

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

# Longevity Economy strategy

## Progress is being made in the development of a vaccine and clinical trial data are expected to be reported in Q4 2020

- Global equity markets continued to rise in August
- Positive contributions from 'Treatment', 'Senior Care' and 'Silver Spending' themes
- We continued to add to our position in Pets at Home

**Dani Saurymper**

**Portfolio Manager, Longevity Economy Strategy**

### What's happening?

Global equity markets continued to rise in August with the MSCI All Country World index gaining 6.2%<sup>1</sup>. Despite the backdrop of the COVID-19 pandemic, global equities have returned 4% year-to-date with technology shares leading the rebound up over 35%<sup>1</sup> year-to-date and within that tera-cap<sup>2</sup> stocks up more than 60%<sup>1</sup>. The world's four largest companies have a total market cap of USD6.75trn<sup>3</sup>, larger than the entire Japanese equity market. Apple is bigger than the FTSE 100, Amazon is larger than the CAC 40, Microsoft is bigger than the DAX 30 and Alphabet is bigger than the SMI index. The rapid price gains and re-rating that the technology sector has enjoyed does of course raise concerns however with nominal yields held in check by the Fed and real yields on 10-year Treasury Inflation-Protected Securities close to historic lows, it is perhaps less surprising that risk assets have appreciated as investors search for more attractive yields.

Investor sentiment remains constructive as earnings and economic data continued to be better than feared. The vast majority of companies we invest in have now reported results for the second quarter and have mostly been positive. However, companies continue to paint a somewhat cautious tone for the remainder of the year, cognisant that despite the encouraging signs seen in business activity at present, COVID-19 continues to present uncertainties. With that said, progress is being made in the development of a vaccine and clinical trial data are expected to be reported in Q4 2020. If data is positive it potentially paves the way to a broader market recovery in 2021.

---

<sup>1</sup> Bloomberg as of 31/08/2020

<sup>2</sup> Market capitalisation above 1 US\$ Trillion

<sup>3</sup> As of 31/08/2020

## Portfolio positioning and performance

The Longevity Economy strategy underperformed the broader equity market (MSCI All Country World) in August with its underweight exposure to the technology sector playing a critical role. Companies such as Apple, Tesla, Amazon, Microsoft and Facebook fall outside of the Longevity Economy investment universe and were up 26%<sup>4</sup> on average during the month.

The 'Wellness' theme detracted from performance as our investments in Digital Health companies Hologic and Becton Dickinson experienced volatility following the announcement of new COVID-19 antigen testing from Abbott and Roche. While new antigen tests from Abbott and Roche may result in some share shifting away from the tests provided by Hologic or Becton, demand for testing continues to exceed supply and as such it is not a zero-sum game when it comes to demand. We believe the new tests provided by Roche and Abbott help to fill capacity rather than take share. Teladoc also detracted from performance following the announcement of its merger with Livongo - a digital health company focused on chronic disease management such as diabetes. With the merger announcement, we believe Teladoc gains exposure to an attractive and large chronic disease management platform that is likely to increase its market opportunity. Moreover, the scale of the combined entity, arguably enhances Teladoc's competitive moat in what is a highly fragmented space with limited barriers to entry.

Positive contributions were delivered from the 'Treatment', 'Senior Care' and 'Silver Spending' themes with one of the strongest contributions coming from Royal Caribbean in the Travel and Leisure subtheme. The dramatic reduction in global travel as a consequence of the COVID-19 pandemic has been perhaps most visible in the cruise line industry. The key question is whether travellers believe cruising is a safe activity after recent events. Previous crises faced by the cruise industry have seen demand recover and it appears the impact of COVID-19 should also be overcome with bookings for 2021 indicating longer term demand from consumers for cruise holidays remains robust.

We made limited changes to the portfolio during the month but continued to add to our position in Pets at Home as there have been multiple UK media reports of increasing pet ownership during lockdown, including a puppy adoption by one of the Longevity Economy fund managers themselves. In addition, we added to our holdings in Tabula Rasa which reported disappointing quarterly results largely due to the impact of the COVID-19 pandemic. We believe the underlying fundamentals of the company are enhanced by the crisis as it highlights the need for Tabula Rasa's unique technology and solutions to optimise medication regimens and help keep the most vulnerable segments of the population healthy.

Imprecise use of prescription drugs is thought to be the fourth leading cause of death in the US and contributes to an estimated 45 to 50 million adverse drug events (ADEs) annually<sup>5</sup>. The incidence of these ADEs is highly correlated to the number of medications an individual is taking. Older adults frequently have several chronic health conditions which require multiple medications and some studies have reported approximately a third of people over the age of 60 are on more than 5 prescription medicines at the same time<sup>6</sup>. Once the current turmoil is over, we believe the demand for Tabula Rasa's products and services could play out even stronger than before the pandemic took hold.

## Outlook

Coronavirus and the global response to the health emergency have negatively impacted the global economy and it is too soon to know when economic activity will rebound to pre-crisis levels. However, macroeconomic conditions in major

---

<sup>4</sup> Bloomberg as of 31/08/2020

<sup>5</sup> Tabularasahealthcare.com, 2014

<sup>6</sup> PMC, US National Library of Medicine National Institutes of Health, "Polypharmacy Among Adults Aged 65 Years and Older in the United States: 1988–2010", 2015

markets appear to be improving and Central Banks continue to step up with unprecedented stimulus measures and should continue to support equity markets.

We are pleased to see that most companies within the portfolio have reported mostly better than expected results.

We also retain the view that high quality management teams, operating businesses with a sustainable competitive advantage in their markets and with the benefit of secular tailwinds are well placed to navigate the current disruption.

As we consider the unprecedented events in 2020, the unshakeable conclusion on the outlook for the Longevity Economy is that the global population continues to age and this creates opportunities for companies that are positioned to benefit from long-term changes in consumption patterns that ageing populations will bring.

**No assurance can be given that the Longevity Economy Strategy will be successful. Investors can lose some or all of their capital invested. The Longevity Economy Strategy is subject to risks including: Equity; Currency; Global Investments; Emerging markets; Investments in small capitalisation universe and Investment in specific asset classes.**

---

**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.

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.

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.

In Korea, AXA Investment Managers Asia (Singapore) Ltd is a registered Cross Border Investment Advisor/Discretionary Investment Management Company under the Financial Investment Services and Capital Markets Act (the "Act"). The activities referenced under the Act are 5-2-2 Investment Advisory Business and 6-2-2 Discretionary Investment Management Business, respectively. Its financial services are available in Korea only to Professional Investors within the meaning of Article 10 of Enforcement Decree of the Financial Investment Services and Capital Markets Act.

To the extent that any fund is mentioned in this document, neither the fund nor AXA IM Asia is making any representation with respect to the eligibility of any recipients of this document to acquire the units/shares in the fund under the laws of Korea, including but without limitation the Foreign Exchange Transaction Act and Regulations thereunder. The units/shares have not been registered under the Financial Investment Services and Capital Markets Act of Korea, and none of the units/shares may be offered, sold or delivered, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to applicable laws and regulations of Korea.

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.

For Investors in People's Republic of China (PRC): This document does not constitute a public offer of the product, whether by sale or subscription in the PRC. The product is not being offered or sold directly or indirectly in the PRC to or for the benefit of, legal or natural persons of the PRC. Further, no legal or natural persons of the PRC may directly or indirectly purchase any of the product or any beneficial interest herein without obtaining all prior PRC's governmental approvals that are required, whether statutorily or otherwise. Persons who come into possession of this document are required by the issuer and its representatives to observe these restrictions.