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Global Short Duration strategy

Fed and AI optimism support credit markets

- Credit spreads tightened, supported by the US Federal Reserve's first rate cut of the year, better than expected US economic growth and rallying technology stocks
- Global government bond yields were mixed, with curves flattening as front-end yields rose while long-end yields fell
- We remained defensively positioned with 20% invested in sovereign debt

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Portfolio Manager, Global Short Duration strategy

What's happening?

- Credit spreads tightened, supported by the Fed's first interest rate cut of the year, better than expected US economic growth and continued rally in technology stocks on the back of artificial intelligence (AI) optimism.
- The Fed cut interest rates by 0.25% to a range of 4% to 4.25% as widely expected. Fed chair Jerome Powell explained that the risks to the Fed's employment and inflation mandates were becoming more equal, justifying the need for 'risk-management' cuts. The European Central Bank (ECB) held rates steady at 2% for a second consecutive time as economic uncertainty persisted and inflation remained at target. The Bank of England (BoE) held the base rate at 4%, with BoE governor Andrew Bailey saying that any future cuts will need to be made 'gradually and carefully', reducing expectations for another cut this year.
- Global government bond yields were mixed, with curves flattening as front-end yields rose while long-end yields fell. US and UK inflation in the 12 months to August were in-line with expectations at 2.9% and 3.8%, respectively, while eurozone inflation surprised to the downside at 2%.

Strategy in focus – representative account (30/09/25)

Assets under management	€119m
Yield (EUR / USD hedged/ CHF hedged / GBP hedged) ¹	2.6% / 4.9% / 0.5% / 4.7%
Duration ¹	2.8 yrs
Average rating ²	A-
Number of issuers	147
Launch date	06/07/2017

Past performance is not a reliable indicator of future results

Cumulative net performance – representative account (EUR)³

One month	+0.03%
Year-to-date	+2.73%
One year	+3.05%
Three years	+16.88%
Five years	+10.34%
Since launch	+12.51%

Annualised net performance – representative account (EUR)³

One year	+3.05%
Three years	+5.33%
Five years	+1.99%
Since launch	+1.44%

Source: AXA IM as at 30/09/2025. 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

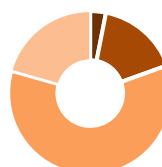
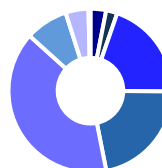
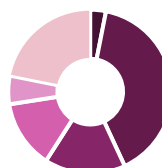
- **Sovereign:** Our exposure to sovereign bonds was unchanged at 20% as we kept our bias towards UK gilts and US inflation-linked bonds. We also remained invested in German bunds and government related debt. We continued to actively manage the duration to benefit from the volatility in sovereign yields.
- **Investment Grade:** Our exposure to investment grade markets was stable at 60% as we retained our bias towards the sterling credit market due to more attractive valuations. We were particularly active in the euro primary and secondary markets.
- **High-Yield and Emerging Markets:** Our exposure to high-yield and emerging markets was unchanged at 17% as we retained our bias towards European high-yield and were active in its primary market.

Outlook

- The outlook for the Fed remains uncertain due to a K-shaped US economy and competing narratives. A weakening labour market and trade uncertainty would warrant cutting rates while sticky inflation, accommodative financial conditions and the AI capex boom would warrant keeping them on hold.
- With credit valuations back at fair-to-expensive across most asset classes and uncertainty around Fed policy, we retain our defensive bias, giving us the optionality to potentially add risk at better levels.
- We also continue to actively manage the duration to benefit from the volatility in sovereign yields.

Asset class breakdown

Category	Asset Class	Total
Cash		3%
Sovereign ⁵	Nominal	11%
	Inflation-Linked	9%
	Total	20%
Investment Grade Credit	EUR IG Credit	19%
	GBP IG Credit	31%
	USD IG Credit	10%
	Total	60%
High-Yield & Emerging Markets	EUR High-Yield	10%
	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	14%
North America	27%
Emerging Markets	5%
Developed Asia	2%

Breakdown by sector

Cash	3%
Financial	40%
Defensive	16%
Cyclical	13%
Securitized	6%
Sovereign ⁴	22%

Breakdown by rating²

Cash	3%
AAA	2%
AA	20%
A	22%
BBB	40%
BB	8%
B	5%
CCC & below	0%

Breakdown by maturity

Cash	3%
0-1 year	16%
1-3 years	60%
3-5 years	21%

(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.

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(4) Any Emerging Market Sovereigns are classified under "Sovereign" for the purpose of this breakdown.

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