Global Short Duration strategy

Higher sovereign yields put pressure on risk assets

- Credit spreads tightened despite sharply higher government bond yields
- We slightly reduced the risk profile by further lowering our exposure to investment grade
- Despite higher yields, the Fund performance was flat (+0.0%) 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 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.
- Following escalating concerns about inflation in the second half of February, US treasury, German bund and UK gilt yields rose sharply; this stopped the tightening in credit spreads, with the 10-year US treasury yield briefly exceeding 1.6%, its highest level in one year.

Strategy in focus – representative account (28/02/21)	
Assets under management	£179m
Yield (GBP hedged)[1]	1.7%
Duration[1]	2.0 yrs
Average rating[2]	BBB
Number of issuers	153
Launch date	17/05/2017
Net performance – representative account (GBP)[3]	
One month	0.00%
Year-to-date	-0.19%
One year	+2.20%
Three year (cumulative)	+6.68%
Since launch (cumulative)	+7.00%

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 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 continued to reduce our exposure to investment grade during the month, due to expensive valuations. We were still active in both primary and secondary markets, and took profits on some expensive cyclical names.
- **High Yield and Emerging Markets**: We kept our exposure to high yield and emerging markets stable. We participated in several new issues while also reducing our exposure to some cyclical names. Due to the gradual re-risking undertaken since late March 2020, we now have a 43% allocation to high-yield and emerging markets, up from 19% at the end of February 2020.

Outlook

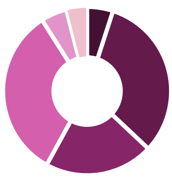
- Following the continuation of very accommodative monetary policies, additional US fiscal stimulus and the acceleration of the vaccine roll-out globally, we are ready to look through some near-term risks and believe that 2021 will be all about carry. Therefore, we plan to remain overweight in high yield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

Asset class breakdown

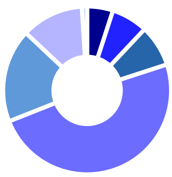
Category	Asset Class	Total
Cash		5%
Sovereign[5]		3%
Investment Grade Credit	EUR IG Credit	13%
	GBP IG Credit	19%
	USD IG Credit	17%
	Total	49%
High Yield & Emerging Markets	EUR High Yield	15%
	USD High Yield	9%
	Emerging Markets	19%
	Total	43%
Total		100%

Portfolio breakdowns

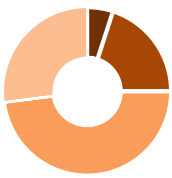
Breakdown by region	
Cash	5%
UK	18%
Core Europe – ex UK	17%
Periphery Europe	11%
North America	27%
Emerging Markets	19%
Developed Asia	3%



Breakdown by sector	
Cash	5%
Financial	32%
Defensive	21%
Cyclical	33%
Securitized	5%
Sovereign[4]	4%



Breakdown by rating	
Cash	5%
AAA	0%
AA	7%
A	8%
BBB	49%
BB	18%
B	12%
CCC & below	1%



Breakdown by maturity	
Cash	5%
0-1 year	20%
1-3 years	48%
3-5 years	27%

(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.