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Global Short Duration strategy

The rally continues, but the risks around a second wave increase

- Credit spreads tightened further following widespread easing of restrictions
- The risks around a second wave increased
- We kept on adding to attractive opportunities in high yield and emerging markets

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What's happening?

- Credit spreads kept on tightening in June, as optimism grew around the recovery in the global economy following widespread easing of restrictions in developed countries and improving economic data. However, fears of a second wave created nervousness.
- The US Federal Reserve began to purchase individual corporate bond issues, rather than just corporate bond ETFs, while the European Central Bank significantly increased the size of its emergency bond-buying programme to €1.35 trillion.
- Despite the risk-on environment and the prospect of higher borrowing, US treasury, German bund and UK gilt yields were slightly lower at the front-end as they remain anchored by central bank support.

Strategy in focus – representative account (30/06/20)

Assets under management	£237m
Yield (GBP hedged) ¹	2.7%
Duration ¹	2.2 yrs
Average rating ²	BBB
Number of issuers	171
Launch date	17/05/2017

Net performance – representative account (GBP)³

One month	+1.07%
Year-to-date	-0.38%
One year	+0.88%
Three year (cumulative)	+3.73%
Since launch (cumulative)	+3.70%

Source: AXA IM as at 30/06/2020. 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 continued to gradually reduce our bias towards investment grade in the Fund in order to capture attractive opportunities in high yield and emerging markets. We were still active in primary markets, buying one attractive new issue in US dollar.
- **High Yield and Emerging Markets:** We continued to add to high yield and emerging markets, participating specifically in several Asian high yield new issues. Due to the gradual re-risking undertaken since late March, we now have a 32% allocation to high yield and emerging markets (up from 19% at the end of February).

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

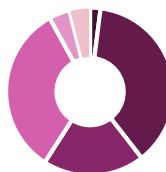
Category	Asset Class	Total
Cash		2%
Sovereign ⁵		3%
Investment Grade	EUR IG Credit	19%
	GBP IG Credit	21%
	USD IG Credit	23%
	Total	62%
High Yield & Emerging Markets	EUR High Yield	11%
	USD High Yield	6%
	Emerging Markets	15%
	Total	32%
Total		100%



Portfolio breakdowns

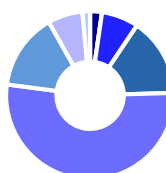
Breakdown by region

Cash	2%
UK	17%
Core Europe – ex UK	21%
Periphery Europe	9%
North America	32%
Emerging Markets	15%
Developed Asia	4%



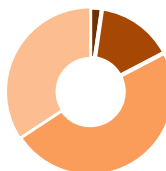
Breakdown by sector

Cash	2%
Financial	37%
Defensive	20%
Cyclical	33%
Securitized	4%
Sovereign ⁴	4%



Breakdown by rating

Cash	2%
AAA	0%
AA	7%
A	15%
BBB	53%
BB	15%
B	7%
CCC & below	1%



Breakdown by maturity

Cash	2%
0-1 year	15%
1-3 years	48%
3-5 years	34%

(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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