

**AXA Investment Managers (AXA IM) is a dedicated investment manager within the AXA Group, a world leader in financial protection and wealth management. Our aim is to develop close relationships with our customers and to provide them with outstanding investment solutions backed up with exceptional customer service.**

As a 'multi-expert' investment manager, we aim to offer investment expertise across a broad range of asset classes that few of our competitors can match, but we focus on specific areas within each asset class where we can add real value for our clients.

Our total funds under management now exceed £454 billion. (Source: AXA IM as at 31 December 2013).

## AXA Pan European High Yield Bond Fund

### For the year ended 31 December 2013

#### Investment objective and policy

To generate a high level of income, payable monthly into a UK bank or building society account, by investing primarily in the AXA World Funds European High Yield Bonds (the Master Fund). The Master Fund may also invest in cash and near cash and may use derivatives only for the purposes of hedging. The objective of the Master Fund is to achieve a high income by investing in fixed and floating rate securities. The Investment Manager will seek to achieve the objective of the Master Fund by investing mainly in a broadly diversified portfolio of fixed income transferable debt securities issued by public or private companies including bonds denominated in a European currency and rated sub-investment grade (i.e. rated lower than BBB- by Standard & Poor's or lower than Baa3 by Moody's). The Master Fund will invest not more than 10% of its net assets in units of UCITS and/or other UCIs. For efficient portfolio management purposes, the Master Fund may also expose itself to such assets through the use of derivative instruments within the limits set forth in the section "Investment Restrictions" of the Master Fund's prospectus. The Reference Currency of the Master Fund is EUR.

#### Results

Unit Class	Unit Type	Price at 31.12.12 (p)	Price at 31.12.13 (p)	Fund Performance	Comparative Benchmark <sup>^</sup>
R	Acc (net)	81.00	87.28	7.75%	10.40%
R	Inc (net)	31.94	32.76	7.73%	10.40%
R	Acc (gross)	117.6	128.4	9.18%	10.40%
R	Inc (gross)	105.5	108.3	9.08%	10.40%
Z	Acc (net)	113.9	123.2	8.17%	10.40%
Z	Inc (net)	109.8	113.0	8.16%	10.40%
Z	Acc (gross)	115.2	126.3	9.64%	10.40%
Z	Inc (gross)	109.8	113.3	9.68%	10.40%

Past performance is not a guide to future returns. Source of all performance data: AXA Investment Managers, Lipper and Datastream. <sup>^</sup> Bank of America Merrill Lynch (BoA ML) European High Yield BB-B Total Return (TR) Index, GBP hedged.

#### Review

European high yield credit delivered healthy positive performance during the 12 months in review. An improving global economy and receding systemic risk in Europe provided a supportive backdrop, boosting sentiment and encouraging investors to take on risk in search of higher returns. At the same time, there was strong technical support for high yield, as demand continued to outstrip supply. Investors with cash to invest and hungry for yield quickly absorbed new bond issuance as it came to market, keeping upward pressure on prices. By the end of the year in review, European high yield credit had delivered positive returns in 10 of the 12 months.

The year started positively, with the US government managing to avoid the 'fiscal cliff', prompting riskier assets to rally, as a major source of uncertainty was put to rest. However, the emergence of political instability in Italy and a banking crisis in Cyprus saw investor sentiment weaken and market volatility rise. However, while this was a timely reminder of the problems that remain in Europe, it was also

# AXA Pan European High Yield Bond Fund

## For the year ended 31 December 2013

---

encouraging to see the high yield market recover quickly from these setbacks, with both liquidity and demand returning in volume to reinstate positive market returns.

May and June again saw heightened volatility on the European high yield market and, indeed, global bond markets in general. After a positive start to May, bond markets were severely impacted as investors reacted negatively to comments from the Federal Reserve (the Fed) suggesting that it may begin 'tapering' US quantitative easing earlier than expected. As investors struggled to envisage a world without massive central bank stimulus support, so too did government bonds sell off sharply, causing yields to spike. High yield bonds, being typically less sensitive to interest-rate movements, fared better than their investment grade counterparts amid the rising yields, however, still experienced selling pressure as investors looked to 'de-risk' portfolios.

