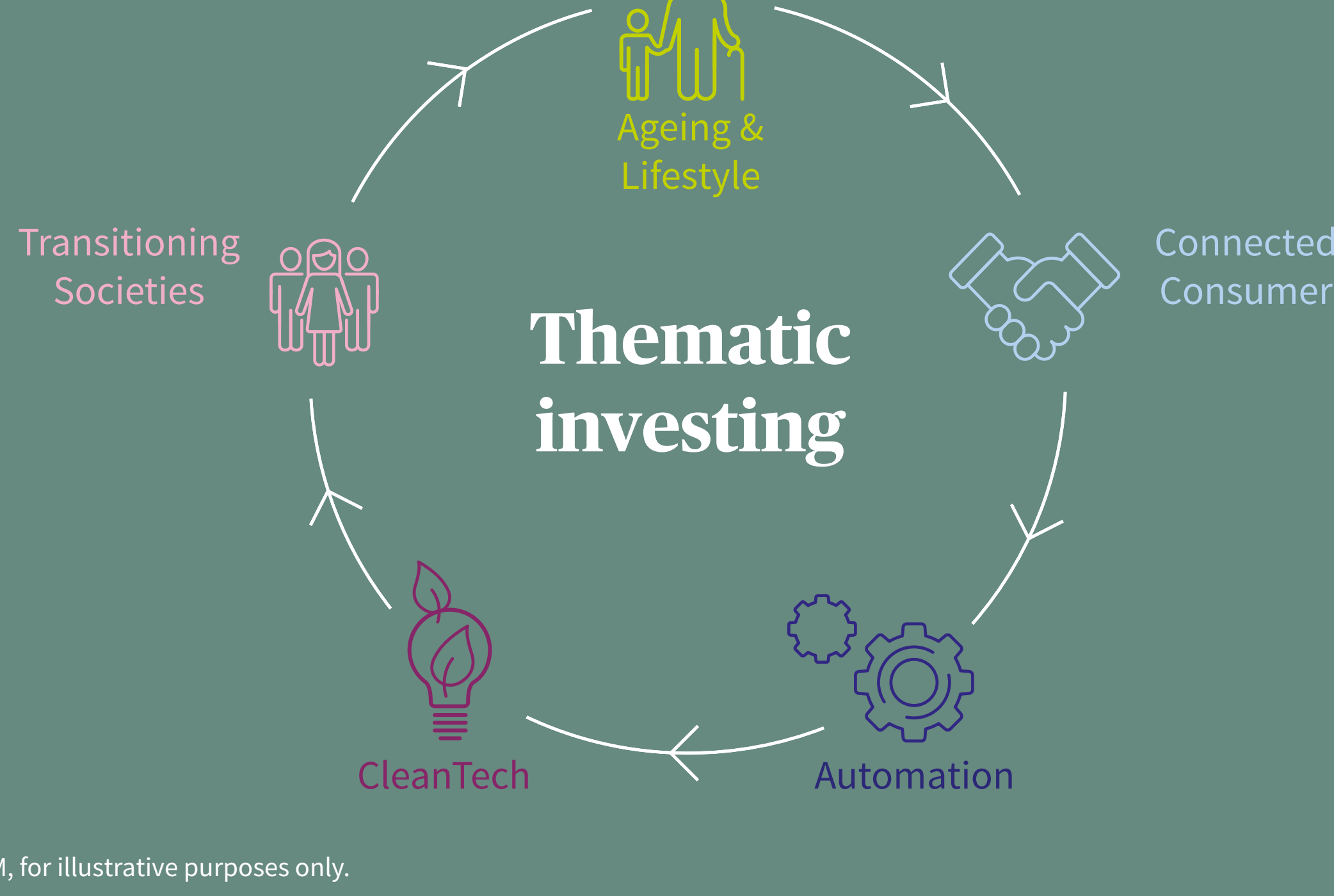


What investors need to know about thematic investing

Five thematic megatrends shaping our future

At AXA Investment Managers, we have identified five themes that we believe will shape the way companies operate in the future, with companies exposed to these trends likely to grow faster than the broader market.



Source: AXA IM, for illustrative purposes only.

