Global 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, Global 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.
- US treasury, German bund and UK gilt yields rose in January due to hopes of further US fiscal stimulus and increased inflation expectations, with the yield on the 10-year US treasury going back above 1% to hit its highest level since March.

Strategy in focus – representative account (31/01/21)	
Assets under management	£183m
Yield (GBP hedged)[1]	1.8%
Duration[1]	2.1 yrs
Average rating[2]	BBB-
Number of issuers	157
Launch date	17/05/2017
Net performance – representative account (GBP)[3]	
One month	-0.19%
Year-to-date	-0.19%
One year	+2.29%
Three year (cumulative)	+6.36%
Since launch (cumulative)	+7.00%

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 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, despite their recent strong performance.
- **Investment Grade:** We slightly reduced our exposure to investment grade during the month due to expensive valuations. We were still active in both primary and secondary markets, participating in several new issues while taking profits on some cyclical names.
- **High Yield and Emerging Markets**: We slightly increased our exposure to high yield and emerging markets by participating in several new issues. Due to the gradual re-risking undertaken since late March, we now have a 43% allocation to high yield and emerging markets, up from 19% at the end of February.

Outlook

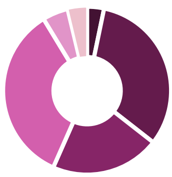
- Monetary and fiscal support remain paramount to help cushion the economic damage caused by the new round of lockdowns.
- Following hopes of additional US fiscal stimulus and the expected acceleration of the vaccine rollout globally, we are ready to look through some near-term risks and believe that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

Asset class breakdown

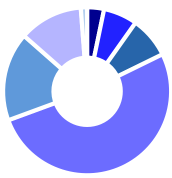
Category	Asset Class	Total
Cash		3%
Sovereign[5]		3%
Investment Grade Credit	EUR IG Credit	14%
	GBP IG Credit	19%
	USD IG Credit	17%
	Total	51%
High Yield & Emerging Markets	EUR High Yield	14%
	USD High Yield	9%
	Emerging Markets	20%
	Total	43%
Total		100%

Portfolio breakdowns

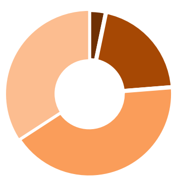
Breakdown by region	
Cash	3%
UK	18%
Core Europe – ex UK	18%
Periphery Europe	11%
North America	28%
Emerging Markets	20%
Developed Asia	2%



Breakdown by sector	
Cash	3%
Financial	32%
Defensive	21%
Cyclical	35%
Securitized	5%
Sovereign[4]	4%



Breakdown by rating	
Cash	3%
AAA	0%
AA	7%
A	8%
BBB	52%
BB	17%
B	12%
CCC & below	1%



Breakdown by maturity	
Cash	3%
0-1 year	21%
1-3 years	42%
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.

(5) Any Emerging Market Sovereigns are classified under “Emerging Markets” for the purpose of this breakdown.

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.