Global Short Duration strategy

Yields rise as investors dial back further the prospect of rate cuts

- Credit spreads tightened further, supported by positive corporate results, resilient economic data, and continued strong demand
- Sovereign yields rose as investors dialled back further the prospect of rate cuts for 2024
- The risk profile of the fund was stable

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What's happening?

- Credit spreads tightened further, supported by positive corporate results, resilient economic data, and continued strong demand.
- The Bank of England left interest rates unchanged at 5.25% in February as 'monetary policy will need to remain restrictive for sufficiently long to return inflation to the 2% target sustainably in the medium term'. The US Federal Reserve and European Central Bank did not hold any policy meetings in February, with markets expecting the first rate cut to happen in June for both.
- Sovereign yields rose as investors dialled back further the prospect of rate cuts for 2024. US and Eurozone inflation surprised on the upside in the year to January at 3.1% and 2.8%, respectively, while UK inflation surprised on the downside, remaining stable at 4%.

Strategy in focus – representative account (29/02/24)	
Assets under management	£204m
Yield (GBP hedged)[1]	5.2%
Duration[1]	1.7 yrs
Average rating[2]	BBB+
Number of issuers	162
Launch date	17/05/2017

Past performance is not a reliable indicator of future results

Cumulative net performance – representative account (GBP)[3]	
One month	-0.18%
Year-to-date	+0.18%
One year	+5.68%
Three year (cumulative)	+4.39%
Five year (cumulative)	+10.81%
Since launch (cumulative)	+11.70%

Annualised net performance – representative account (GBP)[3]	
One year	+5.68%
Three year	+1.44%
Five year	+2.07%
Since launch	+1.64%

Source: AXA IM as at 29/02/2024. 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

- **Sovereign:** Our exposure to sovereign bonds increased by 2% to 25% as we initiated a new position on US treasury inflation-linked bonds following the US inflation upside surprise in January. We remained also invested in German bunds, UK gilts, and government related debt. The duration was actively managed throughout the month, enabling us to limit the negative impact from rising sovereign yields.

- **Investment Grade:** Our exposure to investment grade markets was broadly stable at 56% as we continued to be active in the US dollar and euro primary markets. We were also active in secondary markets.
- **High-Yield and Emerging Markets**: Our exposure to high-yield and emerging markets was also broadly unchanged at 18% as we maintained our underweight position due to expensive valuations.

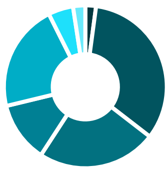
Outlook

- We expect market conditions to remain very volatile as the macroeconomic outlook continues to be uncertain given high interest rates, sticky inflation, slowing growth and tighter lending conditions.
- As a result, we have reduced the overall level of credit risk as valuations look fair to expensive across most asset classes.
- Still, we believe the yields available on short-dated bonds remain attractive due to inverted sovereign yield curves and flat to inverted credit curves.

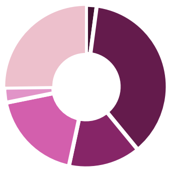
Asset class breakdown

Category	Asset Class	Total
Cash		2%
Sovereign[5]	Nominal	22%
	Inflation-Linked	2%
	Total	25%
Investment Grade Credit	EUR IG Credit	14%
	GBP IG Credit	29%
	USD IG Credit	13%
	Total	56%
High-Yield & Emerging Markets	EUR High-Yield	11%
	USD High-Yield	1%
	Emerging Markets	5%
	Total	18%
Total		100%

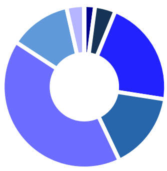
Portfolio breakdowns



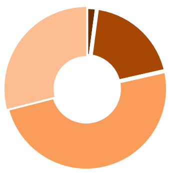
Breakdown by region	
Cash	2%
UK	33%
Core Europe – ex UK	24%
Periphery Europe	12%
North America	21%
Emerging Markets	5%
Developed Asia	2%



Breakdown by sector	
Cash	2%
Financial	37%
Defensive	14%
Cyclical	18%
Securitized	3%
Sovereign[4]	25%



Breakdown by rating[2]	
Cash	2%
AAA	4%
AA	21%
A	15%
BBB	41%
BB	12%
B	3%
CCC & below	0%



Breakdown by maturity	
Cash	2%
0-1 year	19%
1-3 years	50%
3-5 years	29%

(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.