

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

Robotech strategy Trump election should continue to stimulate US “reshoring” investments

- The return of President Trump was taken positively by markets
- Corporate earnings results for the Robotech strategy have been strong
- Strength in our small and mid-cap holdings and our Healthcare exposure

Tom Riley
Portfolio Manager, Robotech strategy

What's happening?

Global Equity markets rose in November, with the MSCI All Country World Total Return Index rising 3.7%¹ in USD terms. The US Election dominated the month, with the results being a clean sweep for the Republic Party. The return of President Trump was taken positively by markets with the prospects for lower tax rates, lower regulation and pro-growth policies being seen as supportive for economic activity and corporate earnings. The outlook for rate cuts under a Trump Administration is less clear at present where policies around tariffs may cause some inflationary pressures but seem likely to continue to stimulate CAPEX and Automation demand in the US as companies continue with “reshoring” investments.

The Q3 earnings season has now almost finished and corporate earnings results for the Robotech strategy have been strong, particularly when contrasted with the broader market. At the time of writing (03/12/2024), 51 of the 52 companies held in the strategy have reported earnings results so far and of those that have reported, 82%² of the holdings in the portfolio have beaten earnings expectations compared to 54% for the broader market as measured by the MSCI ACWI Index (source Bloomberg). The earnings beats have been fairly broad based across the strategy, notably within our Technology and Healthcare holdings. We have continued to see some mixed trends in the industrial space with signs that companies are delaying CAPEX decisions until after the election. Interestingly, since the outcome of the US election we have seen several confidence indications like the US Empire State Manufacturing Survey and NFIB Small Business Optimism Index improve. Additionally at the beginning of December, we saw the ISM Manufacturing PMI stronger than anticipated which indicates that industrial activity may be starting to improve.

¹ Source: Bloomberg in USD as of 30/11/2024

² Source: Bloomberg as of 03/12/2024

Portfolio positioning and performance

The Robotech strategy rose during the month, performing broadly in line with the MSCI All Country World Index. During the month, we saw strength in our small and mid-cap holdings and our Healthcare exposure. This was offset by strong returns for the Financials sector and Energy Sector where the Robotech strategy has no exposure.

During the month, we saw strong contributions from a number of our small and mid-cap holdings. In healthcare Globus Medical (Spine Surgery Robotics) reported strong results and good cost control following its acquisition of Nuvasive. Intuitive Surgical performed well as the roll out of its next generation surgical robot, DaVinci 5 appears to be progressing well. We also saw Dexcom (Continuous Glucose Monitoring) shares recover a little during the month after a challenging year for the company in 2024 following some execution issues.

We saw strength in the software space, with small/mid-caps Procore (Construction Software) and Trimble (Construction and Location based software solutions) perform well on the prospects for an improvement in construction related activity. Cadence Design Systems (Semiconductor Design Software) performed well as semiconductor companies and large technology companies continue to invest heavily in designing and customising chips.

On the negative side, our Japanese automation holdings lagged with weakness seen at Keyence, Omron, Yaskawa and Fanuc. Whilst company results have broadly been in line with expectations, the recovery in orders that was hoped to come in the second half of 2024 is perhaps now more likely to be seen in 2025.

Over the month, we sold our position in AspenTech (Process Automation Software) following a bid from Emerson. Emerson had a 57% stake in AspenTech and bid to acquire the remainder of the business – we have owned the company since February 2018 and it has been a solid investment for us. We exited our position in Simulation Software company Altair following a bid from German industrial company Siemens in the prior month. With these divestments, we were keen not to reduce our software exposure too much, so used some of the proceeds to add to positions in Bentley Systems (Infrastructure Software), PTC (Design Software) and Procore, a US Construction Software company which we added to the strategy in September. We also started a new position in Emerson, so will continue to have exposure to the AspenTech assets within the portfolio. Over the last few years Emerson has been transforming its business by divesting non-core business units and focusing more on automation. Another attractive aspect of Emerson was given its US exposure, Emerson likely has less tariff risk than its European and Asian competitors and may see market share gains here.

We reduced some of our exposure to Artificial Intelligence related semiconductors and semiconductor production equipment companies including Nvidia, TSMC, Broadcom, ASML and Applied Materials. We initiated a small position in Monolithic Power, an analog and mixed signal semiconductor company that has a strongly growing datacenter business, where recent share price volatility provided an attractive entry point. We continue to have sizeable exposure to the AI theme and whilst we continue to see strong CAPEX trends here, this segment has performed very well over the last 2 years and we see signs of the market broadening and some other areas looking interesting if the industrial economy starts to pick up.

Within the sectors that, in our view, could benefit from improving industrial CAPEX, we added to Japanese companies Keyence (Machine Vision and Sensors) and Yaskawa (Robotics and Motion Control Technologies). Data from the Japanese Machine Tool Builders Association has shown an improvement in order trends over recent months which we believe bodes well for a cyclical recovery.

