# Global Short Duration strategy

## Weak US jobs report leads US treasury yields lower

- Credit spreads widened slightly following an underwhelming US jobs report and renewed political uncertainty in France
- Global government bond yields were mixed with US treasury yields falling, UK gilt yields rising and German bund yields largely unchanged
- We increased our exposure to sovereign debt by 3% to 20%

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### What's happening?

- Credit spreads widened slightly following an underwhelming US jobs report that revived fears of an upcoming economic slowdown, concerns about the US Federal Reserve's (Fed) independence and renewed political uncertainty in France.

- The Fed did not meet in August, with the key interest rate remaining in a range of 4.25%-4.50%. However, Fed chair Jerome Powell used the annual symposium in Jackson Hole to state that a shifting balance of risks in the economy may warrant an adjustment in monetary policy, flagging that he is not overly concerned with inflation and is more focused on the slowdown in the economy and labour market. Meanwhile, the Bank of England (BoE) voted by a slim margin to cut rates from 4.25% to 4% as it kept a 'gradual and careful' approach to monetary policy. There was no European Central Bank (ECB) meeting in August with rates sitting at 2% as the threshold for another rate cut remained high.

- Global government bond yields were mixed with US treasury yields falling, UK gilt yields rising and German bund yields largely unchanged. US treasuries were supported by an underwhelming US jobs report, Powell's dovish comments and US inflation in the 12 months to July surprising to the downside at 2.7%. UK and eurozone inflation rose more than expected to 3.8% and 2%, respectively.

| Strategy in focus – representative account (31/08/25) | |
|---|---|
| Assets under management | €118m |
| Yield (EUR / USD hedged/ CHF hedged / GBP hedged)[1] | 2.1% / 4.4% / 0.0% / 4.2% |
| Duration[1] | 2.5 yrs |
| Average rating[2] | A- |
| Number of issuers | 145 |
| Launch date | 06/07/2017 |

Past performance is not a reliable indicator of future results

| Cumulative net performance – representative account (EUR)[3] | |
|---|---|
| One month | +0.33% |
| Year-to-date | +2.70% |
| One year | +3.73% |
| Three years | +13.74% |
| Five years | +10.07% |
| Since launch | +12.48% |

| Annualised net performance – representative account (EUR)[3] | |
|---|---|
| One year | +3.73% |
| Three years | +4.39% |
| Five years | +1.94% |
| Since launch | +1.45% |

Source: AXA IM as at 31/08/2025. 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. **Return may increase or decrease as a result of currency fluctuations.** Performance calculations are net of fees, based on reinvestment of dividends.

## Portfolio positioning and performance

- **Sovereign**: Our exposure to sovereign bonds increased by 3% to 20% as we further de-risked the portfolio, buying 2-year German bunds and UK gilts. We kept our bias towards US inflation-linked bonds, still representing 9% of the portfolio. We also remained invested in government-related debt. We continued to actively manage the duration to benefit from the elevated volatility in sovereign yields.
- **Investment Grade**: Our exposure to investment grade markets was broadly stable at 60% as we retained our bias towards the sterling credit market due to more attractive valuations. We were active in the US dollar secondary market.
- **High-Yield and Emerging Markets**: Our exposure to high-yield and emerging markets was also largely unchanged at 17% as we retained our bias towards European high-yield.

## Outlook

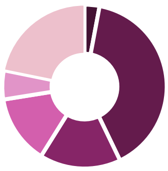
- Markets continue to be very volatile as the outlook for the Fed and the US economy remains unclear due to still high interest rates, sticky inflation, and mixed economic data.
- As such, we continue to actively manage the duration to benefit from the elevated volatility in sovereign yields.
- With credit valuations back at fair to expensive across most asset classes, we've further de-risked the portfolio to create space to add risk at better levels.

## Asset class breakdown

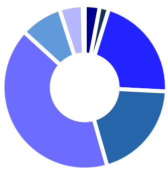
| Category | Asset Class | Total |
|---|---|---|
| Cash | | 3% |
| Sovereign[5] | Nominal | 11% |
| | Inflation-Linked | 9% |
| | Total | 20% |
| Investment Grade Credit | EUR IG Credit | 18% |
| | GBP IG Credit | 31% |
| | USD IG Credit | 10% |
| | Total | 60% |
| High-Yield & Emerging Markets | EUR High-Yield | 9% |
| | USD High-Yield | 2% |
| | Emerging Markets | 5% |
| | Total | 17% |
| Total | | 100% |

## Portfolio breakdowns

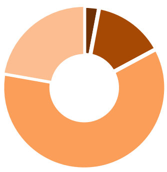
| Breakdown by region | |
|---|---|
| Cash | 3% |
| UK | 25% |
| Core Europe – ex UK | 24% |
| Periphery Europe | 13% |
| North America | 27% |
| Emerging Markets | 5% |
| Developed Asia | 2% |



| Breakdown by sector | |
|---|---|
| Cash | 3% |
| Financial | 40% |
| Defensive | 16% |
| Cyclical | 14% |
| Securitized | 6% |
| Sovereign[4] | 22% |



| Breakdown by rating[2] | |
|---|---|
| Cash | 3% |
| AAA | 2% |
| AA | 21% |
| A | 20% |
| BBB | 41% |
| BB | 8% |
| B | 5% |
| CCC & below | 0% |



| Breakdown by maturity | |
|---|---|
| Cash | 3% |
| 0-1 year | 14% |
| 1-3 years | 61% |
| 3-5 years | 22% |

(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.

**No assurance can be given that the Global Short Duration strategy will be successful. Investors can lose some or all of their capital invested. The Global Short Duration strategy is subject to risks including credit risk, liquidity risk and interest rate risk and counterparty risk. The strategy is also subject to derivatives and leverage, emerging markets and global investment risks.**

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