

AXA IM Sustainable Equity Fund

This material is for Wholesale clients only

Fund objective

The Fund aims to provide a superior risk adjusted return (total return divided by total risk (before fees, expenses and taxes) greater than the return of the MSCI ACWI ex Australia Index Net Dividend Withholding Tax (AUD) (the "Index") on a rolling six to eight year basis.

■ Investment process

- The Investment Manager will seek to achieve the investment objectives by screening the Index using proprietary screening and reweighting methodology with the goal of creating a portfolio with reduced exposure to what the Investment Manager believes to be undercompensated sources of risk in the equity market. Specifically, the Investment Manager will evaluate all stocks in the Index according to proprietary measures of sustainable earnings growth and distress risk, as well as stock Volatility, and speculation risk. Some stocks will be eliminated from the starting universe by virtue of not passing one or more of these fundamental screens. The screening process is complemented by a reweighting methodology called PowerRank™ that seeks to address concentration risk by diversifying the portfolio's positions away from, in part, the 'mega cap' names in the index. Finally, the Investment Manager will use individual equities' individual ESG score (a proprietary measure of ESG integration) to adjust the stocks final weight, or to eliminate stocks from the portfolio. The weight on any individual stock in the portfolio is therefore a function of how the stock fares in the fundamental screening process, the effect of the PowerRank process, and where available, the stock's ESG score.

■ Labour, environmental, social and ethical considerations

- We may take certain labour standards or environmental, social or ethical considerations into account when applying the Fund's ESG investment criteria in the process of making investment decisions. ESG refers to the three main areas of concern developed as central factors in measuring the sustainability, ethical impact, and corporate governance of a company or business. Within these areas are a broad set of concerns increasingly included in the non-financial factors that figure in the valuation of equity and other investments. The Investment Manager may use individual equities' individual ESG score (a proprietary measure of ESG integration) to up-weight, down-weight, or eliminate stocks from the portfolio.

Key figures (AUD) as of 31/12/2020

Total asset under management (in million)	414.78	Current NAV	1.3249
		Entry price	1.3275
		Exit price	1.3222

Fund performance (AUD) as of 31/12/2020

	Dec 2020	Q1 2020	Q2 2020	Q3 2020	Q4 2020	1Y	* 3Y	* 5Y	* Since Inception
AXA IM Sustainable Equity Fund - Gross of Fees ¹	-0.94%	-6.98%	3.07%	3.17%	3.14%	2.02%	11.06%	10.98%	13.73%
AXA IM Sustainable Equity Fund - Net of Fees ²	-0.97%	-7.06%	2.98%	3.08%	3.05%	1.67%	10.67%	10.59%	13.33%
Index ³	-0.10%	-9.41%	5.83%	3.96%	6.39%	6.04%	10.86%	11.37%	12.94%

Inception date: 7 August 2014

* Annualised return

¹Gross of Fees Return is the Total Net Return with on-going fees and expenses added back.

²Net of Fees Return is the Fund return after the deduction of ongoing fees and expenses and calculated from Fund's "Exit Price".

³The index is MSCI ACWI ex Australia Index Net Dividend Withholding Tax (AUD). Prior to 18th January 2019, the index was MSCI AC World Index Ex Australia Total Return Gross (AUD).

Past performance is no guide to future performance. No representation is given that the investment objectives will be achieved.

With effect from 23rd October 2017, the name of the Fund has been changed from "AXA IM ACWI SmartBeta Equity Fund" to "AXA IM Sustainable Equity Fund".

ROSENBERG EQUITIES
AXA IM Sustainable Equity Fund

Characteristics as of 31/12/2020

	Fund	Index
Price / Earnings	25.40	30.55
Beta	0.84	1.00
Price / Earnings (Forecast) *	19.49	20.72
Price / Operating Income	11.57	11.82
Price / Cashflow	14.88	15.03
Price / Book	3.29	2.67
Debt / Equity	0.80	1.01
Return on Equity	16.15%	9.95%
ESG Score **	6.59	5.83
Adjusted Herfindahl ***	33.80%	46.30%
Weighted Average Market Cap (AUD mil)	347,983	408,917
Total Number of Stocks	489	2,795

* Price/Earnings (Forecast) data based on IBES 1-year forward earnings forecast data.

