

SHINING A LIGHT ON THE..... AXAWF ACT Framlington Clean Economy Fund

AT A GLANCE

Investment Objective
The fund seeks both long-term growth of your investment from an actively managed listed equity and equity-related securities portfolio, and a Sustainable Investment objective, in line with a socially responsible investment (SRI) approach.

Launch	14 th December 2018
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000013Z3X

Management	
Manager Name	Start Date
Amanda O'Toole	14 th December 2018
Mark Hargreaves	14 th December 2018

FUND PERFORMANCE

Performance from 14th December 2018 to 30th September 2021:

	2018	2019	2020	2021
AXAWF ACT Framlington Clean Economy Fund	-3.21%	19.28%	41.51%	3.90%
MSCI World NR	-5.40%	22.74%	12.32%	14.60%

Performance over 12 months, and since launch:

	1 year	Since launch
AXAWF ACT Framlington Clean Economy Fund	21.19%	67.75%
MSCI World NR	23.51%	49.47%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

Tracking Error	Information Ratio	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
-	-	96.30	-	-	-	-	-	-

Volatility Measurements

3-Yr Std Dev (volatility)	-
3-Yr Mean Return (average)	-

Investment Style Details

Giant	18.68%
Large	34.59%
Medium	28.16%
Small	15.95%
Micro	1.43%

Top 5 Holdings – 56 Equity Holdings

Ameresco Inc Class A	Industrials	3.77%
NextEra Energy Inc	Utilities	3.35%
Darling Ingredients Inc	Consumer Defensive	2.92%
TE Connectivity Ltd	Technology	2.90%
Trimble Inc	Technology	2.84%

Top 5 Sectors

Industrials	38.60%
Technology	19.05%
Basic Materials	11.31%
Consumer Cyclical	9.25%
Utilities	7.64%

Top 5 Regions

United States	50.87%
United Kingdom	9.30%
Netherlands	7.80%
Spain	6.85%
Germany	6.66%

UPDATE....

The strategy plays on a growing theme that “we” need to invest in companies that support the transition to a more sustainable world. The sustainable range of strategies from AXA aim to deliver prosperity for people and the planet. Under “people” it covers empowerment, health and wellbeing and inclusion, and for the “planet”, energy transition, sustainable industry, and resource scarcity.

This strategy was established as an offshore fund in 2018 and is now being launched as an onshore fund. It spun out of their Global Thematic Fund as they felt this could be a standalone strategy. They believe that the last three years have been a perfect time to launch the fund, with governments committed to change, consumers demanding more sustainable products and corporates recognising the need to change. It is also important to understand that 68% of global GDP is covered by commitments to net zero.

Although these types of strategies are springing up, they do not believe this is a fad because the change needed will take years and decades to achieve. They accept there might be bubbles in areas, but overall the picture and demand remain for a long period of time. The strategy focuses on 4 key sub themes - low carbon transport, smart energy, agriculture and food industry and natural resource preservation.

This is an active strategy, where they look across 12,000 stocks and then overlay an ESG screen which reduces this to around 6,000 stocks and further work reduces this down further to around 200 / 300 stocks. This is purely impact driven and looks across intentionality, materiality, additionality, negative consideration, and measurability.

It will not invest in transitioning companies because they are looking at companies that are developing impactful solutions. Examples include semi-conductors, software providers to charging points and solutions within food and agriculture. Company specific, they have reduced exposure to Tesla, but still see opportunities around static storage, and they hold Befesa which is involved with waste disposal.

In terms of the impact contributor, we discussed John Deere, who aim to be a leader in precision agriculture. Taking the five areas, intentionality, materiality, additionality, negative consideration, and measurability, we drilled down on a couple to provide a flavour of what they look at.

Intentionality

Agriculture is causing more damage to oceans than plastic – the cost of excess fertilizer run-off into the oceans is US\$200-800bn. John Deere's strategy is aligned with sustainable agriculture, helping farmers to increase their productivity while reducing the use of agricultural chemicals such as fertilizers.

Negative considerations

The company provides diesel fuelled vehicles, which conflicts with SDG13. However, the company is investigating electrification and has committed to reduce the environmental impact, including CO2e emissions, on 90% of new products.

They believe that the fund provides diversification across industries, countries, and sectors. Although they have four themes under this the sub themes include:

- battery, electric vehicle, and enablers
- green buildings, efficient factories and renewables and grid
- agriculture and food industry
- waste reduction, recycling, and water

Currently the fund has 40% in smart energy, 27% in natural resource preservation, 15% low carbon transport and 13% in agriculture and food industry.

They will look to hold around 40 to 60 stocks and they want those companies that are meaningful and impactful. They will produce impact reports which show what impact these companies are having. As an example, Ball Corporation recycled 31,751 tons of aluminium cans which is equivalent to 2bn of cans recycled each year. Xylem helped save and conserve 520bn litres of water which is the equivalent to the annual volume of water used by circa 3million households on average in Tokyo.

In summary, this is part of a growing number of impact funds which offer investors something different. The fund only invests in quality companies with established cash flows, so these are not blue-sky companies. This is actively managed so they will move between themes if areas become overvalued. AXA also contribute part of the fee to charity; this looks to address themes and SDGs aligned with AXA's impact and research focus.

The source of information in this note has been provided by AXA and is correct as at October 2021. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.