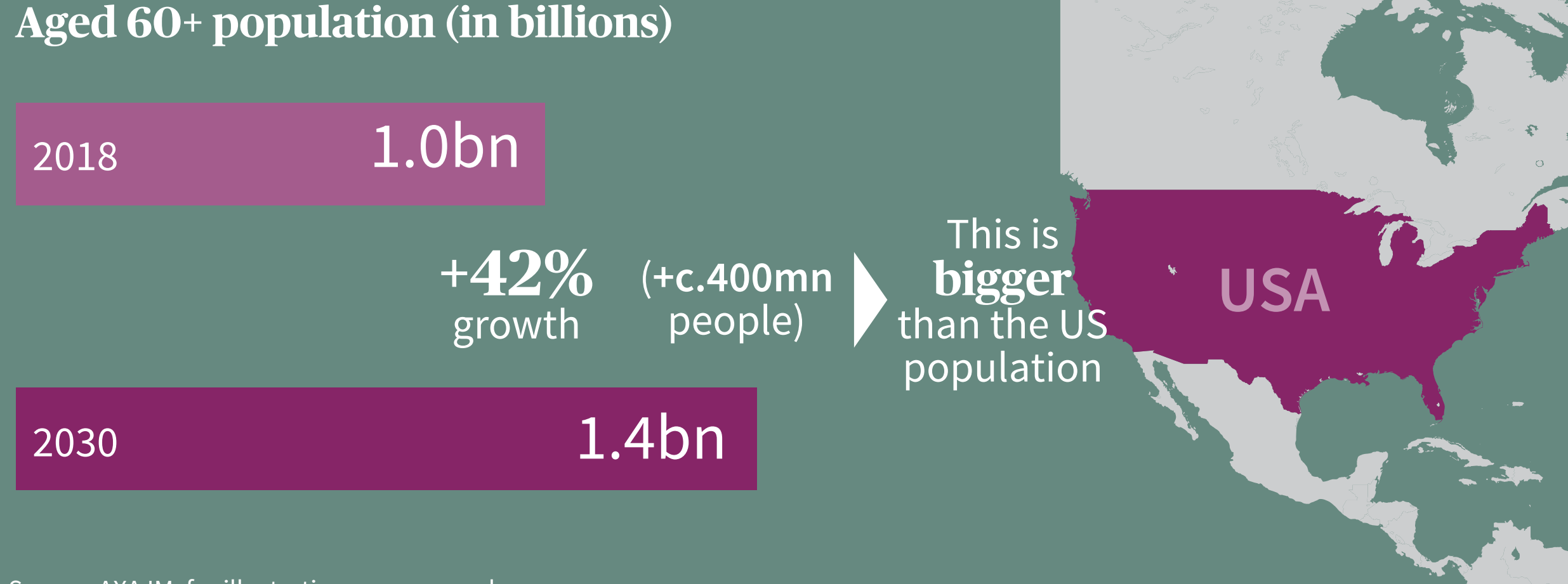
We believe there are three core reasons to consider thematic investing:

- Through credible evidence, we believe each of the above themes has the potential to deliver at least 10% year-on-year growth over the next decade¹;
- We focus on thematic purity over geography or sector, which gives us greater exposure to companies with high potential at an earlier stage of tapping into a long-term trend;
- We invest in companies with a proven ability to deliver commercially sustainable solutions.

1 Ageing & Lifestyle

Younger and older generations are increasingly focusing on living healthier lifestyles. For instance, more people are adopting diagnostics and digital screening / monitoring solutions, with the ultimate goal of extending their lifespan.

Aged 60+ population (in billions)



