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Global Short Duration strategy

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

- Credit spreads tightened further thanks to the continued monetary and fiscal support
- Risk of a second coronavirus wave around the globe remains a key risk
- We kept on gradually adding to attractive opportunities in high yield and emerging markets through the new issue market

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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, US treasury, German bund, and UK gilt yields fell in July as they remained supported by central banks purchases.

Strategy in focus – representative account (31/07/20)	
Assets under management	£238m
Yield (GBP hedged)[1]	2.1%
Duration[1]	2.2 yrs
Average rating[2]	BBB
Number of issuers	177
Launch date	17/05/2017
Net performance – representative account (GBP)[3]	
One month	+0.96%
Year-to-date	+0.58%
One year	+1.26%
Three year (cumulative)	+4.28%
Since launch (cumulative)	+4.70%

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

- **Sovereign:** We remained invested in short-dated US treasury inflation-linked bonds, due to attractive valuations.
- **Investment Grade:** We continued to gradually reduce our bias towards investment grade in the Fund in order to capture attractive opportunities in high-yield and emerging markets. We were still active in primary markets, buying two attractive new issues in US dollars.
- **High Yield and Emerging Markets**: We continued to add to high yield and emerging markets, participating specifically in several European high yield and Asian new issues. Due to the gradual re-risking undertaken since late March, we now have a 34% allocation to high yield and emerging markets (up from 19% at the end of February). We remain slightly overweight versus our long-term neutral allocation of 30%.

Outlook

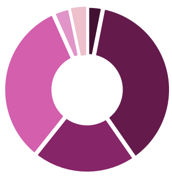
- Despite all advanced economies forecast to be in recession this year, we have now experienced the shortest bear market ever in credit markets due to the unprecedented monetary, fiscal and regulatory support.
- With the outlook remaining very uncertain and valuations having recovered a long way, we are focusing on specific pockets of value that have lagged the recovery so far.

Asset class breakdown

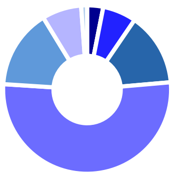
Category	Asset Class	Total
Cash		3%
Sovereign[5]		3%
Investment Grade Credit	EUR IG Credit	18%
	GBP IG Credit	20%
	USD IG Credit	22%
	Total	60%
High Yield & Emerging Markets	EUR High Yield	12%
	USD High Yield	6%
	Emerging Markets	16%
	Total	34%
Total		100%

Portfolio breakdowns

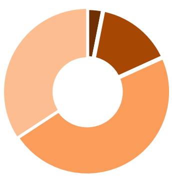
Breakdown by region	
Cash	3%
UK	15%
Core Europe – ex UK	21%
Periphery Europe	11%
North America	30%
Emerging Markets	16%
Developed Asia	4%



Breakdown by sector	
Cash	3%
Financial	37%
Defensive	20%
Cyclical	33%
Securitized	3%
Sovereign[4]	3%



Breakdown by rating	
Cash	3%
AAA	0%
AA	6%
A	14%
BBB	52%
BB	15%
B	8%
CCC & below	1%



Breakdown by maturity	
Cash	3%
0-1 year	15%
1-3 years	48%
3-5 years	34%

(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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