Global Short Duration strategy

The rally goes on

- Credit spreads have continued to tighten following the gradual easing of lockdown restrictions
- The Franco-German proposal for an EU recovery fund is a historic and positive step
- We have continued to gradually add to attractive opportunities in high yield through the new issue market

Nicolas Trindade
Portfolio Manager, Global Short Duration strategy

What's happening?

- Credit spreads continued to tighten in May following the gradual easing of lockdown restrictions, and further stimulus from central banks and governments worldwide, including the Franco-German proposal for an EU recovery fund - each of these factors lifting hopes for a recovery in economic activity.
- However, renewed tensions between the US and China simmered throughout the month, unsettling markets at times.
- US treasury and German bund yields rose, due to the risk-on environment and expected elevated levels of supply. Gilt yields further fell in May, with yields on short-dated gilts dropping below zero for the first time ever, partly due to increased speculations that the Bank of England could push interest rates below zero.

Strategy in focus – representative account (31/05/20)	
Assets under management	£236m
Yield (GBP hedged)[1]	3.3%
Duration[1]	2.2 yrs
Average rating[2]	BBB
Number of issuers	172
Launch date	17/05/2017
Net performance – representative account (GBP)[3]	
One month	+1.18%
Year-to-date	-1.44%
One year	+0.49%
Three year (cumulative)	+2.60%
Since launch (cumulative)	+2.60%

Source: AXA IM as at 31/05/2020. 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

- **Sovereign:** We remained invested in short-dated US treasury inflation-linked bonds, due to attractive valuations.

- **Investment Grade:** We have continued to gradually reduce our bias towards investment grade credit in the Fund. We were still active in primary markets, buying US life insurer Athene in US dollars and UK bank RBS in sterling, both being new additions to the Fund.
- **High Yield and Emerging Markets**: We have continued to add to high yield, buying several new issues in the euro primary market. Due to the gradual re-risking undertaken since late March, we now have a 30% allocation to high yield and emerging markets (up from 19% at the end of February), and are therefore in line with our long-term neutral allocation.

Outlook

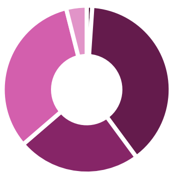
- Despite all advanced economies forecast to be in recession this year, we have now experienced the shortest bear market ever in credit markets, due to the unprecedented monetary and fiscal support.
- With the outlook remaining very uncertain and valuations having recovered a long way, we are growing cautious on adding more 'beta' risk at this point and would rather focus on specific pockets of value that have lagged the recovery so far.

Asset class breakdown

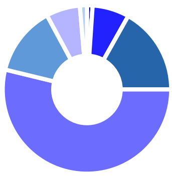
Category	Asset Class	Total
Cash		1%
Sovereign[5]		3%
Investment Grade Credit	EUR IG Credit	19%
	GBP IG Credit	22%
	USD IG Credit	25%
	Total	66%
High Yield & Emerging Markets	EUR High Yield	11%
	USD High Yield	5%
	Emerging Markets	14%
	Total	30%
Total		100%

Portfolio breakdowns

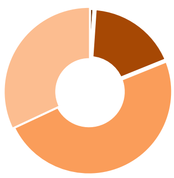
Breakdown by region	
Cash	1%
UK	18%
Core Europe – ex UK	21%
Periphery Europe	9%
North America	34%
Emerging Markets	14%
Developed Asia	4%



Breakdown by sector	
Cash	1%
Financial	39%
Defensive	24%
Cyclical	32%
Sovereign[4]	4%



Breakdown by rating	
Cash	1%
AAA	0%
AA	7%
A	17%
BBB	54%
BB	13%
B	7%
CCC & below	1%



Breakdown by maturity	
Cash	1%
0-1 year	18%
1-3 years	49%
3-5 years	32%

(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.