Global Short Duration strategy

Higher US treasury yields put pressure on risk assets

- Spread performance was mixed with high yield outperforming
- Higher US treasury yields and renewed concerns about the pandemic put pressure on risk assets
- The risk profile was reduced

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What's happening?

- Spread performance was mixed as the continued support from central banks, the improved global economic outlook, and progress in the roll-out of coronavirus vaccinations (despite supply issues) were offset by sharply higher US treasury yields and renewed concerns about the pandemic, particularly as Europe battled a third wave of infections.

- The US Federal Reserve (Fed) reassured markets about an early tightening of monetary policy by suggesting that no interest rate hikes were likely before 2024. Meanwhile, the European Central Bank announced it would raise the rate of its monthly bond purchasing under its Pandemic Emergency Purchasing Programme to counter the recent rise in yields.

Strategy in focus – representative account (31/03/21)	
Assets under management	£171m
Yield (GBP hedged)[1]	1.7%
Duration[1]	2.0 yrs
Average rating[2]	BBB
Number of issuers	152
Launch date	17/05/2017
Net performance – representative account (GBP)[3]	
One month	0.00%
Year-to-date	-0.19%
One year	+7.68%
Three year (cumulative)	+6.79%
Since launch (cumulative)	+7.00%

Source: AXA IM as at 31/03/2021. 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.

- US treasury yields rose sharply on the back of an upbeat economic outlook from the Fed and the country's very successful vaccination programme. US treasuries significantly underperformed UK gilts and German bunds, with the latter even heading slightly further into negative yield territory following lockdown extensions in Europe.

Portfolio positioning and performance

- **Sovereign:** We doubled our sovereign exposure during the month by adding very short-dated government guaranteed debt, with the remaining invested in short-dated US treasury inflation-linked bonds.
- **Investment Grade:** We kept our exposure to investment grade stable. We were still active in both primary and secondary markets as we continued to reduce our exposure to expensive names.
- **High Yield and Emerging Markets**: We started to gradually reduce our exposure to high yield and emerging markets during the month, focusing on the latter as the asset class faces the headwinds of higher US treasury yields and weaker sentiment. This meant that our exposure to high yield and emerging markets peaked last month at 43%.

Outlook

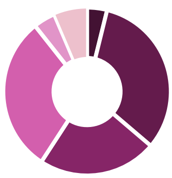
- As we expect continued monetary and fiscal support over the medium term to ensure a full economic recovery, we believe 2021 will be all about carry.
- We aim to remain overweight in high yield and emerging markets in order to optimise the carry of the portfolio. However, due to valuations having become very expensive, we also plan to gradually reduce this overweight over the coming months, starting with emerging markets as the asset class should be directly pressured by higher US treasury yields.

Asset class breakdown

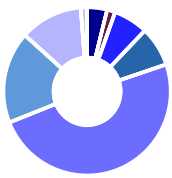
Category	Asset Class	Total
Cash		4%
Sovereign[5]		6%
Investment Grade Credit	EUR IG Credit	14%
	GBP IG Credit	19%
	USD IG Credit	16%
	Total	49%
High Yield & Emerging Markets	EUR High Yield	14%
	USD High Yield	9%
	Emerging Markets	18%
	Total	42%
Total		100%

Portfolio breakdowns

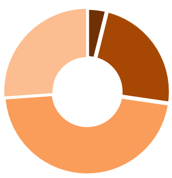
Breakdown by region	
Cash	4%
UK	19%
Core Europe – ex UK	19%
Periphery Europe	11%
North America	26%
Emerging Markets	18%
Developed Asia	3%



Breakdown by sector	
Cash	4%
Financial	32%
Defensive	23%
Cyclical	30%
Securitized	4%
Sovereign[4]	6%



Breakdown by rating[2]	
Cash	4%
AAA	2%
AA	7%
A	8%
BBB	49%
BB	18%
B	12%
CCC & below	1%



Breakdown by maturity	
Cash	4%
0-1 year	24%
1-3 years	47%
3-5 years	26%

(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.