

AXA World Funds Metaverse



Revolutionary, cutting edge advances in technology have changed how we live, socialise, work and do business. The Metaverse is the confluence of the virtual and physical worlds – while this may sound complex, it is in essence where more technology is being layered on to our everyday life. It can be associated with the multi-decade evolution of the internet from its beginnings as a source of information to an all-encompassing connector of people, places and things. We are at the early stages of a long-term trend which is growing rapidly, addressing a broad range of global companies and opportunities.

THE INVESTMENT OPPORTUNITY



- › By 2030 the Metaverse could generate \$4-5 trillion from consumer and enterprise use cases ¹
- › Three main drivers accelerating the Metaverse:
 - innovative technological breakthroughs allowing change to happen
 - growing acceptance of virtual identities or blending virtual and physical experiences
 - significant scale allowing strong network effects and compelling economics
- › The Metaverse is an expanding and tangible investment opportunity, driven by real companies with the potential to deliver double-digit growth year-on-year over the next decade. With a global customer base, we expect to see more companies emerging from new sectors (healthcare, financials) as capabilities increase



WHY THIS FUND?

- › Investment team with several decades of experience in the disruptive technology sector, focusing on different themes and innovations
- › Actively managed, unconstrained multi-cap equity portfolio with a bias towards small and mid-cap companies as a rich source of added-value and differentiation
- › A unique strategy with four key sub-themes: Gaming, Enabling, Socialising and Working, encompassing the intricacies and scale of the Metaverse
- › High level of theme purity (assessed on the basis of companies' revenue and capital expenditure commitments) with at least 80% of the portfolio invested in high and medium exposure of companies to the Metaverse

¹ Source: McKinsey & Company, "Value creation in the metaverse", June 2022. Use cases include: E-commerce, Gaming, Live entertainment, Education, Digital media, Health and fitness, VR/AR hardware, Advertising, Banking, Telecommunication, Discrete manufacturing, Healthcare provider, Retail, Investment, Insurance, Transportation, Resource industries, Utilities, Professional services, Process manufacturing, Consumer services, Etc

How we invest

1 The investment approach leverages AXA IM Equity’s qualitative research capabilities to capture rising and emerging Metaverse growth opportunities in a rapidly evolving economy. Stock selection is crucial, even within an area of high structural growth; our current Metaverse stock universe is around 250 stocks, and we select the best 40-60 names we deem most relevant as a result of our fundamental research. The Fund references MSCI AC World Total Return Net (the “Benchmark”) for comparative purposes only.

2 Our Metaverse fund considers four sub-themes to ensure diversification:



Gaming

the first building block of the metaverse, representing an immersive experience with millions of participants

Socialising

normalising virtual and augmented experiences from an early age

Working

Powerful 3D industrial simulation, design and digital twins before real world deployment

Enabling

such as semiconductors, infrastructure and cybersecurity/ online payments

Source: AXA IM for illustrative purpose only.

3 The Metaverse fund's strategy aims for a high level of purity when selecting companies; we have classified companies according to three levels of exposure/purity to the Metaverse theme and concentrate our exposure to high and medium quality companies:

HIGH

(c.40% of the strategy)



Companies whose majority of revenues are and/or will be linked to the Metaverse (generally small and mid caps)

MEDIUM

(c.40% of the strategy)



Companies with clear CAPEX commitments and/or existing products/services directly linked to the Metaverse

LOW

(c.20% of the strategy)



Companies with strategic ambition and growth prospects linked to the metaverse

We classify companies that have revenues of more than 50% linked to the Metaverse as high purity (i.e. deriving most of their revenue from direct exposure to the theme). Medium purity is classed between 10-50%, and low less than 10%. Low companies are expected to grow their exposure and may move into a higher category as revenues from Metaverse-linked activities grow, enabling us to seek out new opportunities in the low category to nurture and grow.



Pauline Llandric
Portfolio Manager

“The Metaverse is not science fiction or a futuristic concept, it’s a real, tangible investment opportunity for the here and now. The already sizeable - and expanding - opportunity set comprises a wide range of companies leading the next wave of technological innovation in an area with the potential to shape our daily lives”

Who is it for?

- › Long-term investors with the risk tolerance for exposure to a rapidly expanding theme with growth potential and diversification, as more technological capabilities are increasingly integrated with our everyday lives.
- › The Metaverse Fund has been designed to be complementary to our existing Robotech and Digital Economy strategies, and it is exposed to significantly different parts of the economy.

Key risks – AXA WF Metaverse

Counterparty Risk: Risk of bankruptcy, insolvency, or payment or delivery failure of any of the Fund's counterparties, leading to a payment or delivery default.

Emerging Market Risks: Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. As a result, investments in such countries may cause greater fluctuations in the Fund's value than investments in more developed countries.

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 Fund and may result in significant risk of losses.

Please note that the list of risks is not exhaustive. Please consult the Fund's Prospectus for detailed information on risks related to investing into the Fund.

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