Short Report

AXA Framlington UK Mid Cap Fund

For the year ended 30 September 2013

Investment objective and policy

Capital growth through investment principally in medium sized UK quoted companies that are incorporated in, have their head office in and/or are domiciled in the UK and/or have a significant part of their operations in the UK. The Fund may also invest in other companies that are quoted in the UK, in cash and near cash and in units in collective investment schemes.

Results

Unit Class	Unit Type	Price at 30.09.12 (p)	Price at 30.09.13 (p)	Unit Class Performance	Comparative Benchmark
R	Acc*	113.3	151.9	34.07%	32.96%^
Z#	Acc*	114.6	154.8	35.08%	32.96%^
R	Inc**	112.8	150.2	33.16%	29.36%^^
Z#	Inc**	112.9	150.5	33.30%	29.36%^^

* Acc units include net revenue reinvested, total return. ** Inc units do not include net revenue reinvested, capital return dividends excluded. ^ FTSE 250 (Ex Inv Co) (Total Return) Index, ^^ FTSE 250 (Ex Inv Co) (Capital Return) Index. # I unit class renamed as Z unit class on 16 April 2012. Source of all performance data: AXA Investment Managers and Lipper, bid to bid, to 30 September 2013.

Review

The Fund performed well in both absolute and relative terms over the year to 30 September 2013, rising by +34.07% (net of revenue reinvested) versus a rise in the comparative FTSE 250 (Ex Inv Co) Index benchmark of +32.96%. Over the past six months, the Fund rose by +9.44% compared to the comparative benchmark which rose +10.04%. Since inception on 4 March 2011, the Fund has risen +51.90%, versus a comparative benchmark increase of +40.76%.

Once again, this reporting period has been punctuated by macroeconomic and geopolitical news flow that has influenced short term stock market movements significantly. The last annual reporting period saw material stock market gains following the announcement by Mario Draghi that the European Central Bank would buy, if requested, unlimited amounts of European country sovereign debt. This reporting period, however, gave us an insight of possible market impact if and when monetary stimulus is reduced.

In June, both stock and bond markets fell in response to announcements from the US Federal Reserve that it was considering reducing the ongoing levels of quantitative easing (so called 'tapering'). Meanwhile, forward guidance (on prospective interest rate rises) from central banks has become more influential on market movements over recent history and has contributed to volatility in risk appetite. This has resulted in a reporting period where 'style rotation' has been a feature. At times, the stock market has rewarded high risk situations, typically where company debt is large and earnings are cyclical. We remain of the view that changes in share prices bought about by short-term movements in the equity risk premium, should not dominate investment rationale. We remain focused on long-term business fundamentals and continue to embrace the opportunities afforded to experienced, trustworthy management teams by a strong balance sheet. Economies generally appear to be improving, but it is vital to keep the balance of economic power in the hands of equity holders in what remain uncertain times.

AXA Framlington is a leading equity expertise within the AXA Investment Managers Group, with teams in London and Paris.

We are primarily a bottom-up, active equity manager. This fundamental approach to stock selection, combined with the experience of our team of fund managers, focuses on delivering long-term investment performance for our clients.

We offer competitive products backed up with excellent service. Our structure and size creates a dynamic environment for our fund managers. This encourages a high level of personal responsibility in which both individual flair and teamwork flourish.

AXA Framlington funds under management exceed £51.9 billion (as at 30 September 2013).

redefining / investment solutions

Although economic conditions in most geographies are on an improving trend, the challenge posed by the debt explosion on many country balance sheets remains pertinent. This includes the US, which has once again brought the world close to further financial turmoil as a consequence of its own budgetary paralysis. Geopolitical influences will continue to affect stock markets and fund managers must accept this. Rather than ‘chase’ short-term market movements, we will continue to use stock market volatility to selectively increase (buying as stock prices fall) or reduce (selling as prices strengthen) core holdings, with the aim of maximising capital returns.

Outperformance over the 12-months to 30 September 2013 has been primarily the result of stock picking, with our underweight position in mining also benefitting. We continue to maintain our underweight position here, given the unpredictable nature of both trading fundamentals and commodity prices. Total shareholder return has not been an area of focus within mid-cap mining stocks, and we deem country risk, legal risk, corporate governance and financing risk, too unpalatable for the time being.

