

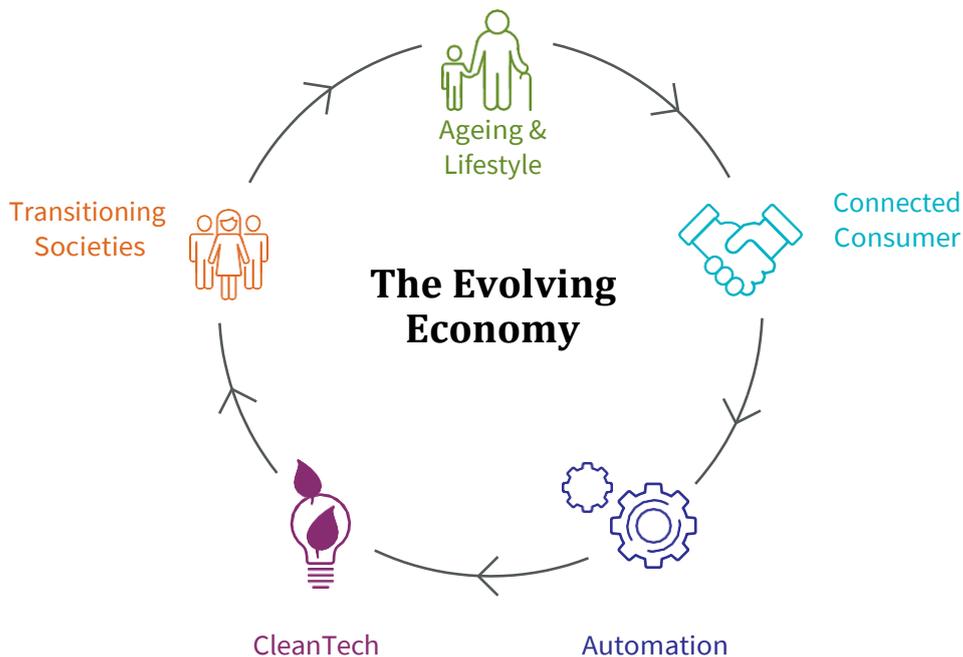
Framlington Equities

Thematic equities in focus

The Evolving Economy in a post-COVID-19 world

Mark Hargraves, Head of Framlington Global Equities

The spread of the COVID-19 virus into a global pandemic will likely have profound short- and longer-term implications for the global economy. Whilst it's hard to determine the path to normalisation, we believe that our Evolving Economy is well positioned to navigate the changing economic landscape of a post-COVID-19 world with its exposure towards the 5 identified long-term secular growth themes:



Today, we can genuinely argue that most people in the world are facing a “lockdown” situation – from the South African township in Soweto to the 7th Parisian upper class district – with different degrees of confinement. When facing a pandemic situation such as this, every member of the population – regardless of social origin – is coming back to the basics: how to keep eating, how to protect from the disease and how to maintain income generation for the family.

And this is where our **Connected Consumer** theme has held up relatively well in this challenging environment with a compendium of companies tackling several of these vital basics. During this unprecedented period where governments are asking populations to stay at home for an extended period, it is apparent that more consumers are starting to purchase essentials online via E-commerce platforms; whilst increasing their time spent on social media and online

video platforms, driving a higher share of advertising to these platforms. In developed countries, the population has also gradually moved towards a remote working scenario to continue coping with their jobs. The requirement to work from home during the current time is demonstrating to many that remote access technology can be effective and might even become part of many workers' long-term routine. Being able to maintain some degree of team cohesion whilst working remotely is important; software tools that enable employees to collaborate more effectively might see an increase in use, as might video conferencing solutions.

Just like remote work, the pandemic situation is likely to accelerate adoption of technologies such as remote patient monitoring and healthcare IT within our **Ageing & Lifestyle** theme. Hospitals are facing an increasing number of patients and need to provide treatments for everyone. We've recently seen demand surge for monitors and sensors due to COVID-19. Technologies including wearable wireless sensors combined with software modules are allowing remote monitoring and clinician notification systems. This enables less physical contact with patients, thus preserving the status of quarantine. Another benefit is to separate patients more efficiently: from monitoring and observing mild cases (even sending them home with cloud software access) to providing the most severe cases with beds in wards designed for more thorough treatment. Such remote technology will be a game-changing in light of the crushing demand on hospitals during the COVID-19 pandemic. Newly installed monitors are likely to stay in place, and we are also seeing development of software that will enable use with existing monitors to strengthen the remote monitoring offer. People's view on health and treatment will somewhat change in a post COVID-19 world, with more acceptance of new technologies, contributing to improving life expectancy and positioning our Ageing & Lifestyle companies at the forefront.

