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Sterling Credit Short Duration strategy

The rally accelerates as risks substantially diminish

- Credit spreads significantly tightened thanks to the conclusive US elections and very positive vaccine news
- While coronavirus infections surged in the US, they seemed to broadly come down in Europe
- We have increased the risk profile by further adding BBB rated names

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What's happening?

- Despite surging coronavirus infections in the US, credit spreads significantly tightened, thanks to the very positive vaccine news and an ease in political uncertainty after Democrat Joe Biden's win was confirmed and President Donald Trump allowed the transition to get under way.
- The US Treasury said it would not renew three key US Federal Reserve (Fed) emergency lending facilities at the end of this year despite the Fed's public opposition to it. The Bank of England kept interest rates unchanged at 0.1% and expanded its bond-purchasing programme by £150bn, more than expected.
- UK gilt yields rose slightly in November due to the global risk-on environment and new monetary and fiscal

Strategy in focus – representative account (30/11/20)

Assets under management	£575m
Yield (GBP hedged) ¹	1.1%
Duration ¹	1.7 yrs
Average rating ²	A-
Number of issuers	111
Launch date	12/11/2010

Net performance – representative account (GBP)³

One month	+0.79%
Year-to-date	+2.01%
One year	+2.25%
Three years (cumulative)	+5.31%
Five years (cumulative)	+9.96%
Ten years (cumulative)	+26.93%

Source: AXA IM as at 30/11/2020. 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

stimulus measures in the UK, with the government extending its wage-support scheme.

Portfolio positioning and performance

- We were active in November in the secondary market, specifically focusing on COVID-19-challenged sectors and therefore buying bonds from UK real estate company Hammerson and Italian airport Aeroporti di Roma. Both were new additions to the Fund. Sterling investment grade primary issuance was average in November at £4.1bn. Since the end of February, we have gradually re-risked the portfolio, adding 8% of BBB rated bonds and taking our allocation from 45% to 53%.

Outlook

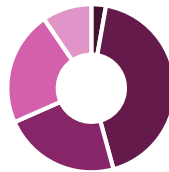
- With the world's economy not experiencing a 'V-shape' recovery, in our opinion, but rather a 'swoosh' one, monetary and fiscal support remain paramount to help cushion the economic damage caused by the new round of lockdowns.
- Following the conclusive US elections and very positive vaccine news, we are ready to look through some near-term risks, such as Brexit, and believe that 2021 will be all about carry. Therefore, we plan to remain overweight BBB rated bonds in order to optimise the level of carry within the portfolio.



Portfolio breakdowns

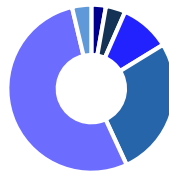
Breakdown by region

Cash	3%
UK	33%
Europe Core – ex UK	26%
Europe Periphery	10%
North America	11%
Emerging Markets	5%
Developed Asia	11%



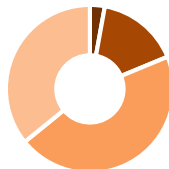
Breakdown by sector

Cash	3%
Financial	43%
Defensive	23%
Cyclical	22%
Securitized	10%
Sovereign	0%



Breakdown by rating

Cash	3%
AAA	4%
AA	10%
A	27%
BBB	53%
BB or below	4%



Breakdown by maturity

Cash	3%
0-1 year	16%
1-3 years	45%
3-5 years	36%

(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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