Total Shareholder Return has become a more prominent consideration among many company management teams, and this remains a focus for us when considering investment decisions. Within the mid-cap space, corporate balance sheets are strong by historic standards, and this is affording company managers the opportunity to significantly influence future shareholder returns. Corporate balance sheet finance is available for growth capital and dividend growth but, in addition, we are witnessing an increase in capital returns via, in particular, special dividends. In a number of cases, companies are becoming specific about the mechanism and likely incidence of future cash returns. Elementis, the chemical company, for example, has suggested that it will invest surplus capital on an annual basis by making accretive ‘bolt on’ acquisitions and, if it is unable to find such a target, will return capital allocated for this purpose to shareholders. Although we welcome the return of surplus capital to shareholders, we are sensitive to the impact that returning capital, at the expense of long-term, revenue generating investment, will have on future equity returns.

Rightmove, a long-term holding in the Fund, has displayed this attitude regarding surplus capital since flotation. As the leader in the online residential property advertising market, Rightmove is a prodigious cash generator, continues to grow profits strongly, has pricing power and employs relatively little capital. Companies that show these qualities, together with shareholder focus are rare. Since flotation in 2006 at a valuation of £425m, Rightmove has paid £95m of cumulative dividends, bought back £235m worth of stock, spent circa £1-2m per annum on capital expenditure and is valued at circa £2.4bn at the time of writing.

The theme of US reindustrialisation has again been a feature, with Ashtead, the plant hire company, contributing notably to Fund performance. Over the reporting period, Ashtead has seen its earnings expectations upgraded on several occasions as both utilisation and pricing has advanced. Despite recent profiting taking, possibly to fund the accelerating supply of equity issuance, from both primary equity listings and secondary placings, we remain supportive of the investment. Ashtead is well capitalised, has a comparatively young fleet and continues to differentiate through service. It has a 6% market share in a market that is structurally growing, as construction companies continue to reduce the amount of capital tied up in industrial plant. In addition, Ashtead will benefit as non-residential construction recovers. US non-residential construction is closer to the beginning of an upturn than the start of a downturn and while we accept that this company is ultimately beholden to a cycle, we remain attracted to the investment case.

In prior reports, we have stated the case for further investment in companies exposed to the UK economy. Although UK economic growth was upgraded recently, we continue to believe that it is insufficient to base an investment case on an improving economic outlook alone. Therefore, we are focusing on companies exposed to the UK economy, specifically where the well documented economic stress caused by the credit crisis has resulted in a situation of competitive advantage. For example, Booker, a long-term holding has benefitted from the financial leverage of its main competitors. Similarly, Dixons Group has benefitted from, amongst other things, the demise of Comet. Sports Direct, the Fund’s largest holding at the time of writing, has benefitted from the administration of JJB Sports.

Over the reporting period, the Fund has also benefitted from government stimulation of the housing market. Holdings in house builders such as Galliford Try and Bellway have provided positive returns as improving sales rates, price inflation and cheap land, has fed through to accelerating profitability. This area remains attractive, principally because house builders can still buy land at levels equal to, or above, their targeted returns. Listed homebuilders continue to benefit from the lack of buyers for land, due to the scarcity of available credit for speculative development. In addition, the Fund is well represented in stocks that should benefit from an increase in housing transactions, for example Travis Perkins and Howden Joinery.

Outlook

The economic picture in most geographic regions appears to be stabilising, or improving, but this has yet to be widely reflected in corporate earnings. The mid-cap market has risen considerably since the bottom of the market in 2009, despite a prolonged period of net earnings downgrades to company forecasts, and this has increased the importance of robust, reliable earnings growth at the individual company level. The time is drawing near when the improvement in economic conditions should start to be reflected in corporate earnings. Company balance sheets are strong and will continue to give management teams the flexibility to increase dividends, make special cash returns, become involved in corporate activity or increase capital expenditure. To date, balance sheet strength in medium and larger companies has been deployed tentatively because confidence has been fragile. For many management teams, the impact of the recent economic turmoil remains fresh in the memory. However, as management confidence grows and ‘animal spirits’ are awoken, this should change and corporate spending will increase, which we believe will benefit UK mid-cap stocks. With forecasts prudently set, we believe that certain companies will be able to grow their earnings impressively and those that do should be rewarded with an appreciating share price.

Chris St John

25 October 2013

All performance data source: AXA Investment Managers and Lipper to 30 September 2013.

