

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

Continued long term focus as earnings reveal the extent of the pandemic's impact

- MSCI AC posted its strongest quarterly return since 2009
- Company earnings are starting to reveal true impact of pandemic
- We continue to take a long term view, while looking for attractive entry points created by short term price movements

Dani Saurymper
Portfolio Manager, Longevity Economy Strategy

What's happening?

The MSCI AC World Index rose in June to cap off the strongest quarterly performance since 2009 despite a pandemic that continues to grip the global economy. While these events seem to be at odds with each other, considering that the US government can borrow for 10 years at a close to historic low rate of 0.66%, it is less surprising that risk assets have appreciated in price as investors search for more attractive yields.

We are starting to get a picture of the actual impact of the pandemic as more companies report earnings that cover the months of April and May, when many countries in Europe and North America were in lockdown to curtail the spread of the virus. For example, sportswear manufacturer Nike reported results to the end of May that showed significant declines in demand in Europe and the US, underlining the strong negative impact on consumer purchases. But the muted share price reaction suggests that, at the moment, market participants are willing to overlook many companies' near term performance as a result of COVID-19 if they believe the long-term strategic direction is more positive. We remain focused on the long-term prospects for the businesses in which we invest and to us, short term price movements often create opportunities to get into companies with exciting long-term prospects at temporary discounts.

Portfolio positioning and performance

The Longevity strategy did not keep pace with its comparative benchmark in June, this was primarily due to our Senior Care and Treatment exposed holdings. However, Teladoc bucked that trend; the company's virtual physician appointment service continues to see record adoption as doctors and patients limit in-person interactions. We recently had the opportunity to catch up with the management of Teladoc, who underlined for us the dramatic increase in demand for the company's services and the wide-ranging clinical settings in which it could be used beyond general practitioner appointments. It is expected that demand for healthcare will increase as populations age, and the advantage of a service such as Teladoc's is that demand can be better distributed through a healthcare system because physicians in low demand areas can be easily connected with patients in high demand areas.

Connecting digitally with consumers is an important existing theme within the "Evolving Economy" that has been further amplified by the COVID-19 pandemic. This isn't restricted to connecting physicians and patients – even companies such as low-cost gym operator, Basic Fit, which has been hit by gym closures during the pandemic has been able to connect with its members through its app, providing workouts and nutrition plans.

We initiated a new position in Pets at Home Group in June. Pet ownership is rising among older people and some studies have found it can be emotionally beneficial and improve mental health. Pets at Home's strategy takes a holistic view of pet care including nutrition, accessories, grooming and veterinary, and engaging customers through multiple channels, which we think lends itself well to changing consumer trends.

We closed our position in senior living real estate investment trust, Ventas, while we see demand for senior living accommodation in the future, there are reasons to believe many older people will prefer to age in their home rather than moving to a dedicated senior living campus and this may lead to lower than expected demand over the next few years. We are also concerned that near term pressure from reductions in new residents moving in as a result of the coronavirus pandemic could put pressure on facility operator's profit margins.

Outlook

Coronavirus and the global response to the health emergency are likely to negatively impact the global economy in the short term. Efforts to slow the spread of the virus, such as the closing of country borders and quarantines in affected areas will likely depress economic activity across multiple sectors.

The pace of development and extent of collaboration seen in the biopharma sector during the COVID-19 pandemic is inspiring. This gives us confidence that the standard of care will continue to increase over the next year, which is an important step in allowing countries to reopen economies without a significant increase in mortality. Testing for presence of the disease is another key concern and it is positive to see testing capacity rapidly increasing globally, with highly accurate antibody tests starting to come to market. However, despite all the recent progress, the virus remains prevalent and cases numbers are accelerating in some areas.

A rapid short-term increase in unemployment in countries that have enacted strict social distancing policies is to be expected. However, the unprecedented monetary and fiscal response from central banks and policymakers in many developed markets may cushion the negative economic impacts of the virus outbreak and provides reasons for optimism in the ability for economic activity to rebound.

The unshakeable conclusion of 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 could 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.