

Not for Retail distribution: this document is intended exclusively for Professional, Institutional, Qualified or Wholesale Investors / Clients, as defined by applicable local laws and regulation. Circulation must be restricted accordingly

UK Multi-Cap strategy

We are encouraged by the operational updates of UK listed businesses

- Global equities were up in July in local-currency terms
- Businesses with strong balance sheets continue to perform well
- A new position in AFC Energy who's objective is to provide emission-free solutions to the world's energy challenge

Chris St John
Portfolio Manager, UK Multi-Cap Strategy

What's happening?

Global equities were up in July in local-currency terms, but down in sterling due to the relative strength of the pound. Growth continued to outperform value in all major markets, most notably in the UK. Businesses with strong balance sheets and good cashflow conversion have continue to perform well.

Coronavirus infections continue to rise globally, causing unease. In the UK, the government imposed restrictions in areas of the country where new cases were rapidly increasing, as well as pausing lockdown easing in England. A localised approach in dealing with spikes of new cases has been adopted by many countries in an attempt to reduce disruption on broader population and economy. Support from governments and central banks continues to be supportive, remaining crucial for a recovery.

Tensions between China and the US and UK continued to increase over the month. The US confirmed that Hong Kong had lost favoured trading status. With the UK suggesting the removal of Chinese firm Huawei Technologies' from its 5G network. Gold, often considered a safe-haven investment in times of uncertainty, saw spot prices hit a record high during the month.

Portfolio positioning and performance

The UK Multi-Cap strategy outperformed its comparative benchmark, the FTSE All Share index, over the month of July. Stock selection was the main driver of outperformance, most notably within the Industrials, Oil & Gas and Consumer

Goods sectors. The Technology sector also contributed positively to outperformance, with the Health Care and Basic Materials sectors both detractors of performance on a relative basis.

The strategy remains structurally biased towards Mid and Small Cap companies within the FTSE All Share index.

The strategy benefited from its positions in Spirent Communications and Future. Spirent Communications specialises in telecommunications testing systems, including computer software and hardware systems, cable management systems, and transmitters. The Covid-19 crisis has accelerated the need for reliable wireless connections and efficient solutions for remote working to enable many businesses to continue functioning. Spirent Communications is well positioned to help meet demand in this area, as 5G networks are developed and when networks are rolled out. The company was also recently awarded another multi-million dollar contract supporting a major US military program. Future, a specialist interest media company, has recently reported strong trading fundamentals to the stock market and continued to perform well. Not owning British American Tobacco and underweight positions in Royal Dutch Shell and HSBC also contributed to the fund's outperformance. Boohoo and Melrose Industries detracted from relative performance.

During July, we initiated a position in AFC Energy. The company develops alkaline fuel cells, which use hydrogen for electricity production. AFC Energy's objective is to provide emission-free solutions to the world's energy challenge, becoming a key player in energy transition.

Outlook

The equity market is likely to remain volatile as the forces of Central Bank stimulus, Government support and the economic impact of increasing or decreasing Covid-19 cases battle for supremacy.

UK economic output should improve, provided businesses continue to reopen and welcome back furloughed staff. As ever, there will be winners and losers as the long term changes to individual behaviours impose themselves.

We are encouraged by the operational updates of UK listed businesses, many of which are reporting trading ahead of expectations set in March and April. There is growing evidence of corporate cashflows being used to repay government financial support and this bodes well for the potential reintroduction of dividend payments.

We remain focused on UK and internationally-exposed businesses, where the fundamental profit drivers remain entrenched and equity holders benefit from the capital allocated and risks taken by management. We continue to believe that a rewarding strategy is to actively invest in UK-listed companies that are compounding their earnings and dividends, where corporate governance is world leading, where contract law and title law are dependable, and where company management teams are permanently accessible.

No assurance can be given that the UK Multi-Cap Strategy will be successful. Investors can lose some or all of their capital invested. The UK Multi-Cap strategy is subject to risks including; Equity; Smaller companies risk; Liquidity risk; Investments in small and/or micro-capitalisation universe; Investments in specific countries or geographical zones.

Not for Retail distribution: This document is intended exclusively for Professional, Institutional, Qualified or Wholesale Clients / Investors only, as defined by applicable local laws and regulation. Circulation must be restricted accordingly.

Past performance is not a guide to current or future performance, and any performance or return data displayed does not take into account commissions and costs incurred when issuing or redeeming units. The value of investments, and the income from them, can fall as well as rise and investors may not get back the amount originally invested. Exchange-rate fluctuations may also affect the value of their investment. Due to this and the initial charge that is usually made, an investment is not usually suitable as a short term holding.

This document is for informational purposes only and does not constitute investment research or financial analysis relating to transactions in financial instruments as per MIF Directive (2014/65/EU), nor does it constitute on the part of AXA Investment Managers or its affiliated companies an offer to buy or sell any investments, products or services, and should not be considered as solicitation or investment, legal or tax advice, a recommendation for an investment strategy or a personalized recommendation to buy or sell securities. The strategies discussed in this document may not be available in your jurisdiction.

Due to its simplification, this document is partial and opinions, estimates and forecasts herein are subjective and subject to change without notice. There is no guarantee forecasts made will come to pass. Data, figures, declarations, analysis, predictions and other information in this document is provided based on our state of knowledge at the time of creation of this document. Whilst every care is taken, no representation or warranty (including liability towards third parties), express or implied, is made as to the accuracy, reliability or completeness of the information contained herein. Reliance upon information in this material is at the sole discretion of the recipient. This material does not contain sufficient information to support an investment decision.