Risk and reward profile

The Fund invests principally in UK equities. The Fund may invest in smaller companies which offers the possibility of higher returns but may also involve a higher degree of risk. The value of investments and the revenue from them is not guaranteed and can go down as well as up.

Lower risk ←→ **Higher risk**

Potentially lower reward — Potentially higher reward

1	2	3	4	5	6	7

The risk category is calculated using historical performance data and may not be a reliable indicator of the Fund's future risk profile. The risk category shown is not guaranteed and may shift over time. The lowest category does not mean risk free.

Why is this Fund in this category?
The capital of the Fund is not guaranteed. The Fund is invested in financial markets and uses techniques and instruments which may be subject to sudden and significant variation, which may result in substantial gains or losses.

Additional risks
Liquidity risk: The liquidity of the Fund is a function of the liquidity of the underlying investments. The Fund's assets mainly consist of readily realisable securities. This should enable the payment of the Fund's liabilities and any investor's redemption of units.

FUND FACTS

Lead Fund manager	Chris St John
Sector	UK All Companies
Comparative Benchmark	FTSE 250 Ex Inv Co TR
Launch date	4 Mar 2011
Fund size at 30 Sept 2013	£39m
Fund size at 30 Sept 2012	£12m
Lump sum	R: £1,000 Z: £100,000
Minimum subsequent investment	R: £100 / Z: £5,000
Net Yield	
R Inc	0.45%
R Acc	0.48%
Z Inc*	1.17%
Z Acc*	1.17%
Unit type	Inc/Acc
Number of stocks	72
Initial charge	R: 5.25% / Z: 0.00%
Annual Management Charge	R: 1.50% / Z: 0.75%
Ongoing charges	
R Inc/Acc	1.66% / 1.66%
Z Inc/Acc*	0.90% / 0.91%
Accounting dates (interim)	31 Mar
Accounting dates (annual)	30 Sep
Distribution dates (interim)	31 May
Distribution dates (annual)	30 Nov

*All data, source: AXA Investment Managers as at 30 September 2013. *Unit class renamed from I to Z on 16 April 2012.*

Top five purchases

For the year ended 30 September 2013
Barratt Developments
Sports Direct
Booker
Tyman
SIG

Top five sales

For the year ended 30 September 2013
SDL
Kenmare Resources
John Wood
Anite
Oxford Instruments

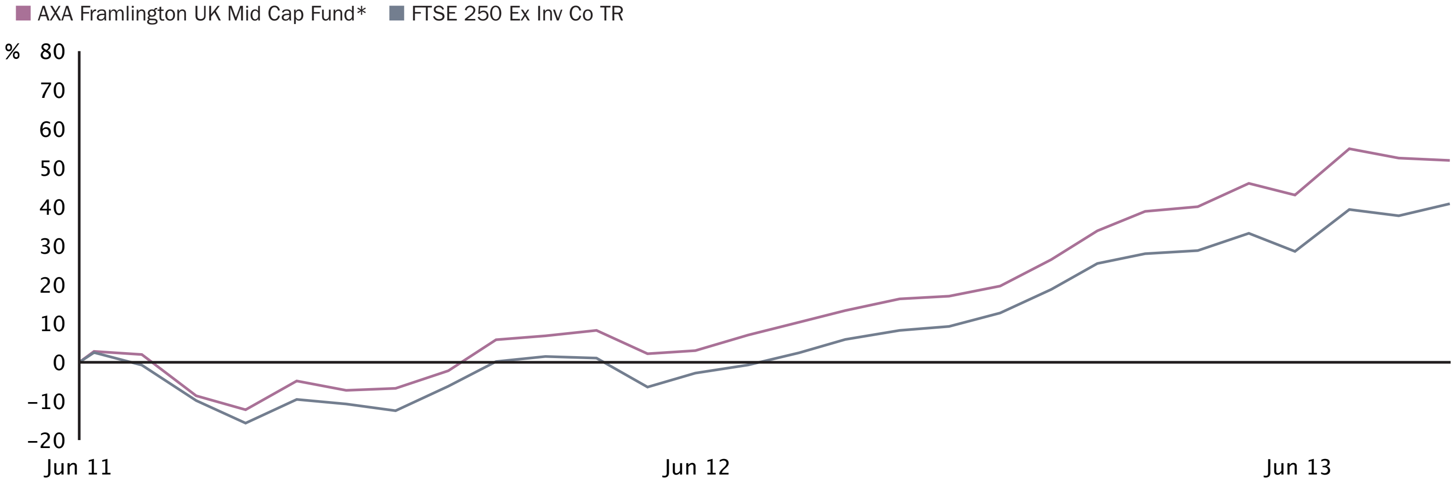
Five year discrete annual performance %

Sep-08 Sep-09	Sep-09 Sep-10	Sep-10 Sep-11	Sep-11 Sep-12	Sep-12 Sep-13
n/a	n/a	n/a	+29.04%	+34.07%

