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Sterling Credit Short Duration strategy

‘Talking about talking about tapering’

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

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What’s happening?

- Credit spreads 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.
- UK gilt yields fell in June as the Bank of England (BoE) policy meeting was perceived as dovish, with the BoE opting to leave the volume of its UK gilt purchases unchanged and to keep interest rates on hold.

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

Assets under management	£515m
Yield (GBP hedged) ¹	0.9%
Duration ¹	1.6 yrs
Average rating ²	A-
Number of issuers	108
Launch date	12/11/2010

Cumulative net performance – representative account (GBP)³

One month	+0.16%
Year-to-date	+0.39%
One year	+2.73%
Three years	+5.79%
Five years	+8.76%
Ten years	+25.27%
Since launch	+27.90%

Annualised net performance – representative account (GBP)³

Three years	+1.89%
Five years	+1.69%
Ten years	+2.28%
Since launch	+2.34%

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.

Portfolio positioning and performance

- Despite sterling investment grade primary issuance being robust in June at £6.1bn, we did not participate in any new issues as most of the supply came from subordinated bank debt. Nonetheless, we slightly increased our exposure to sovereign and government guaranteed debt by another 1% to 7%, in order to further de-risk the portfolio, while keeping our exposure to BBB rated bonds stable at 49%.

Outlook

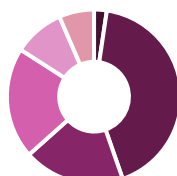
- As we expect continued monetary and fiscal support over the medium term to ensure a full economic recovery, we believe the second half of 2021 will remain all about carry.
- While we aim to remain overweight in BBB rated bonds in order to optimise the carry of the portfolio, we also plan to gradually reduce this overweight over the coming months as valuations have become very expensive.
- 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.



Portfolio breakdowns

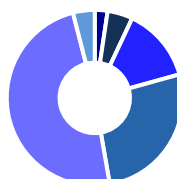
Breakdown by region

Cash	2%
UK	35%
Europe Core – ex UK	27%
Europe Periphery	9%
North America	12%
Emerging Markets	6%
Developed Asia	9%



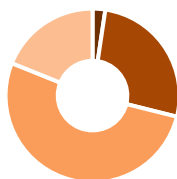
Breakdown by sector

Cash	2%
Financial	42%
Defensive	19%
Cyclical	21%
Securitized	9%
Sovereign	7%



Breakdown by rating

Cash	2%
AAA	5%
AA	14%
A	27%
BBB	49%
BB or below	4%



Breakdown by maturity

Cash	2%
0-1 year	27%
1-3 years	52%
3-5 years	19%

(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.

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