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Global Short Duration strategy

‘Talking about talking about tapering’

- Credit spreads were broadly tighter in June
- The US Federal Reserve started to talk about winding up asset purchases
- The risk profile was further reduced

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What’s happening?

- Credit spreads broadly tightened in June as investors appeared to downplay plans by the US Federal Reserve (Fed) to start raising interest rates as early as 2023, and to shrug off worries about the global spread of the highly infectious Delta variant of COVID-19.
- Although interest rates were kept unchanged, Fed policymakers suggested that they could be raised twice in 2023, a year earlier than they had previously indicated. Policymakers also began to discuss winding up their asset-purchase scheme. Meanwhile, the European Central Bank opted for continuity, pledging to retain the asset purchases at a significantly higher pace while keeping interest rates unchanged.
- Despite a hawkish Fed, positive economic data and rising inflation, US treasury, German Bund and UK gilt yields fell in June.

Portfolio positioning and performance

- **Sovereign:** In order to further de-risk the portfolio, we continued to increase our sovereign exposure by another 3% to 18% by adding to short-dated US and UK nominal bonds and some government guaranteed debt.

Strategy in focus – representative account (30/06/21)

| | |
|---------------------------------|------------|
| Assets under management | £181m |
| Yield (GBP hedged) ¹ | 1.4% |
| Duration ¹ | 1.2yrs |
| Average rating ² | BBB |
| Number of issuers | 145 |
| Launch date | 17/05/2017 |

Cumulative net performance – representative account (GBP)³

| | |
|---------------------------|--------|
| One month | +0.28% |
| Year-to-date | +0.65% |
| One year | +4.05% |
| Three year (cumulative) | +7.90% |
| Since launch (cumulative) | +7.90% |

Annualised net performance – representative account (GBP)³

| | |
|--------------|--------|
| One year | +4.05% |
| Three year | +2.57% |
| Since launch | +1.86% |

Source: AXA IM as at 30/06/2021. 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.

- **Investment Grade:** We continued to decrease our exposure to investment grade markets by another 4% to 40% in order to reallocate towards sovereign debt.
- **High Yield and Emerging Markets:** We kept our exposure to high yield and emerging markets stable at 38% this month in order to keep optimising the carry of the portfolio. We were active in both primary and secondary markets.

Outlook

- As we expect continued monetary and fiscal support over the medium term to ensure a full economic recovery, we believe the second half of 2021 will remain all about carry.
- However, with valuations having become even more expensive, we plan to continue implementing our barbell strategy by further increasing our sovereign exposure while reducing our exposure to investment grade markets and keeping our high yield exposure constant for carry purposes.
- We continue to expect higher yields by the end of the year as successful vaccination programmes in most developed countries should lead to a faster and sustainable reopening of their economies.

Asset class breakdown

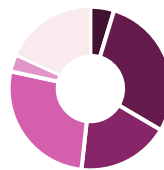
| Category | Asset Class | Total |
|-------------------------------|------------------|------------|
| Cash | | 5% |
| Sovereign ⁵ | Nominal | 13% |
| | Inflation-Linked | 5% |
| | Total | 18% |
| Investment Grade Credit | EUR IG Credit | 9% |
| | GBP IG Credit | 17% |
| | USD IG Credit | 14% |
| | Total | 40% |
| High Yield & Emerging Markets | EUR High Yield | 16% |
| | USD High Yield | 7% |
| | Emerging Markets | 15% |
| | Total | 38% |
| Total | | 100% |



Portfolio breakdowns

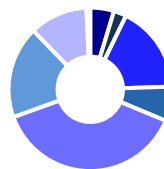
Breakdown by region

| | |
|---------------------|-----|
| Cash | 5% |
| UK | 19% |
| Core Europe – ex UK | 19% |
| Periphery Europe | 12% |
| North America | 29% |
| Emerging Markets | 15% |
| Developed Asia | 2% |



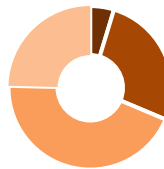
Breakdown by sector

| | |
|------------------------|-----|
| Cash | 5% |
| Financial | 29% |
| Defensive | 18% |
| Cyclical | 27% |
| Securitized | 3% |
| Sovereign ⁴ | 18% |



Breakdown by rating²

| | |
|-------------|-----|
| Cash | 5% |
| AAA | 3% |
| AA | 17% |
| A | 7% |
| BBB | 38% |
| BB | 18% |
| B | 12% |
| CCC & below | 1% |



Breakdown by maturity

| | |
|-----------|-----|
| Cash | 5% |
| 0-1 year | 27% |
| 1-3 years | 44% |
| 3-5 years | 25% |

(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.

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