October began with another unfortunate surprise from the Non-Farm Payrolls figures, only 194,000 jobs were created in the US during September, and for the second time in a row, the unemployment data was far below the Fed's objective.

In China, there is finally something more concerning than the collapse of Evergrande, the country has been hit by numerous power cuts which could have a severe impact on the Chinese GDP.

Oil prices have now moved above $80, and in Europe, gas prices were skyrocketing. In the US, retail sales were above expectations, but the primary driver was inflation. In the UK, the Bank of England warned that due to inflation pressures, a normalisation of its monetary policy (i.e. a rate hike) could be implemented in the near future. At the same time, the Central Bank of Australia abandoned its yield curve control policy, a mistake that sent the 2Yr yield three times higher.

In addition, another disappointing economic statistic was released in the US, the Q3 GDP increased by a poor 2%, rather than the 2.6% anticipated by the markets. In this environment, the long-end of the US yield curve flattened, the 10Yr slightly rebounding above 1.55% and the 30Yr falling below 1.95%.

Our outlook will continue to focus on the macroeconomic situation (including growth, inflation and unemployment), Central Banks' behaviour and the evolution of equity markets which could be more volatile in the coming weeks. The COVID pandemic, despite a slight rebound, seems to remain under control, but the WHO is reluctant to confirm this. Inflation fears in the US and Europe are still high, but a scenario of a global slowdown, led by a sharp drop of the Chinese GDP, is becoming a concern.

The outlook of economic growth for Q1 2022: higher commodity prices, the potential damages of the Evergrande collapse and the shortage of components affecting different industrial sectors (leading to a possible recession in China) all need to be considered in order to adapt our strategy accordingly.

In the US, long dated US Treasury yields seem to have stabilised, but we will not hesitate to increase the duration of the portfolio if we have the opportunity to buy more long bonds on any weakness. Fed purchases (which are still high despite the beginning of tapering) and strong demand for safe haven assets should stabilise long-term yields at current levels. In Europe, the ECB should stay ultra-accommodative despite higher inflation.

Some high-quality emerging markets could offer investment opportunities, driven by demand, but for the time being, they still appear too risky and uncertain.

As a result, we believe that the best strategy today is to invest in a selection of high-quality corporate bonds, both in EUR and USD, favouring USD Investment Grade. Hybrid debt remains very expensive: the objective is to keep the existing position for the carry of the spread, but not increase the weight of this asset class until there is a major correction in the equity markets.
High-quality credit spreads are still attractive in the current environment, but our main objective within the next two months is to gradually increase the duration of the portfolio through the purchase of long dated US Treasuries in order to protect the Fund against the increasing threats mentioned above, and to set up our strategy for 2022.

**Fund Strategy**

In October, we slightly increased the duration of the portfolio. As risks and uncertainties in global financial markets increased, we slightly increased our position in 50Yr US Treasuries and decreased our position in US Treasuries maturing in 2022.

**Ratings & Awards**

**Morningstar Sustainability Rating**
Out of 1,736 Global Fixed Income funds as of 30/09/2021. Based on 99.32% of AUM. Data is based on long positions only.

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