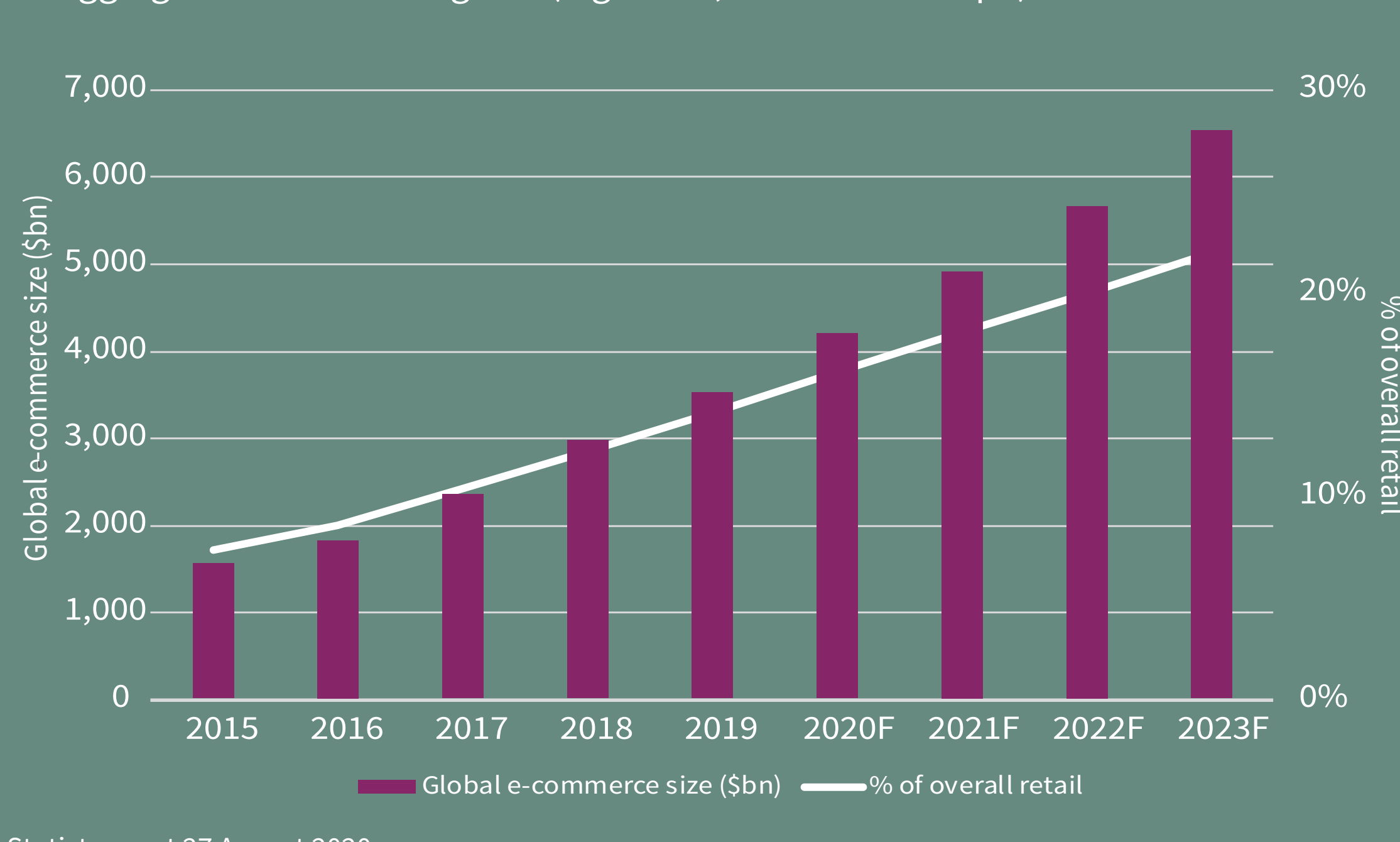
Source: AXA IM, for illustrative purposes only.

While the over 60s are expected to account for 16% of the global population by 2030, they are likely to represent 55% of overall consumption growth², spending primarily in the healthcare sector but also across multiple industries – such as leisure, financial planning, beauty and tourism.

2 Connected Consumer

The COVID-19 pandemic has undeniably accelerated the adoption of online consumption - whether it's existing consumers increasingly their purchase frequency or those shopping online for the first time. However, e-commerce penetration remains at a low level and will likely continue to gain market share against offline retail thanks to consumers' sticky habits, a better overall shopping experience, growth of mobile commerce and increased comfort in digital payments.

Global e-commerce penetration level remains low: online transaction volumes in leading countries (e.g. China, US, UK) continue to rise, but there also remains huge growth potential in lagging countries and regions (e.g. India, Southern Europe).



