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# Sterling Credit Short Duration strategy

## Strong rebound following unprecedented central bank stimulus

- Credit spreads tightened on the back of unprecedented global central banks stimulus and...
- ... despite historically weak economic data releases
- We keep on selectively adding risk

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### What's happening?

- Despite historically weak economic data releases, credit spreads significantly tightened in April driven by the unprecedented accommodative monetary support from global central banks, a slowdown in new coronavirus cases and the lifting of lockdown measures in some countries towards month-end.
- The US Federal Reserve continued its policy support, as it implemented a new loan programme worth up to \$2.3 trillion, while stating that it would do whatever was necessary to back the economy. The European Central Bank announced an extension to its record-low interest rate loan facilities to banks, while maintaining its €750 billion bond-buying programme.
- Despite this risk-on environment and the UK significantly increasing its borrowing in the next three months to pay for the sizeable measures put in place to support the economy, UK gilt yields still fell as the Bank of England stepped up its gilt purchases.

### Strategy in focus – representative account (30/04/20)

Assets under management	£656m
Yield (GBP hedged) <sup>1</sup>	2.3%
Duration <sup>1</sup>	1.8 yrs
Average rating <sup>2</sup>	A-
Number of issuers	123
Launch date	12/11/2010

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

One month	+1.41%
Year-to-date	-1.69%
One year	+0.08%
Three years (cumulative)	+1.66%
Five years (cumulative)	+6.07%

Source: AXA IM as at 30/04/2020. 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.

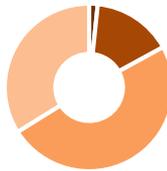
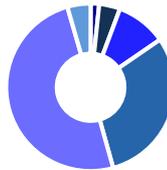
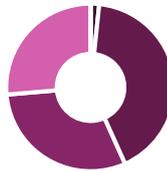
## Portfolio positioning and performance

- Activity was somewhat subdued in April after a very busy March, as we didn't participate in any new issues. We added a new position in the secondary market, buying UK reinsurer Society of Lloyds, while starting to gradually reduce our exposure to European peripheral names that had recently outperformed.



## Outlook

- While the outlook remains uncertain despite unprecedented fiscal and monetary support globally, the widening of spreads since late February has made us more positive on risk assets. Should the coronavirus outbreak stabilise and/or spreads widened further, we will look to keep on gradually adding to cyclical and subordinated financial names by reducing our allocation to defensive sectors.
- For the first time since 2008, the short-dated sterling corporate bond market yields almost as much as the all-maturity one and, as such, we believe this represents a very attractive entry point for investing in short-dated bonds.



## Portfolio breakdowns

### Breakdown by region

Cash	2%
UK	33%
Europe Core – ex UK	29%
Europe Periphery	9%
North America	14%
Emerging Markets	4%
Developed Asia	10%

### Breakdown by sector

Cash	2%
Financial	42%
Defensive	30%
Cyclical	26%
Sovereign	0%

### Breakdown by rating

Cash	2%
AAA	4%
AA	10%
A	30%
BBB	50%
BB or below	4%

### Breakdown by maturity

Cash	2%
0-1 year	15%
1-3 years	49%
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. 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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