

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

# Digital Economy strategy

## The holiday season continued to demonstrate the strength of the Digital Economy landscape

- US online sales hit a record high over the holiday season
- The 'Delivery' theme contributed most to performance
- Strong performance from cybersecurity and video game companies

**Jeremy Gleeson**  
Portfolio Manager, Digital Economy Strategy

### What's happening?

Global equity markets continued to rise in December, with the MSCI ACWI gaining 4.7%<sup>1</sup>. Looking at 2020, the MSCI ACWI returned 16.8%<sup>1</sup>. Despite the Covid-19 global pandemic leading to the sharpest equity fall in history, markets subsequently recovered over the summer and reached new highs towards the end of the year.

The equity market was driven higher in December as approval for Covid-19 vaccines were granted in the US and several countries in Europe, providing the expectation of an easing of restrictions and lockdowns in the months to come. As the deadline was fast approaching, the UK and European Union finally reached a trade agreement to replace the current Single Market rules, ending months of speculation and uncertainty over the prospects for a deal.

The holiday season continued to demonstrate the strength of the Digital Economy landscape and the transformation of consumers' shopping habits. Ecommerce sales during the holiday season hit a record high, a market intelligence report issued by Mastercard reported US online sales growth at 49% compared to 2019, with consumers shopping earlier than in previous years as retailers rolled out their holiday promotions early. Paypal and Visa reached new all-time highs during December, supported by data such as this.

### Portfolio positioning and performance

During December, our exposure to the Delivery theme contributed most to performance. We saw strong performance from cybersecurity companies Proofpoint and Zscaler. Within the Decision theme digital media conglomerate IAC performed well after announcing its plan to spin off its video hosting platform Vimeo. Video games developer Activision

---

<sup>1</sup> Bloomberg as of 31/12/20, in USD.

Blizzard also performed strongly after positive news regarding the Call of Duty franchise and the new World of Warcraft release.

During December we participated in the IPO<sup>2</sup> of private rental online marketplace Airbnb. The company is well positioned to continue to gain market share as online private lodging is still relatively underpenetrated. Shares in Alibaba, the Chinese e-commerce leader, have been under pressure over the last two months due to the block placed on the initial public offering of ANT (their financial services business) and increased scrutiny into the company by Chinese regulators. The shares looked oversold as we approached the Christmas market holidays, and we increased our position on the back of this.

## Outlook

As we enter 2021, we will be rapidly approaching the anniversary of the global outbreak of Covid-19 and the lockdown measures that were put in place in order to contain the virus. We will continue to monitor the progress of vaccination programmes that have begun and the potential for economies to re-open and for life to hopefully return to normal as this year progresses.

With regards to our investments, there are some companies for whom 2020 put their growth on a trajectory far greater than was initially expected, and for these companies, they could face some difficult year on year compares in the coming months and quarters. We have already taken some of this into account, for example opportunistically reducing our position in Zoom Video several months ago. For some of our other investments, we believe that changes in consumer behaviour could prove to be sticky and they will retain a good proportion of new customers that they welcomed on board in 2020, as long term consumer habits shift, for example with online grocery shopping or at home entertainment such as video content or gaming. Another category of our investments are those companies who have been providing technology solutions and services to enable their business customers to undergo their digital transformations, and we think that whilst some of these programmes might have been pulled forward in 2020 as a result of the pandemic, that there is still a lot of business to be done as companies adopt new ways to support their employees and customers even after the full effects of the virus have waned.

The underlying strong results in companies associated with the Digital Economy and the multiple secular growth drivers continue to underpin the healthy demand for innovative solutions to help businesses become more digital, productive and efficient. During this period of uncertainty we have remained focused on our investment philosophy, which is the preference to invest in companies who address a strong long-term opportunity rather than chasing niches or fads. Therefore we feel confident that the majority of our investments play into the heart of the Digital Economy theme, and their business will remain strong, if not get even stronger, once the current turmoil is over.

Digital Transformation is expected to be an important business focus for the coming years, and the portfolio remains well positioned to benefit from the trends associated with the digital economy theme, such as online commerce, digital media consumption and electronic payments.

**No assurance can be given that the Digital Economy strategy will be successful. Investors can lose some or all of their capital invested. The Digital Economy is subject to risks including Equity; Emerging Markets; Global Investments; Investments in small and/or micro capitalisation universe; Investments in specific sectors or asset classes; ESG.**

---

<sup>2</sup> Initial Public Offering (IPO)

---

**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 U.K. 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: 155 Bishopsgate, London, EC2M 3YD (until 31st December 2020); 22 Bishopsgate, London, EC2N 4BQ (from 1st January 2021). 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.

MSCI: Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.