

AXA WF Framlington Digital Economy



The AXA Framlington Digital Economy strategy seeks to invest in global growth companies that contribute to the overall value chain of the digital economy, across the discovery, decision-making and delivery of goods and services. The strategy will also invest in companies which act as ‘enablers’ for traditional businesses looking to transition to the digital economy.



WHO IS IT FOR? INVESTORS:

- › Seeking exposure to drivers of potential long-term growth
- › Looking for exposure to innovative digital companies with potential for long-term profitability and growth
- › Considering portfolio diversification



WHY AXA INVESTMENT MANAGERS?

- › Established history in long-term thematic investment
- › One of the first active thematic digital economy investors
- › Average 20 years investment experience in Framlington Equities¹

¹ AXA IM, as at 31 December 2019

What is the digital economy?

Rapid advances in technology have significantly improved consumers' experiences of shopping online, and digitally-savvy companies now offer a broader selection of goods, faster delivery, secure payments and 24/7 mobile access. E-commerce represents the part of this new digital economy that consumers are most familiar with today, and internet retailing is expected to grow at an average rate of 14% per year over the next five years to 2022.¹

But the digital economy describes much more than individual retailers' digital stores, and new selling points have proliferated across social media, apps, search engines and web portals, all battling to monetize rising web traffic from potential customers. The digital economy then describes the vast universe of companies operating across all touchpoints of the consumer's online journey, from product discovery to delivery. It also includes companies which act as 'enablers' for traditional businesses looking to take advantage of the expanding digital opportunity set.

Where does the digital economy strategy invest?



Discovery of the product

How people search for and discover products and services, i.e. online search, digital marketing, advertising and social media. E.g. Facebook, Tencent (Chinese web service provider).



Decision-making

E-commerce companies, web portals and mobile apps which provide consumers with convenient and reliable product choices. E.g. Amazon, Ocado Group.



Delivery

Companies that help facilitate payments and logistics to keep pace with consumers' increasing expectations of same-day delivery. E.g. PayPal (digital payments), Kion (warehouse automation).



Data and enablers

Digital companies that act as 'enablers' for traditional businesses looking to adapt to the fast-evolving digital landscape. E.g. Five9, Splunk (help companies understand and use data).

All stock examples mentioned above are holdings in the strategy as at the end of March 2020.

What is the investable universe today?

There are approximately 700 companies in the digital economy, which we have identified by using a variety of thematic and liquidity filters across the full market cap spectrum in both developed and emerging markets. Qualitatively analysing these companies' fundamentals for profitability and growth prospects reduces the investment universe to approximately 250 stocks, providing ample breadth for us to select our 50 or so top ideas to invest in.

...and tomorrow?

The digital economy revolution is still in its early stages, and there are an increasing number of new business segments emerging. For instance, many companies in the 'sharing economy' which are currently private, are likely to list in the coming years, expanding the investable universe and diversification opportunities.

¹ Source: Citi GPS: Technology at Work v3.0, August 2017. This is a forecast and is not a guarantee of future performance. Stock shown for illustrative purposes only and should not be considered as advice or a recommendation.



Jeremy Gleeson
Portfolio Manager

“**The constant advances in data analytics and other enabling applications will continue to improve and evolve online consumer experiences as well as the digital presence of companies. While we are only at the beginning of this significant trend, it already represents a huge opportunity for investors.**”

Jeremy Gleeson has more than 20 years’ experience investing in the technology sector focusing on different themes and innovations. He has managed the AXA Framlington Global Technology strategy since June 2007.

Why invest in AXA WF Framlington Digital Economy?

The strategy aims to provide investors with long-term growth, by investing in companies which contribute to the overall value chain of the digital economy. This spans customers’ initial discovery of products and services, decision-making, payment and delivery, as well as the companies providing support to traditional businesses looking to develop their digital presence.

1 Access the long-term potential of the rapidly expanding digital economy.

Supported by mobile commerce growth in developed markets and rising internet usage in emerging markets, internet retailing expected to grow at an average rate of 14% per year next five years to 2022.² We believe this represents a significant structural opportunity for investors seeking long-term growth³.

2 Gain exposure to a diversified and growing universe.

Even at the early stages of this long-term trend, the digital economy represents a diverse, multi-cap universe of companies operating across multiple sectors, not typically captured in traditional technology indices.

3 Benefit from an actively managed, unconstrained approach.

With more than 400 meetings with technology executives each year, our detailed coverage of the investment universe helps us identify companies that we believe to display above average growth prospects in this emerging theme.



x2

Direct-to-consumer e-commerce is forecast to double by 2021²



40-60

stocks
Global multi-cap strategy investing in a concentrated portfolio



48

Regional and sector experts in Framlington Equities⁴

² Source: Citi GPS: Technology at Work v3.0, August 2017. This is a forecast and is not a guarantee of future performance.

³ Please note that expectations of growth are no guarantee of future performance.

⁴ Source: AXA IM as at 31 December 2019

How is the strategy different from AXA IM's Robotech strategy?

Robotech

Focuses more on the industrial applications of technology such as manufacturing, healthcare or automotive

Digital Economy

Focuses more on the overall online consumer experience, as well as sectors like media, fintech and logistics. The strategy also has little, if any, exposure to semiconductors, offering low overlap with traditional technology benchmarks.

Key risks — AXA World Funds Framlington Digital Economy

The Fund is invested in financial markets and uses techniques and instruments which may be subject to sudden and significant variation, which may result in substantial gains or losses.

Counterparty Risk: Risk of bankruptcy, insolvency, or payment or delivery or failure of any of the Fund's counterparties, leading to a payment or delivery default.

Impact of any techniques such as derivatives: Certain management strategies involve specific risks, such as liquidity risk, credit risk, counterparty risk, legal risk, valuation risk, operational risk and risks related to the underlying assets.

The use of such strategies may also involve leverage, which may increase the effect of market movements on the Fund and may result in significant risk of losses.

Key risks — AXA World Funds Framlington Robotech

The Fund is invested in financial markets and uses techniques and instruments which may be subject to sudden and significant variation, which may result in substantial gains or losses.

Counterparty Risk: Risk of bankruptcy, insolvency, or payment or delivery failure of any of the Sub-Fund's counterparties, leading to a payment or delivery default.

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