Sterling Credit Short Duration strategy

Higher sovereign yields put pressure on risk assets

- Credit spreads tightened despite sharply higher gilt yields
- The risk profile was broadly unchanged
- Despite higher yields, the Fund was broadly flat (-0.08%) in February

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What's happening?

- Credit spreads tightened in the first half of the month, supported by the global rollout of coronavirus vaccines, strong corporate earnings results and plans for a $1.9trn fiscal stimulus in the US.
- The Bank of England (BoE) monetary policy meeting was perceived as hawkish as it left interest rates and balance sheet policy unchanged while, for now, ruling out the use of negative interest rates.
- UK gilt yields rose sharply, underperforming US treasuries and German bunds, due to a hawkish BoE, the successful UK vaccine rollout leading to the gradual reopening of the economy, and escalating concerns about inflation.

Strategy in focus – representative account (28/02/21)	
Assets under management	£556m
Yield (GBP hedged)[1]	1.0%
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	-0.08%
Year-to-date	-0.08%
One year	+1.76%
Three years (cumulative)	+5.64%
Five years (cumulative)	+10.12%
Ten years (cumulative)	+27.05%

Source: AXA IM as at 28/02/2021. 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

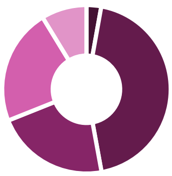
- Sterling investment grade primary issuance was disappointing at £3.6bn, marking the slowest February since 2018. As such, we participated in only one new issue from First Abu Dhabi Bank. Following the successful UK and US vaccine rollouts, we added exposure to UK hospitality companies Whitbread and Intercontinental Hotels Group, both new additions to the Fund. As such, our exposure to BBB rated bonds was stable at 51%.

Outlook

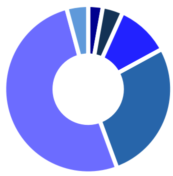
- Following the continuation of very accommodative monetary policies, additional US fiscal stimulus, and the acceleration of the vaccine rollout globally, we are ready to look through some near-term risks and believe that 2021 will be all about carry. Therefore, we plan to remain overweight in BBB rated bonds while keeping the duration at the lower end of our historical range.

Portfolio breakdowns

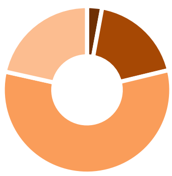
Breakdown by region	
Cash	3%
UK	35%
Europe Core – ex UK	26%
Europe Periphery	9%
North America	12%
Emerging Markets	6%
Developed Asia	10%



Breakdown by sector	
Cash	3%
Financial	44%
Defensive	22%
Cyclical	22%
Securitized	9%
Sovereign	0%



Breakdown by rating	
Cash	3%
AAA	4%
AA	10%
A	27%
BBB	51%
BB or below	4%



Breakdown by maturity	
Cash	3%
0-1 year	18%
1-3 years	57%
3-5 years	22%

(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.