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Sterling Credit Short Duration strategy

The rally resumes despite the re-imposition of national lockdowns

- Credit spreads tightened, supported by strong technicals
- Sharp increases in coronavirus infections led to the re-imposition of national lockdowns
- We kept the risk profile broadly stable

Nicolas Trindade

Portfolio Manager, Sterling Credit Short Duration strategy

What's happening?

- Despite renewed national lockdowns, particularly in Europe, the prospect of a contested US election, and the lack of progress on a new stimulus package in the US, credit spreads still tightened supported by strong technicals.
- The European Central Bank, which again held interest rates steady, hinted that it could provide further monetary policy support before the end of this year.
- UK gilt yields rose slightly in October despite the reintroduction of national lockdown measures. This was driven by the sharp rise in US treasury yields as the market started to price in a Democratic sweep which would lead to higher levels of fiscal stimulus.

Strategy in focus – representative account (31/10/20)

Assets under management	£624m
Yield (GBP hedged) ¹	1.3%
Duration ¹	1.7 yrs
Average rating ²	A-
Number of issuers	118
Launch date	12/11/2010

Net performance – representative account (GBP)³

One month	+0.24%
Year-to-date	+1.20%
One year	+1.53%
Three years (cumulative)	+4.48%
Five years (cumulative)	+9.66%

Source: AXA IM as at 31/10/2020. 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

- We were active in October in the secondary market, buying bonds from US media company Discovery and Danish shipping company Maersk, the latter being a new addition to the Fund. Sterling investment grade primary issuance was light again in October at only £4.7bn. Since the end of February, we have gradually re-risked the portfolio adding 5% of BBB rated bonds, taking our allocation from 45% to 50%.

Outlook

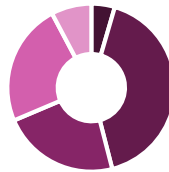
- With the world's economy not experiencing a 'V-shaped' recovery, in our opinion, but rather a 'swoosh' one, policy and fiscal support remain paramount particularly since the fourth quarter is expected to be softer.
- As such, with valuations back to early March levels, we've paused the re-risking of the Fund as the outlook remains uncertain with a potentially contested US election, renewed national lockdowns in Europe to contain the second wave of coronavirus that could become stricter and/or be extended, and heightened 'no-deal' Brexit risk.



Portfolio breakdowns

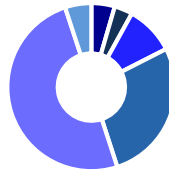
Breakdown by region

Cash	5%
UK	30%
Europe Core – ex UK	28%
Europe Periphery	9%
North America	14%
Emerging Markets	4%
Developed Asia	10%



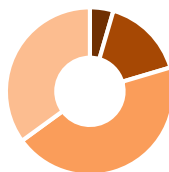
Breakdown by sector

Cash	5%
Financial	42%
Defensive	23%
Cyclical	24%
Securitized	8%
Sovereign	0%



Breakdown by rating

Cash	5%
AAA	4%
AA	10%
A	28%
BBB	50%
BB or below	5%



Breakdown by maturity

Cash	5%
0-1 year	16%
1-3 years	45%
3-5 years	35%

(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.

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