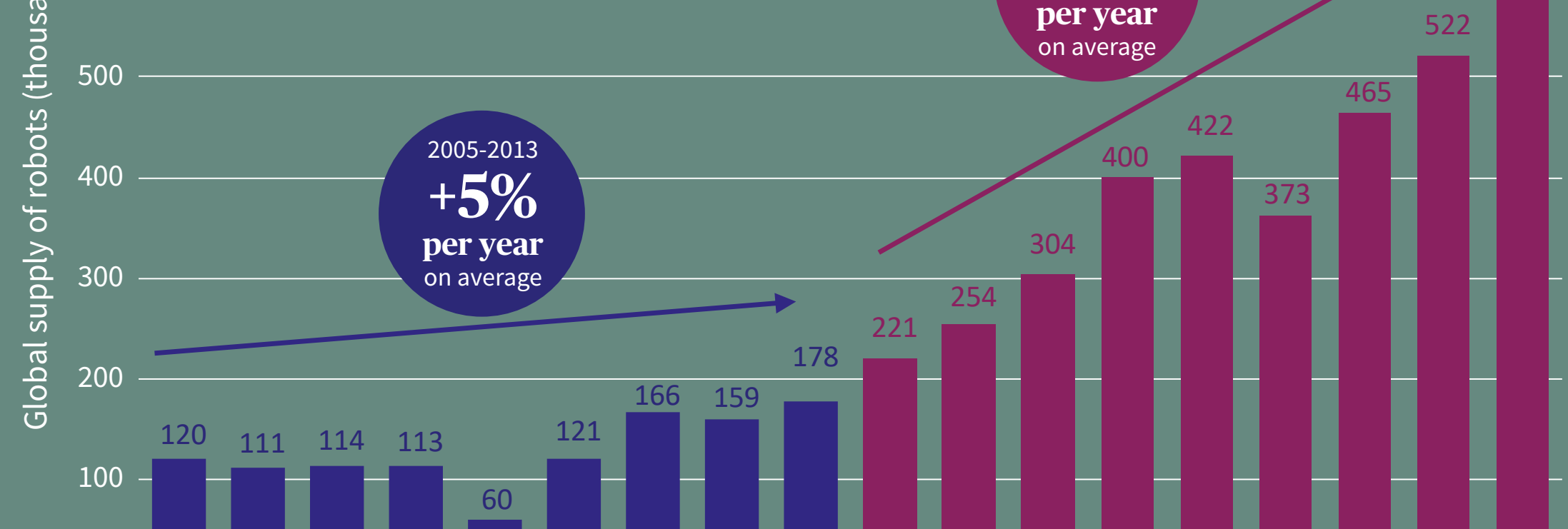
Statista, as at 27 August 2020

Note: Sales include products or services ordered using the internet via any device, regardless of the method of payment or fulfillment.

3 Automation

Robots are becoming more affordable while labour costs are increasing and the working population is shrinking in many countries (e.g. China). Furthermore, the use of robotics in society will increase efficiency, precision and safety.

Advances in technology have made robots capable of performing highly sophisticated and delicate work as well as working alongside humans to drive productivity and efficiency.



