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Sterling Credit Short Duration strategy

The rally goes on

- Credit spreads have continued to tighten following the gradual easing of lockdown restrictions
- Short-dated gilt yields dropped below zero for the first time ever
- We have continued to selectively add risk

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What's happening?

- Credit spreads have continued to tighten in May following the gradual easing of lockdown restrictions, and further stimulus from central banks and governments worldwide, including the Franco-German proposal for an EU recovery fund - each of these factors lifting hopes for a recovery in economic activity.
- However, renewed tensions between the US and China simmered throughout the month, unsettling markets at times.
- Gilt yields further fell in May, with yields on short-dated gilts dropping below zero for the first time ever, partly due to increased speculations that the Bank of England could push interest rates below zero.

Portfolio positioning and performance

- We were active in May, participating in some new issues in sterling, as supply saw its first uptick since the relief rally began with gross issuance of £7.7bn. As such, we participated in the new issues from German conglomerate Siemens and UK bank RBS, the former being a new addition to the Fund.

Strategy in focus – representative account (31/05/20)

Assets under management	£652m
Yield (GBP hedged) ¹	2.1%
Duration ¹	1.8 yrs
Average rating ²	A-
Number of issuers	122
Launch date	12/11/2010

Net performance – representative account (GBP)³

One month	+0.74%
Year-to-date	-0.96%
One year	+0.49%
Three years (cumulative)	+2.15%
Five years (cumulative)	+6.75%

Source: AXA IM as at 31/05/2020. 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.

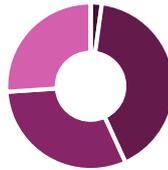
Outlook

- Despite all advanced economies forecast to be in recession this year, we have now experienced the shortest bear market ever in credit markets, due to the unprecedented monetary and fiscal support.
- With the outlook remaining very uncertain and valuations having recovered a long way, we are growing cautious on adding more 'beta' risk at this point and would rather focus on specific pockets of value that have lagged the recovery so far.



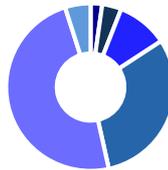
Breakdown by region

Cash	2%
UK	33%
Europe Core – ex UK	28%
Europe Periphery	9%
North America	13%
Emerging Markets	4%
Developed Asia	10%



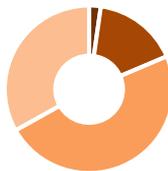
Breakdown by sector

Cash	2%
Financial	41%
Defensive	31%
Cyclical	26%
Sovereign	0%



Breakdown by rating

Cash	2%
AAA	4%
AA	10%
A	31%
BBB	49%
BB or below	5%



Breakdown by maturity

Cash	2%
0-1 year	16%
1-3 years	48%
3-5 years	33%

(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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