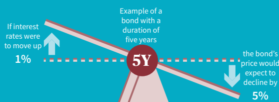
Short duration bonds your first step out of cash

Short duration bonds may have a role to play in an investor's portfolio regardless of the market cycle. But especially in uncertain times, investors looking to enhance cash returns might consider taking an intermediate step into riskier assets for a modest pick up in yield via short duration bonds.

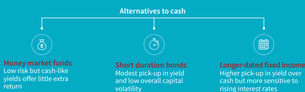
An actively managed portfolio can aim to reduce risk through diversification and careful company selection.

Where exactly are short duration bonds on the risk spectrum?

Short duration bonds are generally less volatile than longer-duration bonds, as they are less sensitive to changes in interest rates. In approximate terms, a bond's duration will tell you how its value will be affected by every 1% move in interest rates.

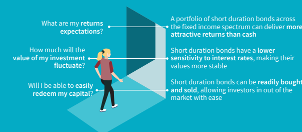


Short duration bonds typically have a maturity of between one and five years (at the upper end), with their value likely to be significantly less affected by interest rates than longer-dated bonds. This makes them an interesting option for those looking to move out of cash. They are generally higher yielding than money market funds, a common alternative in the past for cash investors.



While short duration issuers can encompass a wide variety of borrowers (i.e. governments to high yield companies), the short lifetime of a bond helps to reduce the risk of a company defaulting on its debt.

Where exactly are short duration bonds on the risk spectrum?



Why AXA IM for short duration bonds

We have significant experience across fixed income at AXA Investment Managers, including **11 specialist short duration bond strategies***. Our depth of expertise allows us to cover all major investment regions, including new markets such as Asia and China.

Taking the best ideas of our local short duration expertise to deliver a truly global approach

Our investment philosophy fits well for investors looking to move out of cash. Our focus on income generation as the key driver of fixed income returns lends stability to our fixed income portfolios.

We invest only in cash bonds with a maturity or expected call date of below five years. We also tend to hold bonds to maturity, rather than overtrading the portfolio. This helps to limit the range of extreme scenarios the portfolio could expereince. Even if interest rates were to rise dramatically, the low sensitivity of short duration bonds would help to limit any capital volatility.

"Short duration bonds offer the potential for a reasonable pick-up in return without forcing investors to take too much additional risk with their capital."

Nicolas Trindade
Lead Portfolio Manager
Global Short Duration

*Source: AXA IM as at 31 December 2024.

Important information

No assurance can be given that our investment strategies will be successful. Investors can lose some or all of their capital invested. Our strategies are subject to risks including, but not limited to: equity; emerging markets; global investments; investments in small and micro capitalisation universe; investments in specific sectors or asset classes specific risks, liquidity risk, credit risk, counterparty risk, legal risk, valuation risk, operational risk and risks related to the underlying assets.