The Fed's decision to delay tapering saw European high yield quickly revert to form, with investor demand once again driving prices higher. The potential for tapering in the US remained a constant threat over the latter half of the year, prompting intermittent bouts of elevated market volatility. However, by the time the Fed finally announced that it would trim its monthly asset purchase programme by \$10bn (in December), markets were largely untroubled by the scale of the reduction. They chose instead to read the move as a sign that the economic picture is improving.

The generally healthy state of European corporate balance sheets was also a source of encouragement throughout the year – robust cash balances, reduced debt, improved efficiency – all contributing to keeping the number of high yield corporate defaults at well below long-term average levels.

Good cash flows into the Fund during the year meant we were active throughout, investing across sectors, and on both the primary and secondary markets. Cheap financing costs and ready demand encouraged record amounts of new bond issuance by European high yield corporates during the year. We were active in the primary market, participating selectively in new issues across various sectors. Given the volume of new bonds coming to the market, we maintained a strong focus on quality fundamentals. Similarly, we were kept busy on the secondary market, continually investing inflows, adding to favoured holdings or adding bonds seen as under-priced relative to the yield on offer.

Our sector positioning remained broadly

consistent during the course of the year. We maintained a cautious view on the European outlook and, as such, continued to hold an underweight exposure in peripheral credit. Elsewhere, we remained broadly neutral in the industrials sector, while maintaining a 20% cap on our financials exposure, as dictated by Fund guidelines.

In terms of performance, European high yield bonds delivered a +10.40% total return (BoA ML European High Yield ex BB/B TR Index, GBP hedged, gross) during the 12 months ending 31 December 2013. In comparison, the AXA Pan European High Yield Bond Fund (R Acc, net), delivered a +7.75% total return. Stock selection was a positive contributor during the period. However, our more conservative portfolio positioning – underweight peripheral bonds, 20% cap of financials – worked against relative performance as these higher risk areas rallied amid the confident market environment.

### Outlook

---

In terms of the outlook for high yield credit, the benign financing environment is likely to encourage modest re-leveraging during 2014, especially if the macro outlook remains positive. A significant widening of credit spreads in global markets is not likely until a combination of higher leverage and higher rates begin to impact company cash flow.

As our core strategy, we retain a slight overweight in yield, versus the comparative benchmark. We continue to keep volatility below comparative benchmark levels using stock selection and by retaining a barbell approach, whereby we allocate a portion of the Fund to our short duration (a measure of price sensitivity to a change in interest rates), lower volatility strategy, to balance an overweight in higher-yielding bonds. Finally, considering the continued macroeconomic challenges, we are content in keeping the average credit quality of the Fund similar to that of the comparative benchmark.

**James Gledhill**

**23 January 2014**

# AXA Pan European High Yield Bond Fund

## For the year ended 31 December 2013

### Risk and reward profile

The Fund invests in shares of the AXA World Funds European High Yield Bonds (the "Master Fund") to gain exposure to a broadly diversified portfolio of predominantly European 'sub-investment grade' bonds. As the Master Fund invests in overseas securities it may hold currencies other than sterling, however it hedges its foreign currency exposure back into sterling. Fixed interest securities are affected by trends in interest rates. If interest rates go up, the value of capital may fall and vice versa. 'Sub-investment grade' bond performance however is more directly affected by individual issuer credit worthiness. A 'sub-investment grade' bond has a Standard & Poor's credit rating below BBB- or equivalent. There is a greater degree of risk from investing in 'sub-investment grade' bonds as there is more risk of the issuer defaulting. The price of these bonds will also fluctuate according to the financial markets' appetite for credit risk in general. Where the Manager invests in a bond, corporate or otherwise, the credit worthiness of the issuer is taken into account so as to determine the risk of default. The management fee is charged to capital, and while this will increase the distributable revenue, this may accordingly erode capital growth.



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 are subject to some levels of variation, which may result in gains or losses.

#### Additional risks

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

**Liquidity Risk:** risk of low liquidity level in certain market conditions that might lead the Fund to face difficulties valuating, purchasing or selling all/part of its assets and resulting in potential impact on its net asset value

**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.

**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.

\*The top 5 purchases and sales are of the Master Fund.

