

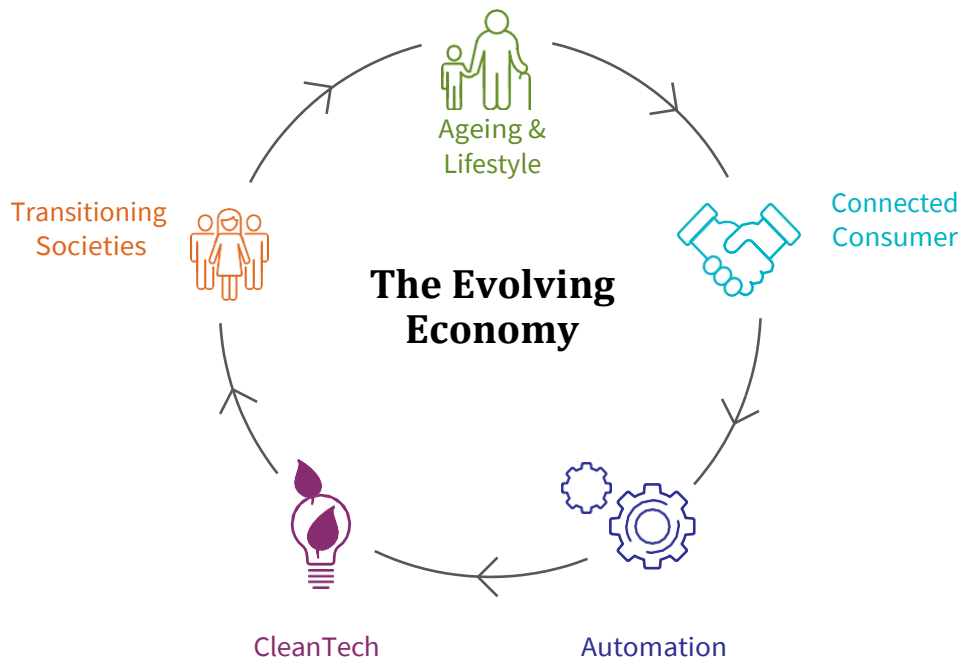
Framlington Equities

Thematic equities in focus

An “extra”-ordinary year

In many ways 2020 was an “extra”-ordinary year. People all around the world were forced into lockdowns, many businesses had to cease operations or were severely disrupted, whereas other parts of the economy have seen an acceleration in activity. The global equity market saw significant volatility earlier in the year, experiencing one of the fastest declines in its history – a 34% drop in just 22 days – while subsequently posting one of its biggest recoveries, finishing the year with an absolute performance of 16%.

The Evolving Economy comprises what we see as the five strongest trends impacting the global economy over the next decade, which we believe will continue to power earnings growth for businesses around the world. Furthermore, we remain convinced that the COVID-19 pandemic has accelerated existing secular trends, improving the long-term outlook for a number of themes within the Evolving Economy, with the drivers of all five themes remaining intact:



In 2020, we saw technology and innovation massively adopted by governments, businesses and individuals as we rediscovered a new economy around the home: working, learning, entertaining, exercising, taking care of ourselves from home, etc. This “Home” economy has brought forward some themes we invest in, particularly the **Connected Consumer** theme. The year has undeniably accelerated the adoption of online consumption – whether it be by existing consumers increasing their purchases frequency, or by those experiencing their first ever online shopping experience.

E-commerce penetration still remains at a low level and is poised to grow over the coming decades as consumer habits are likely to remain sticky whilst they will be even more comfortable with digital usage going forward. This will be further reinforced by the “Gen Z” – a true ‘digital natives’ generation born between 1997 and 2012 – with an almost permanent online status.

Our **Automation** theme also performed strongly as corporates recognized the need for more efficient and automated manufacturing chains. We feel it’s just the beginning and we anticipate major spending from businesses to reinforce their capabilities in many areas such as logistics and fulfilment centres. This increase in capital expenditure (CAPEX) will likely be beneficial to a wide range of automation suppliers, including robotics companies, sensor manufacturers, machine vision specialists. Similarly, we also expect an increasing number of “Intelligent Factories” which will require more usage of software, big data analytics and semiconductors.

Elsewhere in our **CleanTech** theme, 2020 was also a pivotal year in the shift toward renewable energy and away from fossil fuels. For instance, Danish wind farm operator Orsted started the year with a market value three times smaller than British multinational oil and gas company BP, and is now entering 2021 with a larger one. Furthermore, policy momentum has been positive in 2020 (European Union Green Deal, promising Biden administration, Chinese commitment to net zero), and we expect the trend to remain similar in 2021. Beyond governments, consumers are also promoting the use of more responsible products, corporates are constantly innovating new forms sustainable solutions whilst the investment industry is massively reallocating assets towards companies with credible RI (Responsible Investment)/Impact profiles.

Although more muted over the year, our **Ageing & Lifestyle** theme still posted steady returns overall. Whilst 2020 has been marked by an immediate business focus towards a vaccine solution, we also saw beyond the frontline response to the coronavirus an increase in digital applications and innovations to improve access to healthcare in many fields. In addition, an important trend in 2020 was the patients’ desire to avoid hospitals and other centralised care settings, particularly at the height of the initial COVID-19 outbreak. Delivery of healthcare in the home is an alternative for many of these patients, and we believe that the great flexibility it offers will help to manage an increasing demand for healthcare as global populations undeniably continue to age.