Past performance is not a guide to future returns. Sources: AXA Investment Managers and Lipper as at 30 September 2013. Basis: Bid to bid, with net income reinvested, net of fees in GBP. Fund performance is for the R Acc unit class, inception 22 June 2011.

Cumulative fund performance versus comparative benchmark

as at 30 September 2013



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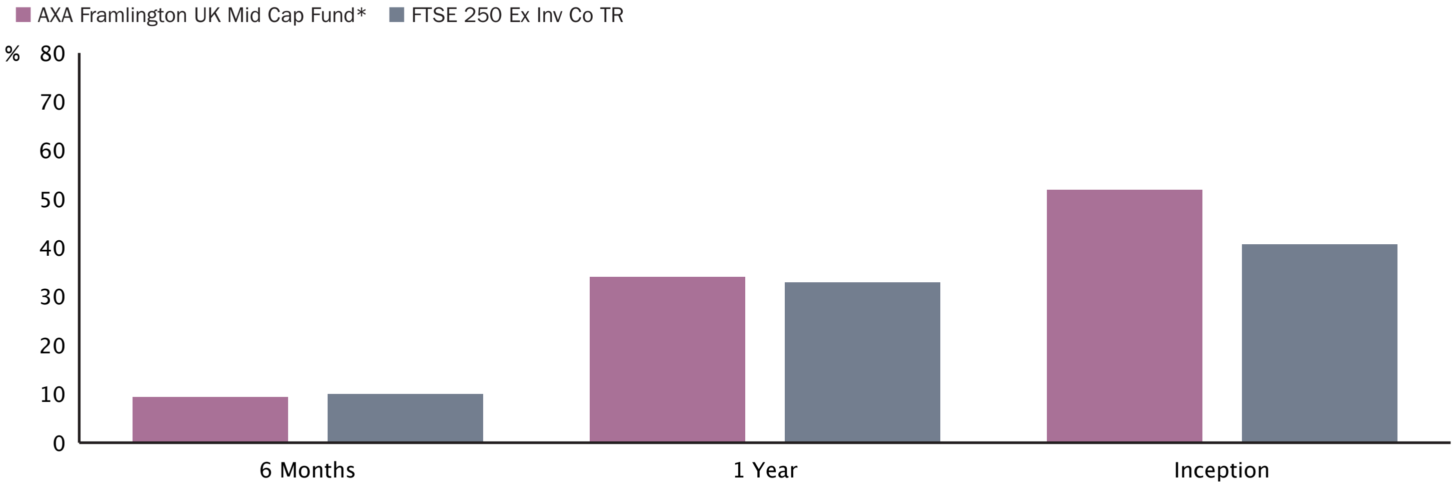
as at 30 September 2013



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Summary of historic prices and distributions

Year	Unit class	Unit type	Highest offer price (pence)	Lowest bid price (pence)	Total net distribution per unit (pence)
2011	R	Inc	113.4	83.95	0.344
2011	R	Acc	113.4	84.40	0.403
2011#	Z	Inc	107.9	83.42	1.196
2011#	Z	Acc	107.9	84.75	1.156
2012	R	Inc	126.1	93.24	0.745
2012	R	Acc	127.5	93.74	0.661
2012#	Z	Inc	123.3	92.86	1.467
2012#	Z	Acc	122.8	94.30	1.397
2013*+	R	Inc	167.0	120.6	0.702
2013*+	R	Acc	168.9	122.0	0.752
2013*+#	Z	Inc	157.2	120.2	1.774
2013*+#	Z	Acc	163.4	123.6	1.824

*Highest offer and lowest bid price quoted at any time in the calendar year and * to 30 September 2013. + Distribution to 30 November 2013. # Renamed from I to Z on 16 April 2012.*

Net asset value record

Unit class	Unit type	Net asset value per unit as at 30 Sept 2013 (pence)	Net asset value per unit as at 30 Sept 2012 (pence)
R	Inc	149.8	112.3
R	Acc	152.1	113.5
Z #	Inc	149.0	111.6
Z #	Acc	155.0	114.8

 # Renamed from I to Z on 16 April 2012. Please note, that the NAV prices shown above are different from the Results prices as at 30 September 2013. The differences are due to the fund performance tables taking the quoted valuation prices on the last day of the period, whereas the NAV table above is showing prices including any accounting adjustments at the end of the period (for example, notional dealing charges are removed).