### Top five purchases\*

#### For the year ended 31 December 2013

Lowell 10.75% 01/04/19
GCL 9.375% 15/04/18
Kion 6.75% 15/02/20
SPCM 5.5% 15/06/20
Travelex Financing 8% 01/08/18

### Top five sales\*

#### For the year ended 31 December 2013

ITV FRN 05/01/17
Enterprise Inns 6.5% 06/12/18
Spirit Issuer 5.86% 28/12/21
William Hill 7.125% 11/11/16
Bite Finance FRN 15/03/14

### FUND FACTS

Lead Fund manager	James Gledhill
Sector	IMA Global Bond
Comparative Benchmark	BoA ML European High Yield BB-B Hedged GBP TR
Launch date	22 Feb 1999
Fund size at 31 Dec 2013	£28m
Fund size at 31 Dec 2012	£23m
Minimum investments (Lump sum)	R: £1,000 Z: £100,000
Minimum subscription	R: £100 / Z: £5,000
Net Yield	
R Inc/Acc (net)	4.76% / 4.65%
R Inc/Acc (gross)	5.92% / 5.79%
Z Inc/Acc (net)	4.79% / 4.68%
Z Inc/Acc (gross)	5.95% / 5.80%
Share types	Inc/Acc
Number of stocks	1
Initial charge	R: 5.25% / Z: 0.00%
Annual management charge	R: 1.00% / Z: 0.50%
Ongoing Charges – Feeder Fund	
R Inc/Acc (net)	1.15% / 1.15%
R Inc/Acc (gross)	1.15% / 1.15%
Z Inc/Acc (net)	0.65% / 0.65%
Z Inc/Acc (gross)	0.65% / 0.65%
Ongoing Charges – Master Fund	
R Inc/Acc (net)	0.14% / 0.14%
R Inc/Acc (gross)	0.14% / 0.14%
Z Inc/Acc (net)	0.14% / 0.14%
Z Inc/Acc (gross)	0.14% / 0.14%
Aggregate charges	
R Inc/Acc (net)	1.29% / 1.29%
R Inc/Acc (gross)	1.29% / 1.29%
Z Inc/Acc (net)	0.79% / 0.79%
Z Inc/Acc (gross)	0.79% / 0.79%
Accounting dates (interim)	30 Jun
Accounting dates (annual)	31 Dec
Distribution dates	last working day of each month

All data, source: AXA IM as at 31 December 2013.

# AXA Pan European High Yield Bond Fund

## For the year ended 31 December 2013

### Five year discrete annual performance

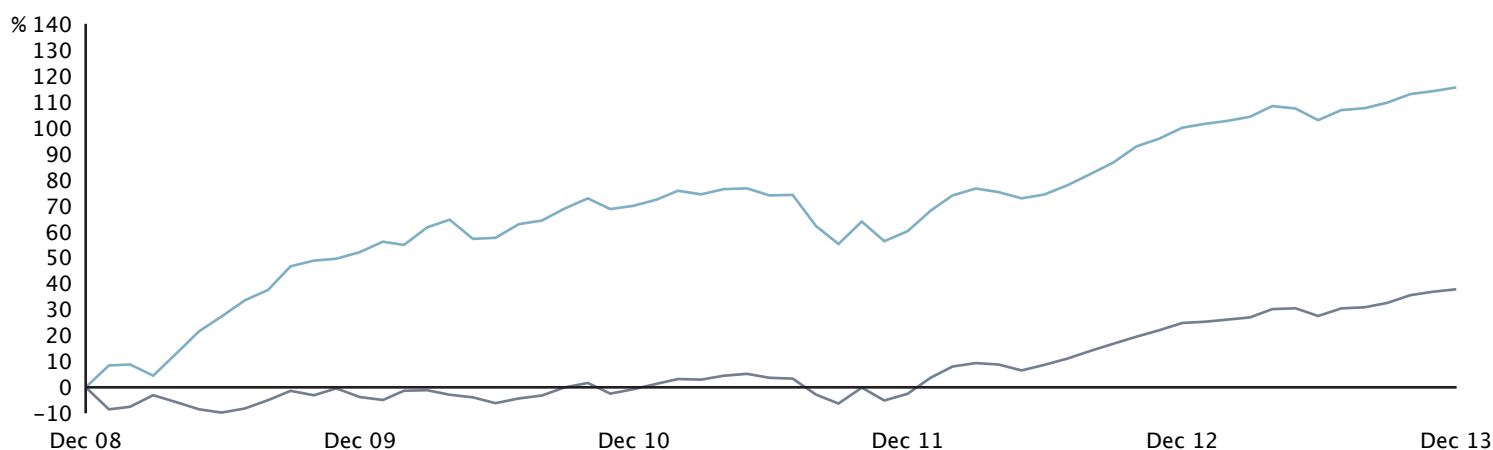
Dec 08 to Dec 09	Dec 09 to Dec 10	Dec 10 to Dec 11	Dec 11 to Dec 12	Dec 12 to Dec 13
52.04%	11.76%	-5.77%	24.90%	7.75%