In our **Transitioning Societies** theme, we’ve seen a range of reactions from Emerging economies. Whilst the virus has been better contained and managed in much of Asia, we have seen a bigger impact in Latin America. Even if the global situation remains unclear for the most affected countries, we still believe that the increasing domestic consumption from a burgeoning middle class and a related ‘catch-up’ in terms of product penetration and industry consolidation will provide relatively attractive growth opportunities for long-term Emerging Markets investors. If we take China, for example, it has been one of the stronger performers in the Asian region and globally in 2020, particularly due to a well contained pandemic situation. Meanwhile, the Chinese government’s 14th Five Year Plan (FYP) – mapped in October 2020 – paved the way to strong commitments including technology innovation, consumption upgrade, environmental sustainability, targeted urbanization, and a continued liberalization of its financial sector.

2020 was arguably a year subject to fear and panic, with the global equity markets having moved sharply up and down. No equity investors navigating in such market conditions can claim to be fully protected, however, sticking to our rigorous investment process and trusting the balance sheets’ solidity of our holdings was paramount in that period. More broadly, the pandemic has created huge upheavals in markets around the world that are still playing out. However, with this disruption comes opportunities, and we believe that our Evolving Trends themes are well positioned to benefit from the secular shifts we are witnessing globally.

Framlington Equities, Thematic Investment Team

Read on to discover more recent insights from the Evolving Economy...

Connected Consumer theme

Fidelity National Information Services (FIS), financial technology and services company

Consolidation is continuing to play an important role in the financial software and payments industry, as companies look to achieve economies of scale. FIS is a global financial technology and services company and one of the largest global payment companies, enabling merchants of all sizes to accept and process credit, debit, and prepaid payments. It also provides companies with supporting services like information solutions and fraud management.



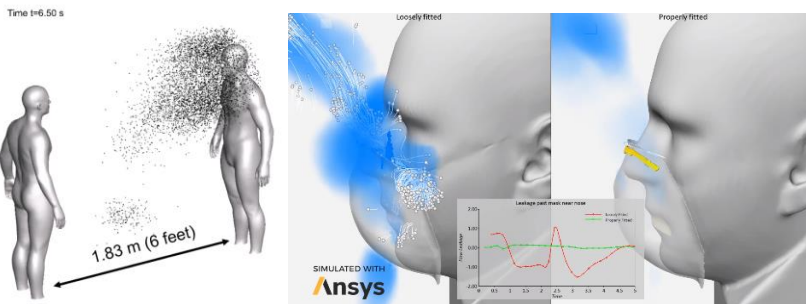
FIS providing advanced payment solutions for merchants

Picture: www.fisglobal.com website. Stock shown for illustrative purposes only and should not be considered as advice or a recommendation

Automation theme

ANSYS, Computer-Aided Engineering

ANSYS offers a comprehensive software suite that spans the entire range of physics, providing access to virtually any field of engineering simulation that a design process requires (i.e. physics of structures, fluids, photonics, optical, electromagnetics, etc.). The company focuses on the development of open and flexible solutions that enable users to analyse designs directly on the desktop, providing a common platform for product development, from design concept to final-stage testing and validation.



ANSYS fluids simulation - wind and mask effects to the virus' dissemination

Picture: simulations courtesy of ANSYS, Inc. Stock shown for illustrative purposes only and should not be considered as advice or a recommendation

Ageing & Lifestyle theme

Amedisys, home health provider

Amedisys is a healthcare at home provider delivering personalised home health, hospice and personal care services. Amedisys scope of activities include compassionate healthcare to help patients recover from surgery or illness, support for those who are dealing with a terminal illness or assistance with the essential activities of daily living. With the desire to avoid medical centre visits and an increasing number of seniors deciding to age at home rather than in senior care facilities, the demand for Home Health is likely to accelerate over the following years.



Providing home health assistance to senior

Picture: Amedisys website. Stock shown for illustrative purposes only and should not be considered as advice or a recommendation

CleanTech theme

Ball, aluminium packaging provider

Ball is a supplier of innovative, sustainable aluminium packaging to the beverage, food, personal care and household products industries. The company major product line is aluminum and steel beverage cans/containers whilst it is also involved with aerosol and spacecraft products. The consumer awareness for plastic pollution is urging companies to create sustainable packaging alternatives. With the aluminium container – a fully and infinitely recyclable product – new solutions are emerging and offering growth opportunities for some of the best providers.



Ball's aluminium solutions to replace plastic cup and bottles

Picture: Ball 2020 Virtual Investor Day. Stock shown for illustrative purposes only and should not be considered as advice or a recommendation

Transitioning Societies theme

Vitasoy, soymilk producer

Vitasoy is a manufacturer and distributor of plant-based food and beverages. The company is China and Hong Kong's largest soymilk player and a leader in the premium ready-to-drink (RTD) tea beverage market. Vitasoy stands out due to its strong branding and product positioning. The company should continue to benefit from a rising Chinese demand of the middle class who wants to adopt plant-based milks as an alternative to their dairy product consumption.



Vitasoy entering coffee shops with barista soymilks

Picture: Vitasoy website. Stock shown for illustrative purposes only and should not be considered as advice or a recommendation

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