

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

Biodiversity Strategy

Biodiversity still threatened by regulatory confusion on PFAS

- Global equity ended the month flat despite November volatility & potential Fed rate cut
- Defensive sectors performed well, notably Health Care after prolonged underperformance
- The strategy is well-positioned to generate returns with biodiversity preservation in mind

Anna Väänänen, Ashley Keet, Tom Atkinson and John Kisenyi
Portfolio Managers, Listed Equity Impact

What's happening?

Global equity markets finished flat in November in US dollar terms despite significant volatility due to a major sell-off in technology stocks driven by concerns over stretched artificial intelligence (AI) valuations. Economic uncertainty, a prolonged US government shutdown, inflation worries, and trade tensions further unsettled investors. While the US market navigated this turbulence with an expectation of a December interest rate cut, and UK equities ended marginally lower amid a tough domestic budget, the European market demonstrated resilience with modest gains. In contrast, Chinese stocks tumbled as the economy slowed and trade tensions with the US reignited before a late-month deal was reached. From a sector perspective, defensive areas such as healthcare and consumer staples performed well along with materials and energy. Conversely, information technology fell the most, followed by consumer discretionary and industrials. Growth meaningfully underperformed value during the month.

Through the month, PFAS¹, commonly known as “forever chemicals”, gathered column inches as different countries and governments grappled with the conflicting interests of corporates, public health and the environment. On 5th of November, the US Environmental Protection Agency (EPA) registered the active ingredient cyclobutirfluram for use as a nematicide (a chemical pesticide used to kill nematodes, like parasitic worms) and/or fungicide on food crops. To several non-profits and environmental organisations, this was highly controversial. They allege that cyclobutirfluram breaks down into around 40 smaller forever chemicals that have proven negative human health impacts. Naturally, this allegation is disputed by the EPA, arguing that cyclobutirfluram is in fact not a forever chemical. However, the EPA's definition of a forever chemical differs from that of non-profits'. While various stakeholders still cannot agree on a definition for this family of indisputably harmful chemicals, this highlights the difficulty in progressing harmonised regulation, which balances the imperatives of food security, public health and farmers' livelihoods.

Portfolio positioning and performance

The Biodiversity strategy underperformed the global equity markets in November.

Resilient Infrastructure had a tough month with positions in Bentley Systems and Aecom notably dragging on returns. Despite the solid infrastructure spending outlook, Bentley was caught in an unforgiving software sell-off. Aecom, a design

¹ PFAS: Perfluoroalkyl and polyfluoroalkyl substances.

Source: All data sourced from Bloomberg, local currencies, as at 30/11/2025.

and engineering consultant, underperformed following its investor day where the company addressed the impact of AI on its business. Aecom was keen to stress AI's tailwind for margins but investors were more concerned about its potential to erode revenue growth and sold the shares as a result. Conversely, our position in Advanced Drainage Systems provided some offset. ADS has managed weak end markets excellently and effectively protected margins. The stock performed well on days when the market focused on the prospect of interest rate cuts.

In Responsible Production & Consumption, Clean Harbors led contribution to returns. In the second half of the month, European peer Veolia announced that it was buying hazardous waste brokerage business Clean Earth from Enviri for approximately 16x EV/EBITDA. This compares to Clean Harbors' ~12x multiple, which is significantly lower. Combined with the long-awaited prospect of a cyclical recovery, this M&A read-across propelled shares to perform strongly over the month. At the other end, vertical software company PTC contributed negatively to returns as Q1 FY2026 revenue guidance disappointed investors when announced at the beginning of the month, despite finishing FY2025 strongly.

Sustainable Food & Agriculture saw less dispersion in returns compared to the other two sub themes but still similar trends with technology companies largely underperforming. This was led by Oracle with investors worrying about the company's planned AI infrastructure deal with OpenAI. Specifically, concerns centred on the size of the deal and the large amount of debt needed to finance it. Software company SAP and semiconductor company NXP Semiconductors were also weak in November. On the other hand, Novonesis made a modest positive contribution to returns posting solid results at the start of the month. The company generated high single digit organic revenue growth, exceeding consensus estimates, and subsequently raised guidance for the remainder of 2025.

During November we made no meaningful trades in the portfolio.

Outlook

We think the portfolio is well-positioned to benefit from the structural tailwinds supporting investment in biodiversity. We think agriculture and food, closely followed by water, are the two biggest issues facing the natural world, and we think the strategy's holdings in these sectors provide highly valued solutions to these challenges. While good progress has been made in recent years regarding regulation, in particular the Global Biodiversity Framework and the EU Nature Restoration Law, we find the more recent lack of consistency on environmental regulation frustrating. However, we do not think this is stifling innovation or progress in the private sector where companies are making sustainability-oriented investments independent of regulation. In fact, we are encouraged to see technology beginning to disrupt old-fashioned industries, like construction and agriculture, which have some of the largest negative biodiversity footprints. Moreover, companies are increasingly realising their dependencies on scarce natural resources, such as water, and making considerable investments to manage this risk.

Our outlook on financial markets remains unchanged. We believe markets have largely adjusted for a "higher for longer" interest rate environment where there will be greater scarcity of finance and growth. This should favour higher quality companies – those with strong cash flow generation and organic growth opportunities – who should be relatively unaffected. We believe the portfolio has good balance and can weather a potentially weaker economy or can outperform a more buoyant market with stronger growth.

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

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.

Source: All data sourced from Bloomberg, local currencies, as at 30/11/2025.

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.