

Not for Retail distribution: this document is intended exclusively for Professional, Institutional, Qualified or Wholesale Investors / Clients, as defined by applicable local laws and regulation. Circulation must be restricted accordingly

Sterling Credit Short Duration strategy

Hopes of additional US fiscal stimulus support spread performance

- Credit spreads continued to tighten, supported by hopes of additional US fiscal stimulus
- Slow start of the vaccine rollouts weighed on sentiment
- The risk profile was broadly unchanged

Nicolas Trindade

Portfolio Manager, Sterling Credit Short Duration strategy

What's happening?

- Despite concerns around the slow pace of coronavirus vaccine rollouts and the spread of new, more infectious strains, credit spreads still tightened. This was supported by hopes of additional US fiscal stimulus after the Democrats won control of the Senate, and some solid corporate results.
- The US Federal Reserve left interest rates and balance sheet policy unchanged while dismissing questions on tapering as 'premature'. The European Central Bank policy meeting was also uneventful, with all policy levers left unchanged.
- UK gilt yields rose in January, driven by higher US treasury yields, due to hopes of further US fiscal stimulus.

Strategy in focus – representative account (31/01/21)

Assets under management	£565m
Yield (GBP hedged) ¹	0.9%
Duration ¹	1.7 yrs
Average rating ²	A-
Number of issuers	109
Launch date	12/11/2010
Net performance – representative account (GBP)³	
One month	+0.00%
Year-to-date	+0.00%
One year	+1.92%
Three years (cumulative)	+5.46%
Five years (cumulative)	+10.40%
Ten years (cumulative)	+27.50%

Source: AXA IM as at 31/01/2021. 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

Portfolio positioning and performance

- Despite sterling investment grade primary issuance standing at £5.5bn in January, we did not participate in any new issues as we continued to gradually reduce our exposure to cyclical names due to expensive valuations. As such, our exposure to BBB rated bonds also fell from 53% to 51% over the last month.

Outlook

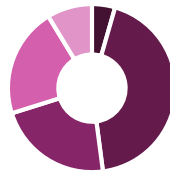
- Monetary and fiscal support remain paramount to help cushion the economic damage caused by the new round of lockdowns.
- Following hopes of additional US fiscal stimulus and the expected acceleration of the vaccine rollout globally, we are ready to look through some near-term risks and believe that 2021 will be all about carry. Therefore, we plan to remain overweight in BBB rated bonds in order to optimise the level of carry within the portfolio.



Portfolio breakdowns

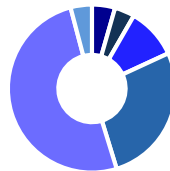
Breakdown by region

Cash	4%
UK	33%
Europe Core – ex UK	26%
Europe Periphery	9%
North America	12%
Emerging Markets	5%
Developed Asia	11%



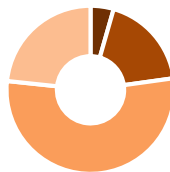
Breakdown by sector

Cash	4%
Financial	43%
Defensive	22%
Cyclical	21%
Securitized	9%
Sovereign	0%



Breakdown by rating

Cash	4%
AAA	4%
AA	10%
A	27%
BBB	51%
BB or below	4%



Breakdown by maturity

Cash	4%
0-1 year	18%
1-3 years	54%
3-5 years	23%

(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.

Not for Retail distribution: This document is intended exclusively for Professional, Institutional, Qualified or Wholesale Clients / Investors only, as defined by applicable local laws and regulation. Circulation must be restricted accordingly.

This promotional communication does not constitute investment research or financial analysis relating to transactions in financial instruments as per MIF Directive (2014/65/EU), nor does it constitute on the part of AXA Investment Managers or its affiliated companies an offer to buy or sell any investments, products or services, and should not be considered as solicitation or investment, legal or tax advice, a recommendation for an investment strategy or a personalized recommendation to buy or sell securities.

Due to its simplification, this document is partial and opinions, estimates and forecasts herein are subjective and subject to change without notice. There is no guarantee that forecasts made will come to pass. Data, figures, declarations, analysis, predictions and other information in this document is provided based on our state of knowledge at the time of creation of this document. Whilst every care is taken, no representation or warranty (including liability towards third parties), express or implied, is made as to the accuracy, reliability or completeness of the information contained herein. Reliance upon information in this material is at the sole discretion of the recipient. This material does not contain sufficient information to support an investment decision.

Before making an investment, investors should read the relevant Prospectus and the Key Investor Information Document / scheme documents, which provide full product details including investment charges and risks. The information contained herein is not a substitute for those documents or for professional external advice.

The products or strategies discussed in this document may not be registered nor available in your jurisdiction. Please check the countries of registration with the asset manager, or on the web site <https://www.axa-im.com/en/registration-map>, where a fund registration map is available. In particular units of the funds may not be offered, sold or delivered to U.S. Persons within the meaning of Regulation S of the U.S. Securities Act of 1933. The tax treatment relating to the holding, acquisition or disposal of shares or units in the fund depends on each investor's tax status or treatment and may be subject to change. Any potential investor is strongly encouraged to seek advice from its own tax advisors.

Past performance is not a guide to current or future performance, and any performance or return data displayed does not take into account commissions and costs incurred when issuing or redeeming units. The value of investments, and the income from them, can fall as well as rise and investors may not get back the amount originally invested. Exchange-rate fluctuations may also affect the value of their investment. Due to this and the initial charge that is usually made, an investment is not usually suitable as a short term holding.

Issued in the UK by AXA Investment Managers UK Limited, which is authorised and regulated by the Financial Conduct Authority in the UK. Registered in England and Wales No: 01431068. Registered Office: 7 Newgate Street, London EC1A 7NX. In other jurisdictions, this document is issued by AXA Investment Managers SA's affiliates in those countries.