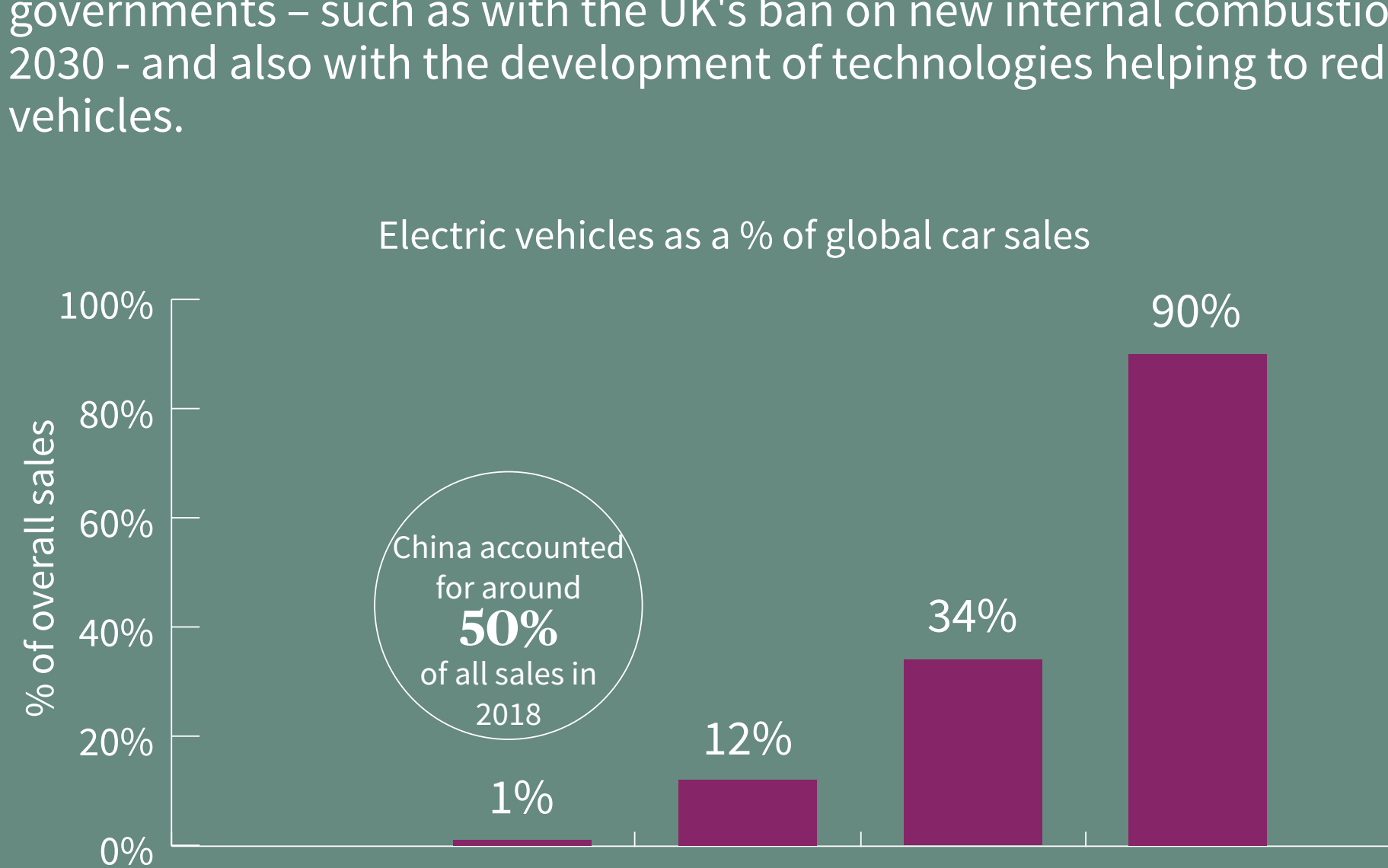
Source: International Federation of Robotics 2020

The global robotics market is expected to grow at 10-15% per year until 2025.³ Furthermore, we believe continued technological innovation, such as using 5G and artificial intelligence⁴, will support the increasing adoption of robotics in various industries; examples include autonomous vehicles, digital factories, food processing, logistics and robotic-assisted surgery.

4 CleanTech

Social pressure, demographic changes and strong regulatory support (e.g. EU Green Deal, China's commitment to become net zero by 2060) are driving demand for more sustainable products including electric vehicles, renewable energy and protein alternatives.

It is estimated that electric vehicles will account for one-third of global car sales over the next decade.⁵ We believe that this growth is likely to accelerate as a result of strong support from governments – such as with the UK's ban on new internal combustion engine vehicles from 2030 - and also with the development of technologies helping to reduce the cost of electric vehicles.