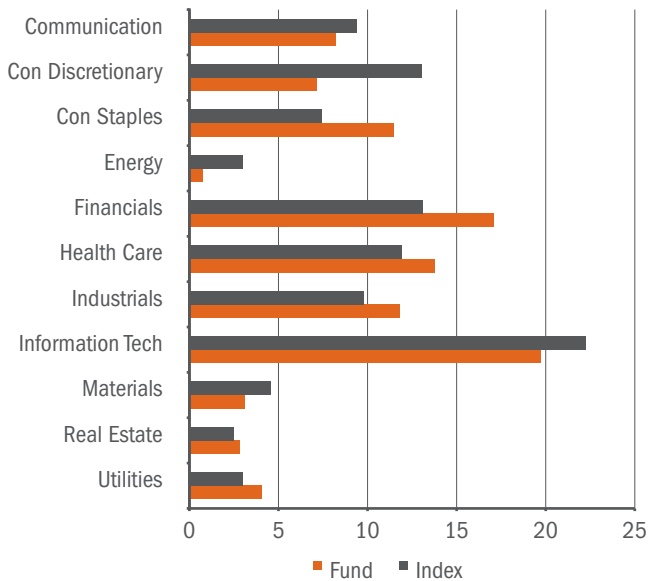
** ESG Score is a proprietary measure of ESG integration. The higher the score, the better the ESG integration for the Fund or Index.

*** Adjusted Herfindahl Index is a measure of portfolio concentration, adjusted for the number of stocks in the Fund or Index. The higher the score the more concentrated the Fund or Index.

Top ten holdings as of 31/12/2020

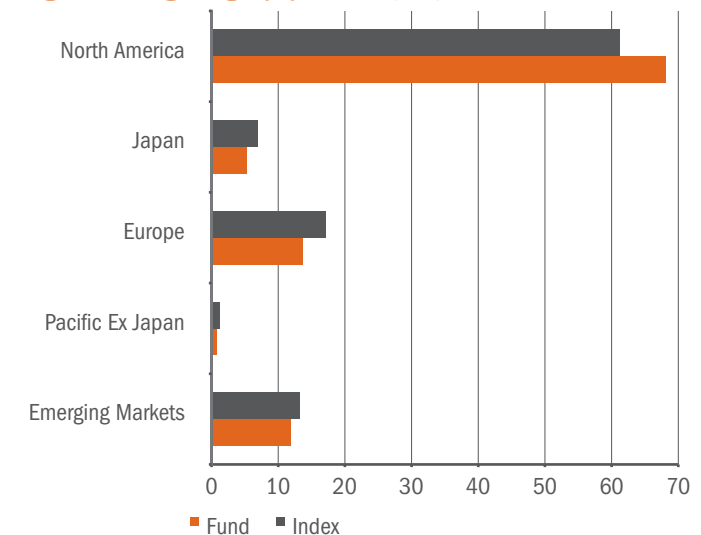
	Fund (%)	Index (%)	No. of Shares	
			Held	Amount in AUD
Apple Inc	3.34	3.93	80,542	13,849,696
Microsoft Corp	2.59	2.77	37,300	10,751,333
Amazon.com Inc	1.82	2.40	1,788	7,546,674
Alphabet Inc	1.53	1.82	2,800	6,359,609
Visa Inc	0.96	0.64	14,057	3,984,562
Johnson & Johnson	0.93	0.72	18,941	3,863,066
Verizon Communications Inc	0.88	0.42	47,700	3,631,666
The Procter & Gamble Co	0.83	0.60	19,103	3,444,556
PepsiCo Inc	0.82	0.36	17,600	3,402,289
Berkshire Hathaway Inc	0.81	0.56	11,200	3,365,443

Sector weightings (%) as of 31/12/2020*



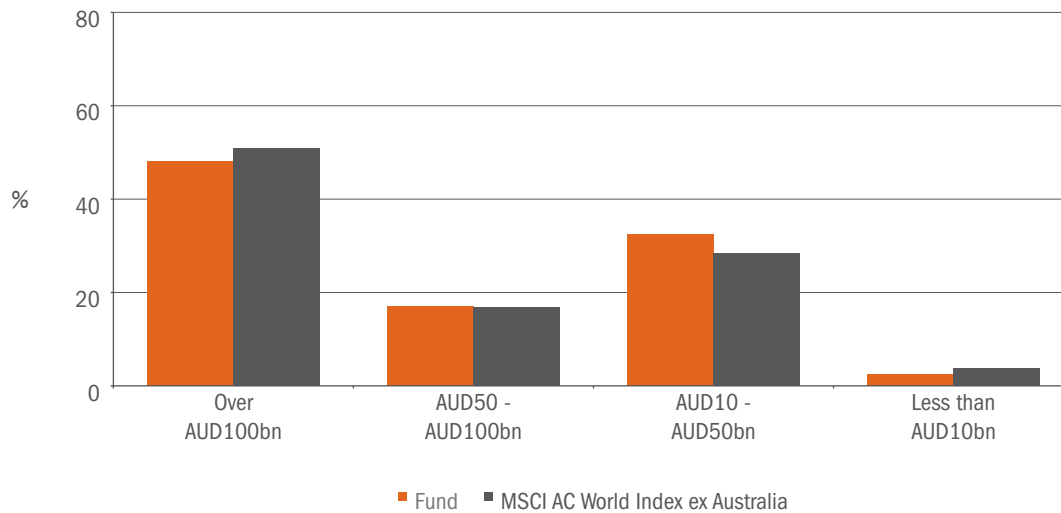
*Sector weightings based on GICS sector classifications

