit spreads were mixed in April, with investment grade outperforming high-yield, as fears of an upcoming US recession and continued woes in the US banking sector weighed on sentiment.
- While there were no meetings of the US, eurozone and UK central banks, policymakers remained hawkish, worrying that inflation may be stickier than feared. As such, the market expected the US Federal Reserve, European Central Bank, and Bank of England to each increase interest rates by 0.25% in May.
- UK gilts underperformed US treasuries and German bunds as UK inflation surprised on the upside at 10.1% in March while US and eurozone inflation were broadly in-line with expectations at 5.0% and 6.9%, respectively.

Portfolio positioning and performance

- **Sovereign:** Our exposure to sovereign bonds was stable at 12% as we remained invested in UK and German nominal bonds and UK inflation-linked bonds. We retained a longer duration bias for most of April at c.2.7 years before reducing it towards the end of the month to 2.2 years.
- **Investment Grade:** Our exposure to investment grade markets increased by 2% to 58% as we were active in the US dollar secondary market and sterling primary market.

Strategy in focus – representative account (30/04/23)

| | |
|---------------------------------|------------|
| Assets under management | £101m |
| Yield (GBP hedged) ¹ | 6.0% |
| Duration ¹ | 2.2 yrs |
| Average rating ² | BBB |
| Number of issuers | 146 |
| Launch date | 17/05/2017 |

Past performance is not a reliable indicator of future results

Cumulative net performance – representative account (GBP)³

| | |
|---------------------------|--------|
| One month | +0.38% |
| Year-to-date | +2.40% |
| One year | +1.04% |
| Three year (cumulative) | +5.23% |
| Five year (cumulative) | +6.27% |
| Since launch (cumulative) | +6.70% |

Annualised net performance – representative account (GBP)³

| | |
|--------------|--------|
| One year | +1.04% |
| Three year | +1.72% |
| Five year | +1.23% |
| Since launch | +1.10% |

Source: AXA IM as at 30/04/2023. 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.

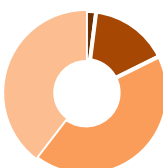
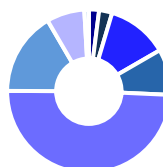
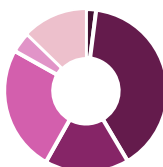
- **High-Yield and Emerging Markets:** Our exposure to high-yield and emerging markets was broadly unchanged at 28%. We bought some protection on the Markit iTraxx Europe Crossover index on the back of continued concerns around US regional banks and weakening US economic data.

Outlook

- The macroeconomic outlook remains very uncertain given high (but falling) inflation, rising (but peaking) interest rates, slowing (but resilient so far) growth and tighter lending conditions caused by the recent banking turmoil. As such, we expect market conditions to remain very volatile over the short-term, highlighting the importance of actively managing the duration and credit exposure.
- We expect sovereign yields and credit spreads to consolidate at current levels for now since they already broadly reflect our expectations for additional tightening by central banks.

Asset class breakdown

| Category | Asset Class | Total |
|-------------------------------|------------------|------------|
| Cash | | 2% |
| Sovereign ⁵ | Nominal | 12% |
| | Inflation-Linked | 1% |
| | Total | 12% |
| Investment Grade Credit | EUR IG Credit | 11% |
| | GBP IG Credit | 35% |
| | USD IG Credit | 12% |
| | Total | 58% |
| High-Yield & Emerging Markets | EUR High-Yield | 19% |
| | USD High-Yield | 3% |
| | Emerging Markets | 6% |
| | Total | 28% |
| Total | | 100% |



Portfolio breakdowns

Breakdown by region

| | |
|---------------------|-----|
| Cash | 2% |
| UK | 37% |
| Core Europe – ex UK | 21% |
| Periphery Europe | 13% |
| North America | 19% |
| Emerging Markets | 6% |
| Developed Asia | 2% |

Breakdown by sector

| | |
|------------------------|-----|
| Cash | 2% |
| Financial | 39% |
| Defensive | 17% |
| Cyclical | 25% |
| Securitized | 4% |
| Sovereign ⁴ | 13% |

Breakdown by rating²

| | |
|-------------|-----|
| Cash | 2% |
| AAA | 3% |
| AA | 12% |
| A | 9% |
| BBB | 49% |
| BB | 17% |
| B | 8% |
| CCC & below | 1% |

Breakdown by maturity

| | |
|-----------|-----|
| Cash | 2% |
| 0-1 year | 16% |
| 1-3 years | 43% |
| 3-5 years | 40% |

(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.

(5) Any Emerging Market Sovereigns are classified under “Emerging Markets” for the purpose of this breakdown.

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.

Not for Retail distribution: This marketing communication 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 marketing communication 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 marketing communication is partial and opinions, estimates and forecasts herein are subjective and subject to change without notice. There is no guarantee that 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.

Before making an investment, investors should read the relevant Prospectus and the Key Investor Information Document / scheme documents, which provide full product details including investment charges and risks. The information contained herein is not a substitute for those documents or for professional external advice.

The products or strategies discussed in this marketing communication may not be registered nor available in your jurisdiction. Please check the countries of registration with the asset manager, or on the web site <https://www.axa-im.com/en/registration-map>, where a fund registration map is available. In particular units of the funds may not be offered, sold or delivered to U.S. Persons within the meaning of Regulation S of the U.S. Securities Act of 1933. The tax treatment relating to the holding, acquisition or disposal of shares or units in the fund depends on each investor's tax status or treatment and may be subject to change. Any potential investor is strongly encouraged to seek advice from its own tax advisors.

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.

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.