

# AXA World Funds Framlington - Sustainable Europe



European equities can provide a rich and diverse source of attractive, large-scale growth opportunities and access to global sources of revenue, particularly for long-term investors. While changeable market conditions can prove challenging in the short term, careful fundamental analysis carried out by an experienced investment team can allow investors to benefit from exposure to promising sources of long-term growth. Companies with strong financial attributes and growth potential can be carefully constructed into a portfolio which, without bias, has the potential to navigate style rotations.

Investors are increasingly (and necessarily) becoming aware that fundamental trends such as the move to net zero and carbon footprint reduction are gaining momentum amongst global regulators, and that no long-term view is complete without considering the financial implications of climate change left unchecked. We therefore complement this strategy with an integrated ESG approach which is designed to produce a portfolio with a specific focus on the environmental pillar, aiming to mitigate future economic risks.



## WHO IS IT FOR? INVESTORS:

- › Wishing to access the long-term growth potential associated with large-cap (>\$800m) European equities with diversified geographic sales revenues
- › Seeking an 'all weather', style-agnostic portfolio targeting returns from stock selection across market cycles
- › Who recognise the financial imperative to mitigate long-term risks associated with climate change



## WHY AXA INVESTMENT MANAGERS?

- › AXA WF Framlington Sustainable Europe is supported by a team of portfolio manager analysts with a breadth of experience across European large-cap, small-cap, insurance and UK specialisms.
- › Since 1994, we've actively managed traditional core investments for our clients with a focus on long-term results.
- › We are one of the global leaders in responsible investing and have built on our fundamentally orientated research and data-led investment process. We believe that ESG considerations give investors a better understanding of future earnings growth potential, and credit risks.

# Target consistent alpha through different market cycles with limited relative risk

While equity investments can be subject to a less predictable range of short-term influences, longer investment horizon trends suggest that revenue and margin growths tend to be the dominant influences of success in the long term. The AXA WF Sustainable Europe portfolio is constructed from the most attractive stocks with such attributes, carefully chosen from within its Pan-European investment universe, in order to help our clients meet their long-term growth objectives.<sup>1</sup>

This initial universe of around 7,500 stocks is screened for quantitative liquidity and responsible investment criteria, before comprehensive fundamental stock level analysis is carried out to identify the most attractive opportunities. The portfolio favours companies with strong balance sheets and growth potential, effective management models, favourable ESG and risk profiles and those which minimise contributing to climate change. Importantly, the strategy has historically displayed an attractive information ratio relative to its peer group and has placed within the top quartile over an equity horizon, indicating its potential to help investors achieve their long-term goals at a reasonable level of relative risk.<sup>2</sup>

## Why focus on climate change?

Climate change is one of the most underrated financial risks. Early signs of both the climatic and physical consequences of global warming are visible:



## Where does this strategy fit into my portfolio?



1 Source: AXA IM at at 30 June 2023.

2 Source: Morningstar. As of 31/08/2023, Calculation Benchmark: MSCI Europe Net Return. Morningstar methodology removes top and bottom 5% of the Europe Large Cap Blend universe to define its quartile. Past performance is not a guide to future performance.

Morningstar Quartile is an independent agency that evaluates past net performances and divides the funds into four categories (in terms of rank : 1st quartile, 2nd quartile,...). The top 25% of funds are in the 1st quartile, the next 25% in the 2nd quartile and so on.



Hervé Mangin  
Co-Portfolio Manager

“While long-term consistency through market rotations requires an element of diversity amongst our convictions, this can provide an attractive range of opportunities for portfolio construction.”

## Why invest in AXA WF Framlington Sustainable Europe?

1

Diverse pool of attractive opportunities within the European large-cap universe with global revenue exposure, offering risk-adjusted access to long-term growth themes across market cycles

2

Experienced investment team with an in-depth understanding of European equity market dynamics; since its launch in 2008, the Fund has been exposed to a range of market situations.

3

Full integration of ESG factors in the investment process, with a specific focus on climate change - today's most underrated financial risk



‘All-weather strategy’ portfolio without **style bias** aims to **navigate** style rotations



Integrated ESG screening and optimisation targets  
**favourable ESG scores**  
compared to the MSCI Europe Index<sup>3</sup>.



Portfolio typically comprised of around **50** stocks

<sup>3</sup> Numeric targets are internal guidelines which are not guaranteed and subject to change without notice. Investors should read the Fund's Prospectus for the full objective of the Fund. Performance expectations are over a full market cycle.

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## Risk Factors — AXA WF Framlington Sustainable Europe

**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.

**Credit Risk:** Risk that issuers of debt securities held in the Sub-Fund may default on their obligations or have their credit rating downgraded, resulting in a decrease in the Net Asset Value.

**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 Sub-Fund and may result in significant risk of losses.

The ESG data used in the investment process are based on ESG methodologies which rely in part on third party data, and in some cases are internally developed. They are subjective and may change over time. Despite several initiatives, the lack of harmonized definitions can make ESG criteria heterogeneous. As such, the different investment strategies that use ESG criteria and ESG reporting are difficult to compare with each other. Strategies that incorporate ESG criteria and those that incorporate sustainable development criteria may use ESG data that appear similar, but which should be distinguished because their calculation method may be different.

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