

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

Sterling Credit Short Duration strategy

Sovereign yields rise as global growth concerns subside

- Sterling investment grade credit spreads tightened as global growth concerns subsided, and the US Federal Reserve paused its rate hiking cycle
- UK gilt yields rose significantly as UK inflation surprised again to the upside
- We reduced further our exposure to BBB-rated debt

Nicolas Trindade

Portfolio Manager, Sterling Credit Short Duration strategy

What's happening?

- Despite the ongoing slowdown in the Chinese recovery, sterling investment grade credit spreads tightened as the US Federal Reserve (Fed) paused its interest rate hiking cycle, the US avoided a debt default, and global growth concerns subsided.
- While the Fed left interest rates unchanged at 5% to 5.25%, chair Jerome Powell signalled that two further rate hikes were still on the table for this year as inflation makes its way towards the 2% target. The European Central Bank and Bank of England did not follow suit with the former increasing interest rates by 0.25% to 3.50% while the latter lifted them by 0.50% to 50% as inflation failed to fall in May.
- UK gilts significantly underperformed US treasuries and German bunds as UK inflation surprised again to the upside for May, remaining at 8.7%, while jobs growth and wages continued to be strong. As a result, UK gilt yields soared towards levels not seen since 2008.

Strategy in focus – representative account (30/06/23)

Assets under management	£702m
Yield (GBP hedged) ¹	6.8%
Duration ¹	2.5 yrs
Average rating ²	A-
Number of issuers	131
Launch date	12/11/2010

Past performance is not a reliable indicator of future results

Cumulative net performance – representative account (GBP)³

One month	-1.22%
Year-to-date	-0.08%
One year	-0.41%
Three years	-2.09%
Five years	+0.83%
Ten years	+10.72%
Since launch	+21.90%

Annualised net performance – representative account (GBP)³

One year	-0.41%
Three years	-0.70%
Five years	+0.16%
Ten years	+1.02%
Since launch	+1.58%

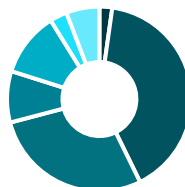
Source: AXA IM as at 30/06/2023. The data is based on a representative account that follows the strategy and is not intended to represent actual past or simulated past performance of the strategy. **Return may increase or decrease as a result of currency fluctuations.** Performance calculations are net of fees, based on reinvestment of dividends.

Portfolio positioning and performance

- Sterling investment grade primary issuance rose again to £8.3bn in June. As such, we participated in six sterling new issues, with a bias towards better rated names. We were also very active in the secondary market. As a result, our exposure to A-rated bonds increased by 2% to 29% while our exposure to BBB-rated bonds decreased further by 4% to 48%.

Outlook

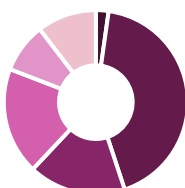
- The macroeconomic outlook remains very uncertain given high (but falling) inflation, rising (but peaking) interest rates, slowing (but resilient so far) growth, and tighter lending conditions caused by the recent banking turmoil. As such, we expect market conditions to remain very volatile with an increased likelihood of a global recession in the second half of this year as central banks' ability to cut interest rates to support growth is curtailed by elevated inflation.
- As a result, we plan to continue reducing the level of credit risk so that we could benefit from a potential widening in credit spreads in the second half of this year by re-risking the portfolio at much better levels.



Portfolio breakdowns

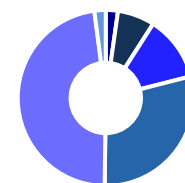
Breakdown by region

Cash	2%
UK	41%
Europe Core – ex UK	28%
Europe Periphery	9%
North America	11%
Emerging Markets	3%
Developed Asia	6%



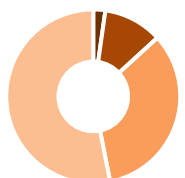
Breakdown by sector

Cash	2%
Financial	43%
Defensive	17%
Cyclical	19%
Securitized	9%
Sovereign	10%



Breakdown by rating

Cash	2%
AAA	7%
AA	12%
A	29%
BBB	48%
BB or below	2%



Breakdown by maturity

Cash	2%
0-1 year	11%
1-3 years	34%
3-5 years	53%

(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 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 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 marketing communication 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.