Regional weightings (%) as of 31/12/2020



ROSENBERG EQUITIES
AXA IM Sustainable Equity Fund

Market Cap Breakdown as of 31/12/2020



About Rosenberg Equities

Rosenberg Equities is AXA Investment Manager’s systematic equity team, with offices located in major financial markets worldwide. Rosenberg Equities has been synonymous with quantitative investing since 1985, and was among the first investment firms to develop advanced models of fundamental data to analyse millions of data points to identify investment opportunities. The team has built on over 30 years of heritage with investments in machine learning and alternative data to ensure portfolios are built using the best quantitative modelling techniques available. This experience extends to non-financial data, and Rosenberg Equities was one of the first quantitative managers to fully integrate Environmental, Social and Governance (ESG) considerations into all of its portfolios.

About AXA IM RI Team

Environmental, Social, and Governance factors are at the heart of Responsible Investment. At AXA IM, we believe that Responsible Investment (RI) can help deliver superior risk-adjusted returns for our clients over the long term. Our investment approach enables us to systematically incorporate ESG data directly and efficiently into our models. We take data from a variety of external vendors in addition to the corporate scoring framework that is maintained by the RI team. Once the data is in our system we can work with it in a variety of ways, from research and analysis to portfolio construction and reporting. For example, we add ESG scores and key performance indicator (KPI) targets alongside our traditional alpha and risk measures. In this way, we guarantee that ESG will be ‘part of the dialogue’ when it comes to driving portfolio positioning and real investment outcomes. That said, we are unwilling to sacrifice the traditional risk and reward profiles of our strategies when integrating ESG, so when faced with two stocks of identical ESG scores, our optimiser would always favour the one with the highest alpha, all other considerations being equal.

As a centre of excellence, the 16-strong dedicated RI team at AXA IM is supported by 17 RI specialists across the investment platforms. The team focuses on thematic research, corporate governance and shareholder engagement along with developing quantitative solutions. Within the Core investment platform, dedicated ESG analysts are responsible for ESG research and supporting portfolio managers in incorporating ESG considerations into their investment decisions.

The AXA IM Sustainable Equity strategy is an ESG integrated approach in which risk indicators and ESG risks factors will be used in combination to determine the final portfolio.

Asset Class Overview

Global stocks were sharply higher in the fourth quarter of 2020, as three separate vaccines were found to be effective against the coronavirus and

a number of countries swiftly started inoculations. Joe Biden's win in the US election in November removed a source of political uncertainty and helped pave the way for a new, \$900 billion economic bailout in December. On Christmas Eve, the UK and European Union (EU) finally announced a trade agreement, which further supported sentiment. The generally positive end-of-year mood lifted the MSCI All Country World Index, a global equity benchmark, to record high levels during December and outweighed concerns about the emergence of a new, highly contagious, variant of the coronavirus in the UK. Oil prices made strong gains as the vaccine-fuelled optimism underpinned hopes of a demand revival, while the US dollar – a safe-haven currency – weakened significantly as investors' risk appetite increased.

Portfolio Highlights

What helped performance during the quarter:

- The Fund's below-benchmark exposure to the retail industry contributed positively to performance.
- An above-benchmark weight in European wind energy company Orsted contributed positively to performance as increased political pressure for cleaner energy has boosted renewable energy stocks.

What hurt performance during the quarter:

- A key detractor from performance was the strategy's focus on less volatile stocks. This is in line with strategy expectations in an environment in which investors' appetite for risk sharply increased. Defensive strategies typically struggle to keep pace in these kinds of conditions.
- The Fund's exposure to stocks with high quality earnings also went unrewarded this quarter as quality fared less well than in recent months. The rotation from high quality, low risk companies to low quality, high risk firms seen during the quarter (triggered by the announcement of viable COVID-19 vaccines) was the largest since the recovery from the financial crisis low in March 2009.

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Portfolio Positioning and Outlook

The Fund maintains its exposure to stocks with low volatility and high quality earnings, which we believe leads to above-benchmark returns with less volatility over a full market cycle. Currently, given its exposure to defensive sectors, low volatility investing is under pressure in a cyclically-led rebound. However, the road to recovery will take time and low volatility should be a safe haven in the event of any re-opening setbacks or if the speed of recovery disappoints.

Source: AXA IM, MSCI. Earnings Sustainability is a proprietary measure of earnings quality.

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