We believe that one other legacy of COVID-19 will be the disruption of global supply chains within our **Automation** theme. This will force companies to rethink their manufacturing footprints and their sourcing of crucial components. While it will take a huge amount of time to reconfigure global supply chains, we believe that marginal investments may well return to the US and Europe as a result of these issues, as well as the fact that the cost advantages of outsourcing manufacturing to developing nations continues to diminish each year. While we are not forecasting wholesale changes, incremental investments in connected smart factories will come with a higher degree of robotics and automation technology, which we believe should provide a long-term support to this theme.

While a post-COVID-19 world will encompass higher unemployment globally, one of the easiest ways for governments to support job creation is spend and fiscal boost into the infrastructure industry. Within our **CleanTech** theme, we expect renewables projects are likely to benefit from this stimulus with government promoting the shift towards a lower carbon economy. There is some early speculation that this could also be focused on Electrical Vehicle (EV) infrastructure. In China, subsidies for EV have been extended by two years which we expect to support the ongoing transition to new energy vehicles in a market which represents more than half of global electric vehicle sales¹. Whilst EV support is lagging in the US, we believe the shift will eventually be driven by the product offering rather than regulation.

During lockdown periods, populations within **Transitioning Societies** are somewhat forced to adopt new ways of consuming products and services. People may like what they've tried and this phenomenon may accelerate the development and spending on areas such as online education; healthcare access – with millions of video medical consultations proceeding as result of the virus update; or financial planning – with companies offering suitable planning solutions and persuading their customers to invest in them through digital channels. Once the current turmoil is over, the Emerging Middle class will still want to consume, and we have even started to see encouraging signs in China with global brands reopening their local businesses.

The strength of investing in the Evolving Economy is that these companies remain firmly anchored to long-term trends rather than relying on short-term events. Whether it be a binary outcome - such as a presidential election - or the type of brutal market volatility we have experienced in the pandemic situation, the long-term drivers supporting our identified themes are unaltered and the opportunities by investing actively could even play out stronger. The global population is irreversibly ageing, the Emerging Middle class still growing at sustained pace, while the continuous advances in technology keep facilitating online consumption, supporting the energy transition and making factories more automated.

¹ International Energy Agency - Global EV Outlook 2019

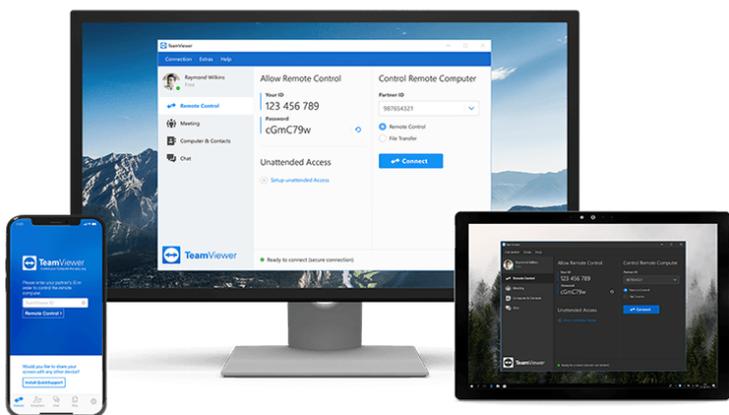
Read on to discover more recent insights from the Evolving Economy...

Connected Consumer theme

From 2020 to 2025, the global remote access software market is expected to grow at a CAGR¹ of c.16%²

TeamViewer, German remote software

TeamViewer is a German software company which specialises in secured remote access for the monitoring and management of commercial and industrial appliances. The software encompasses various digital channels including remote control, desktop sharing, online meetings, web conferencing and file transfer between computers. TeamViewer software allows companies to provide support for their customers remotely or enabling their own staff to be as effective as possible at doing their own tasks despite a “Work from Home” situation.



TeamViewer software solutions

1: CAGR - Compound Annual Growth Rate

2: Remote Access Software Market, Knowledge Sourcing Intelligence LLP, 2019

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

Ageing & Lifestyle theme

Installation of continuous postoperative monitoring is reducing rescue events by 60%¹

Masimo, US Patient Monitoring

Masimo is a US company which supplies a range of non-invasive monitoring solutions that can help care teams prepare for and manage an influx of patients quickly and efficiently. The company also provides advanced home monitoring solutions which ensure continuous health control from distance whilst providing notification to hospitals.

Masimo is also integrating its technology towards multi-parameters monitors and devices from leading brands.



Masimo home monitoring solutions notifying medical staff

1: McGrath SP. The Joint Commission Journal on Quality and Patient Safety. 2016 Jul; 42(7):293-302.