ADDITIONAL INFORMATION

Report and accounts
The purpose of sending this Short Report for the Fund is to give you a summary of how the Fund has performed during the accounting period in accordance with the Collective Investment Schemes Sourcebook (COLL) Rules. If you would like any additional information about the Fund you can request a copy of the more detailed long form accounts for the Fund. For a copy of this, please contact our dedicated customer services team on 0845 777 5511.

European Savings Directive
The AXA Framlington UK Mid Cap Fund has been reviewed against the requirements of the directive 2003/48/EC on taxation of savings in the form of interest payments (ESD), in line with the HM Revenue & Customs debt investment reporting guidance notes. Under the Directive, information is collected about the payment of savings income to residents in certain other countries and is reported to HM Revenue & Customs to be exchanged with tax authorities in those countries. The AXA Framlington UK Mid Cap Fund does not meet the HM Revenue & Customs debt investment reporting thresholds. This means that no details of income distributions will be reported to HM Revenue & Customs.

Important change
Fund performance is shown based on the R unit class, being the retail unit class and having higher charges than the Z unit class. The change from using Z performance is to allow comparison across our Funds, which usually base performance on R units.

Top ten holdings as at 30 September 2013

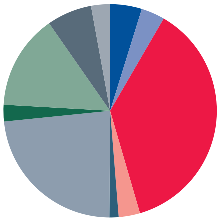
Company	Sector	%
Sports Direct	Consumer Services	2.50
ITV	Consumer Services	2.39
Essentra	Industrials	2.32
St James's Place	Financials	2.31
Senior	Industrials	2.22
Ashtead	Industrials	2.02
Booker	Consumer Services	1.98
Rightmove	Consumer Services	1.95
Howden Joinery	Industrials	1.91
Galliford Try	Industrials	1.86

Top ten holdings as at 30 September 2012

Company	Sector	%
Filtrona	Industrials	3.09
Ashtead	Industrials	2.88
Rightmove	Consumer Services	2.68
RPC	Industrials	2.47
Senior	Industrials	2.24
Babcock	Industrials	2.11
Travis Perkins	Industrials	2.01
Hunting	Oil & Gas	1.91
Galliford Try	Industrials	1.90
Croda International	Basic Materials	1.90

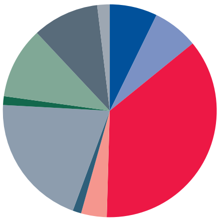
Portfolio breakdown

as at 30 September 2013



Sector	%
OIL & GAS	4.80
BASIC MATERIALS	3.58
INDUSTRIALS	37.10
CONSUMER GOODS	3.24
HEALTH CARE	1.39
CONSUMER SERVICES	23.28
TELECOMMUNICATIONS	2.52
FINANCIALS	14.40
TECHNOLOGY	6.81
NET CURRENT ASSETS (INC CASH)	2.88

as at 30 September 2012



Sector	%
OIL & GAS	7.20
BASIC MATERIALS	6.91
INDUSTRIALS	36.34
CONSUMER GOODS	3.88
HEALTH CARE	1.29
CONSUMER SERVICES	20.25
TELECOMMUNICATIONS	1.33
FINANCIALS	10.86
TECHNOLOGY	10.05
NET CURRENT ASSETS (INC CASH)	1.89

All data, source: AXA Investment Managers

Important information

Authorised Fund Manager and Investment Manager
AXA Investment Managers UK Ltd
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Authorised and regulated by the Financial Conduct Authority. Member of the IMA.

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Authorised and regulated by the Financial Conduct Authority.

For more information on any AXA Framlington unit trust please contact us via our website or telephone number below.
Copies of the latest Manager's Report (long form) and Prospectus are available free of charge from the administration office: PO Box 10908, Chelmsford, CM99 2UT.

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All data sources: AXA Investment Managers unless otherwise stated.

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