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# Sterling Credit Short Duration strategy

## Summer rally is on, but the risk of a second wave increases

- Credit spreads further tightened thanks to the continued monetary and fiscal support
- Risk of a second coronavirus wave around the globe remains a key risk
- We kept on selectively adding risk

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### What's happening?

- Credit spreads kept on tightening in July thanks to the continued monetary and fiscal support from central banks and governments worldwide, promising results from coronavirus vaccine trials, further improvements in economic data and a positive earnings season so far. However, the persistent rise in global coronavirus infections along with simmering US-China tensions created short-lived bouts of risk aversion.
- The US Federal Reserve kept interest rates in a range of 0-0.25% and reiterated its commitment to do what is necessary to bolster the US economy. In Europe, the EU finally ratified the €750 billion recovery fund, which includes €390 billion in grants.
- Despite the risk-on environment, UK gilt yields fell in July, mirroring a trend across developed markets, as they remained supported by central bank purchases.

### Strategy in focus – representative account (31/07/20)

Assets under management	£619m
Yield (GBP hedged) <sup>1</sup>	1.4%
Duration <sup>1</sup>	1.8 yrs
Average rating <sup>2</sup>	A-
Number of issuers	115
Launch date	12/11/2010

### Net performance – representative account (GBP)<sup>3</sup>

One month	+0.56%
Year-to-date	+0.56%
One year	+1.13%
Three years (cumulative)	+3.73%
Five years (cumulative)	+8.77%

Source: AXA IM as at 31/07/2020. 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.

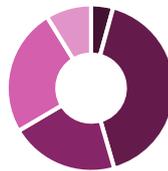
## Portfolio positioning and performance

- We were active in July in the secondary market, buying UK student accommodation company Student Finance and UK transportation company Go-Ahead, the latter being a new addition to the Fund. We did not buy any new issues in July as the sterling primary market took an early holiday with only £1.3 billion of issuance. Since the end of February, we have gradually re-risked the portfolio adding 4% of BBB rated bonds (to 49% from 45%) and 3% of cyclical names (to 25% from 22%).



### Breakdown by region

Cash	4%
UK	32%
Europe Core – ex UK	27%
Europe Periphery	9%
North America	14%
Emerging Markets	5%
Developed Asia	10%

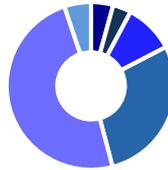


### Breakdown by sector

Cash	4%
Financial	41%
Defensive	21%
Cyclical	25%
Securitized	9%
Sovereign	0%

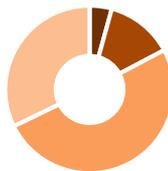
## Outlook

- 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, fiscal and regulatory support.
- With the outlook remaining very uncertain and valuations having recovered a long way, we are focusing on specific pockets of value that have lagged the recovery so far.



### Breakdown by rating

Cash	4%
AAA	4%
AA	10%
A	29%
BBB	49%
BB or below	5%



### Breakdown by maturity

Cash	4%
0-1 year	13%
1-3 years	51%
3-5 years	32%

(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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