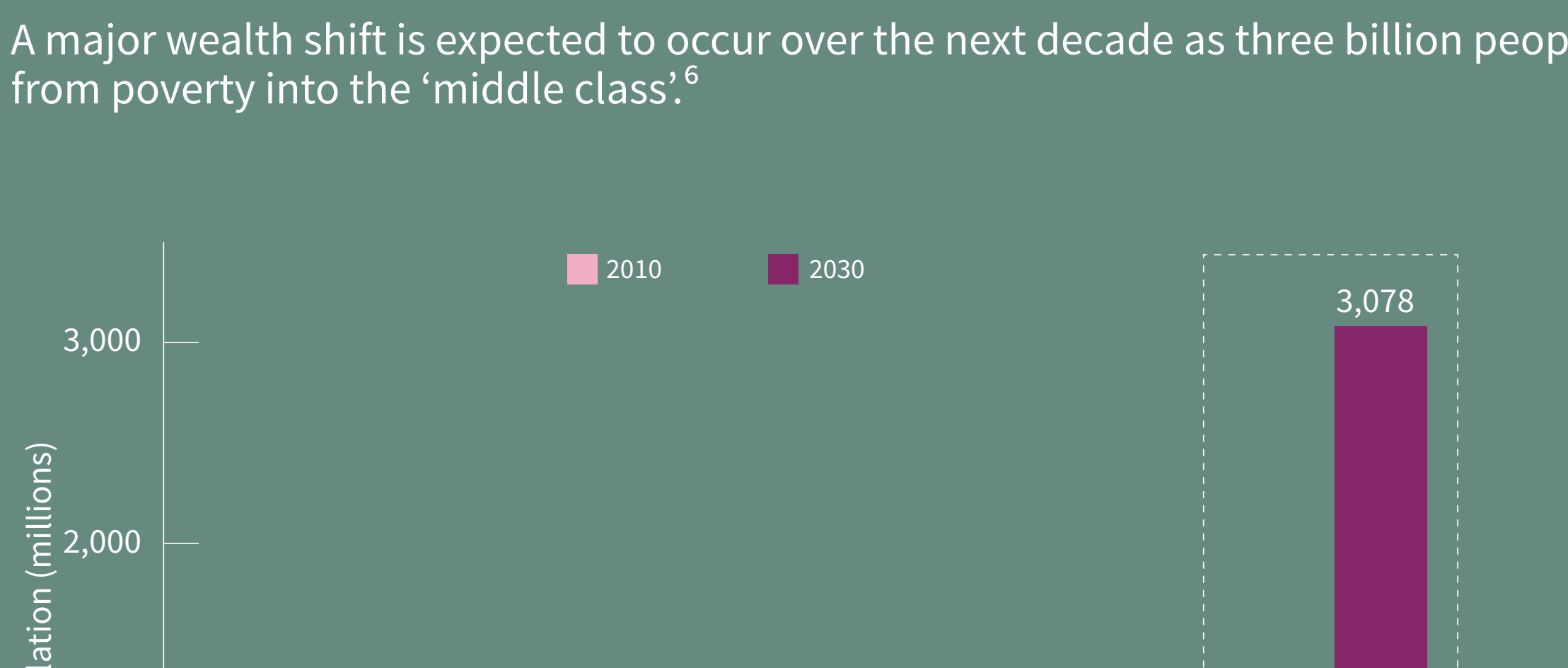


Source: Bank of America Merrill Lynch Global Research estimates, April 2018

There has been a clear change in the overall addressable market for most clean technology companies, with a broadening client base over the past 12 months. We feel that these fundamental changes have not yet been reflected in businesses' earnings.

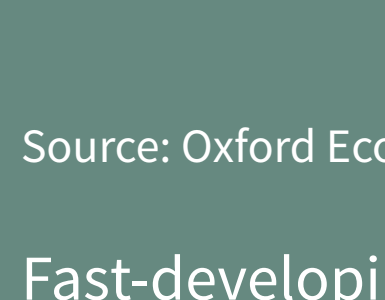
5 Transitioning Societies

A major wealth shift is expected to occur over the next decade as three billion people move from poverty into the 'middle class'.⁶



Source: Oxford Economics, 2015

Fast-developing societies require new infrastructure, and the accompanying change in lifestyle is creating new opportunities.



"Our view of thematic investing 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.

We remain convinced that the COVID-19 pandemic has accelerated existing secular trends, improving the long-term outlook for a number of themes within global thematics, with the drivers of all five themes remaining intact."

Mark Hargraves
Global Head of Framlington Equities, AXA Investment Managers

Sources:
1 AXA IM, as at 30 September 2020. Growth targets are internal, for illustrative purposes only, and are not guaranteed. All investments involve risks, including the loss of capital.
2 McKinsey Global Institute, April 2016
3 Boston Consulting Group, 2015
4 AI refers to artificial intelligence
5 Bank of America Merrill Lynch Global Research estimates, April 2018
6 Oxford Economics, 2015

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