Elsewhere, we initiated positions in John Bean Technologies (JBT), a US food processing equipment company. JBT is in the process of acquiring Icelandic competitor Marel, which is also owned in the strategy. The combined entity will have greater scale and the opportunity to take cost out of the business. Food processing is often labour intensive and the opportunity for greater levels of automation to improve quality and efficiency is growing, particularly when worker availability is scarce.

Outlook

With clarity around the US election, support for US manufacturing and reshoring is likely to continue and we therefore see a better industrial economy ahead in the US. The US manufacturing environment has been weak for almost 2 years now, and we anticipate that over the coming quarters we should see some of the impacts of the various Infrastructure ACTs start to be more notable in improving activity levels. Whilst these acts were signed in to law a while ago, (Infrastructure Investment and Jobs Act in November 2021, Chips and Science Act in August 2022, Inflation Reduction Act in August 2022), relatively little of the allocated budget has been distributed and this support isn't anticipated to peak until 2026.

We have also noted other indications of industrial activity such as Japanese machine tool orders continue to recover in 2024 and they have now turned positive, indicating the machinery cycle is improving in Japan. Chinese activity levels continue to be more muted, and whilst the Chinese market remains significant, we believe that its importance has reduced versus prior cycles due to the reshoring/nearshoring activities that are being seen around the world. The prospect for Tariffs under the Trump Administration is likely to create business uncertainty and we believe will cause business to continue to invest more in the US. This has been a steady theme since the first tariffs in 2018 and was also driven by the need to rethink supply chains during the COVID pandemic and ensuing supply chain issues. Data suggests that around 24%³ of US imports came from China in 2018 and this has fallen to around 14%³ in 2024 - whilst the impact of tariffs may be challenging for some sectors, there has already been a significant decoupling of China and the US in terms of economic activity so the economic impacts could be lessened this time.

Stock/company examples are for explanatory/illustrative purposes only. They should not be viewed as investment advice or a recommendation from AXA IM. These examples do not represent all of the securities purchased, sold or recommended for the client's accounts. No representation is made that these were or will be profitable.

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

³ Source : U.S Census bureau

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.

Please note that the management company reserves the right, at any time, to no longer market the product(s) mentioned in this communication in a European Union country by notification to its authority of supervision in accordance with European passport rules. In the event of dissatisfaction with the products or services, you have the right to make a complaint either with the marketer or directly with the management company (more information on our complaints policy available in English [here](#)). You also have the right to take legal or extra-judicial action at any time if you reside in one of the countries of the European Union. The European online dispute resolution platform allows you to enter a complaint form (by clicking [here](#)) and informs you, depending on your jurisdiction, about your means of redress (by clicking [here](#)).

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: 22 Bishopsgate, London, EC2N 4BQ. 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.

This document has been issued by AXA Investment Managers Asia (Singapore) Ltd (ARBN 115203622) ("AXA IM Asia"). AXA IM Asia is exempt from the requirement to hold an Australian Financial Services License and is regulated by the Monetary Authority of Singapore under Singaporean laws, which differ from Australian laws. AXA IM Asia offers financial services in Australia only to residents who are "wholesale clients" within the meaning of Corporations Act 2001 (Cth).

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 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.

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.

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.

For Brunei investors: This document has not been delivered to, licensed or permitted by Autoriti Monetari Brunei Darussalam. Nor has it been registered with the Registrar of Companies. This document is for informational purposes only and does not constitute an invitation or offer to the public. As such, it must not be distributed or redistributed to and may not be relied upon or used by any person in Brunei other than the person to whom it is directly communicated and who belongs to a class of persons as defined under Section 20 of the Brunei Securities Market Order, 2013.

For Filipino investors: The shares or units referred to in this document (if any) have not been registered with the Securities and Exchange Commission under the Securities Regulation Code. Any future offer or sale thereof is subject to registration requirements under the Code unless such offer or sale qualifies as an exempt transaction.

For Vietnam investors: This document does not contemplate an offer to sell the interests in any funds in Vietnam. The document has not been approved by the State Securities Commission of Vietnam or any other competent authorities in Vietnam which takes no responsibility for its contents. No offer to purchase the interests in any funds will be made in Vietnam and this document is intended to be read by the addressee only and must not be passed to, issued to, or shown to the public generally. The value of the interests in any funds, the possibility of gaining profit and the level of risk stipulated in this document is purely for reference purposes only and may change at any time depending on market status. Investment in fund(s) does not carry any assurance that investors will make a profit. Investors should themselves carefully balance the risks and the level of those risks before they make any decision to invest in any funds. It is investors' responsibilities to ensure that they are eligible to make investment in any funds. Investors are responsible for obtaining all applicable approvals and complying with requirements under Vietnamese laws.

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.