Picture: Masimo Investor Day, May 2019. Stock shown for illustrative purposes only and should not be considered as advice or a recommendation

Automation theme

Machine vision systems process huge amounts of information within a few seconds to make factories and manufacturing centers more efficient. Machine vision continues to proliferate and its market size is expected to reach USD 18bn by 2025¹

Keyence, Japanese sensors and measuring equipment

Keyence develops, manufactures and sells sensors and measuring instruments used for Factory Automation (FA) and high technology hobby products. The company's products include laser scan, bar code readers and fiber optic sensors. Keyence is being seen in an increasing number of end markets including auto, electronics, logistics and robotics.



- Automation**
 - Sensors
 - Laser Markers
 - Safety Equipment
- Inspection**
 - Machine Vision Systems
 - Measurement Systems
 - Microscopes
 - Code Readers



Keyence broad product offer (left) and vision system (right)

1: Bloomberg press-release, Grand View Research report, May 2019.

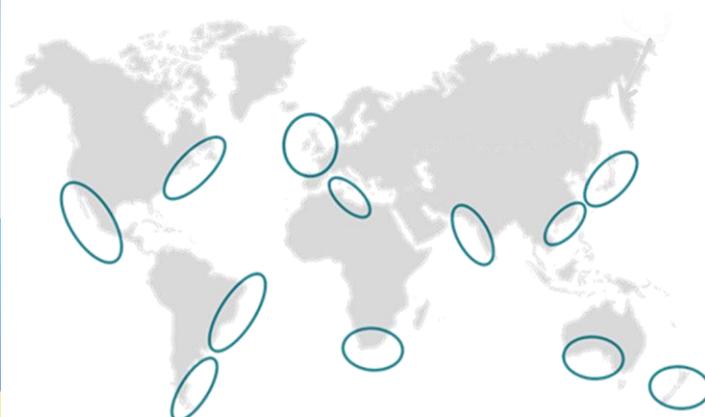
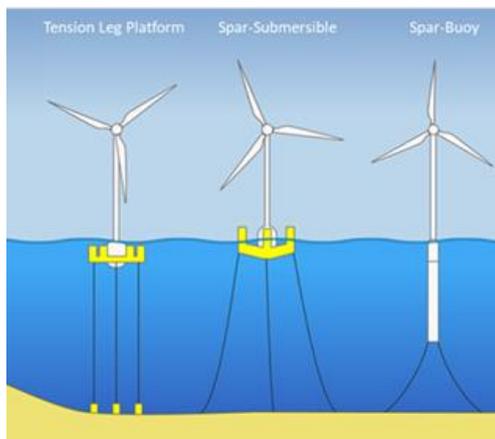
Picture: 2019 KEYENCE – Corporate profile, 2019. Stock shown for illustrative purposes only and should not be considered as advice or a recommendation

CleanTech theme

With attractive economics and supportive policy, cumulative wind and solar capacity globally is set to rise from c.1 Terawatt¹ in 2018 to 4 Terawatts by 2030²

Orsted, Danish Offshore wind turbine

Orsted is a leading company in offshore wind turbine with several wind farms in the North Sea. The company develops new floating foundation systems which makes installation possible in multiple numbers of untapped locations worldwide, significantly increasing the production capability. The company operates the Block Island in the US which was the first offshore wind farm in the country. It has been since awarded a number of other future developments.



Different floating offshore wind foundations are emerging, with many untapped locations worldwide

1: One Terawatt is equal to one trillion Watts.

2 & picture: BofA Merrill Lynch, Global Climate Change Primer, January 2020. Stock shown for illustrative purposes only and should not be considered as advice or a recommendation

Transitioning Societies theme

Indian Healthcare services is a highly underpenetrated market with healthcare spend at <4%¹ GDP² (vs. 17% in US and >5% in China)

Dr Lal PathLabs, Indian diagnostic and related health care tests

Dr Lal PathLabs is the #1 branded diagnostics chain in India, operating for over 70 years in the industry. The established company encompasses c.50 million tests per annum with a Pan-India integrated coverage. Its customer base includes individual patients, corporates & institutions, healthcare providers as well as hospital and clinical labs (lab management). Dr Lal is well-positioned in one of the fastest-growing segments of the Indian healthcare industry and has a scalable model integrated through centralised IT platform for a network expansion.

The image displays the Dr Lal PathLabs website and mobile app interface. The website shows two health packages: 'Swasthfit Total - Heart Check' and 'Swasthfit Total - Iron Check', both priced at ₹4500. The mobile app shows a person holding a smartphone displaying the Dr Lal PathLabs app interface. To the right is a map of India with various colored dots representing service locations: a red cross for National Reference Laboratory, an orange diamond for Regional Reference Laboratory, a blue circle for Clinical Laboratories, and a yellow star for Patient Service Centers.

Customer can book online via Dr Lal website or mobile app and benefit from an expanded network

1: Source: World Health Organization Global Health Expenditure database, October 2017

2: GDP - Gross Domestic Product

Picture: Dr.Lal PathLabs Corporate presentation – February 2020. Stock shown for illustrative purposes only and should not be considered as advice or a recommendation

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