Issued in the UK by AXA Investment Managers UK Limited, which is authorised and regulated by the Financial Conduct Authority in the UK. Registered in England and Wales No: 01431068. Registered Office: 7 Newgate Street, London EC1A 7NX. In other jurisdictions, this document is issued by AXA Investment Managers SA's affiliates in those countries.

In Hong Kong, this document is issued by AXA Investment Managers Asia Limited (SFC License No. AAP809), which is authorized and regulated by Securities and Futures Commission. This document is to be used only by persons defined as "professional investor" under Part 1 of Schedule 1 to the Securities and Futures Ordinance (SFO) and other regulations, rules, guidelines or circulars which reference "professional investor" as defined under Part 1 of Schedule 1 to the SFO. This document must not be relied upon by retail investors. Circulation must be restricted accordingly.

In Singapore, this document is issued by AXA Investment Managers Asia (Singapore) Ltd. (Registration No. 199001714W) and is intended for the use of Institutional Investors only as defined in Section 4A of the Securities and Futures Act (Cap. 289) and must not be relied upon by retail investors. Circulation must be restricted accordingly

For Japanese clients: AXA Investment Managers Japan Ltd., whose registered office and principal place of business is at NBF Platinum Tower 14F 1-17-3 Shirokane, Minato-ku, Tokyo 108-0072, Japan, which is registered with the Financial Services Agency of Japan under the number KANTOZAIMUKYOKUCHO (KINSHO) 16, and is a member of Japan Securities Dealers Association, Type II Financial Instrument Firms Association, Investment Trust Association of Japan and Japan Investment Advisors Association to carry out the regulated activity of Financial Instrument Business under the Financial Instrument Exchange Law of Japan. In Japan, none of the funds mentioned in this document are registered under the Financial Instrument Exchange Law of Japan or Act on Investment Trusts and Investment Corporations. This document is purely for the information purpose for use by Qualified Institutional Investors defined by the Financial Instrument Exchange Law of Japan.

In Taiwan, this document is issued by AXA Investment Managers Asia Limited (SFC License No. AAP809), which is authorized and regulated by Securities and Futures Commission. This document and the information contained herein are intended for the use of professional or institutional investors and should not be relied upon by retail investors. They have been prepared and issued for private informational and educational purposes only at the sole request of the specified recipients, and not intended for general circulation. They are strictly confidential, and must not be reproduced, circulated, distributed, redistributed or otherwise used, in whole or in part, in any way without the prior written consent of AXA IM Asia. They are not intended for distribution to any persons or in any jurisdictions for which it is prohibited.

If any fund is highlighted in this communication (the "Fund"), its offering document or prospectus contains important information on selling restrictions and risk factors, you should read them carefully before entering into any transaction. It is your responsibility to be aware of and to observe all applicable laws and regulations of any relevant jurisdiction. AXA IM Asia does not intend to offer any Fund in any country where such offering is prohibited.

The offer, distribution, sale or re-sale of fund units/shares in Taiwan requires approval from and/or registration with Taiwanese regulatory authorities. To the extent that any units/shares of the Funds are not so licensed or registered, such units/shares are made available in Taiwan on a private placement basis only to banks, bills houses, trust enterprises, financial holding companies and other qualified entities or institutions (collectively, "Qualified Institutions") and other entities and individuals meeting specific criteria ("Other Qualified Investors") pursuant to the private placement provisions of the Rules Governing Offshore Funds. No other offer or sale of such units/shares in Taiwan is permitted. Taiwanese purchasers of such units/shares may not sell or otherwise dispose of their holdings except by redemption, transfer to a Qualified Institution or Other Qualified Investor, transfer by operation of law or other means approved by the Taiwan Financial Supervisory Commission.

For Malaysian investors: As the recognition by the Malaysian Securities Commission pursuant to Section 212 of the Malaysian Capital Markets and Services Act 2007 has not been / will not be obtained nor will this document be lodged or registered with the Malaysian Securities Commission, the shares referred to

hereunder (if any) are not being and will not be deemed to be issued, made available, offered for subscription or purchase in Malaysia and neither this document nor any other document or other material in connection therewith should be distributed, caused to be distributed or circulated in Malaysia.

For Thailand investors: Nothing in this document shall constitute in any manner whatsoever a proposal to make available, offer for subscription or purchase or to issue an invitation to purchase or subscribe for any securities in Thailand or a proposal to implement any of the foregoing in Thailand nor has this document been approved by or registered with the Securities and Exchange Commission of Thailand ("SEC"). No person receiving a copy of this document may treat the same as constituting an invitation or offer to him in Thailand and such person shall not distribute or make available this document in Thailand. The issuer of this document shall not be liable in any manner whatsoever in the event this document is distributed or made available to any person in Thailand receiving a copy of this document. Since no application for approval has been or will be made to the SEC for the offering of the securities, or for the registration of this document, the securities shall not be offered for subscription or purchased or made available, whether directly or indirectly, in Thailand. It is the sole responsibility of recipients wishing to take any action upon this document to satisfy themselves as to the full observance of the laws of Thailand, to comply with all relevant government and regulatory approvals, and to comply with all applicable laws, including but not limited to exchange control laws.