Past performance is not a guide to future returns. Sources: AXA Investment Managers, Lipper and Datastream as at 31 December 2013. Basis: bid to bid, with net income reinvested, net of fees in GBP. Performance based on R Acc class.

### Cumulative Fund performance versus comparative benchmark

as at 31 December 2013

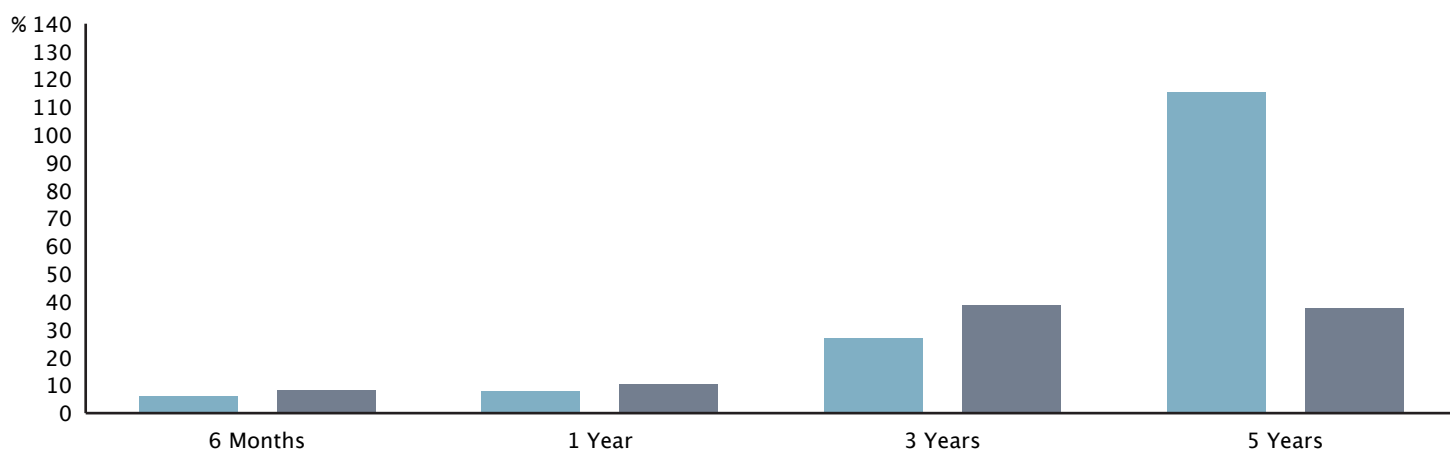
■ AXA Pan European High Yield Bond Fund ■ Composite Index



Past performance is not a guide to future returns. Sources: AXA Investment Managers, Lipper and Datastream as at 31 December 2013. Basis: bid to bid, with net income reinvested, net of fees in GBP. Composite Index: JP Morgan European GBI TR until 6 August 2010 and then BoA ML European High Yield BB-B Hedged GBP TR. Performance based on R Acc class.

as at 31 December 2013

■ AXA Pan European High Yield Bond Fund ■ Composite Index



Past performance is not a guide to future returns. Sources: AXA Investment Managers, Lipper and Datastream as at 31 December 2013. Basis: bid to bid, with net income reinvested, net of fees in GBP. Composite Index: JP Morgan European GBI TR until 6 August 2010 and then BoA ML European High Yield BB-B Hedged GBP TR. Performance based on R Acc class.

# AXA Pan European High Yield Bond Fund

## For the year ended 31 December 2013

### Summary of historic prices and distributions

Year	Unit class	Unit type	Highest unit price (pence)	Lowest unit price (pence)	Distribution per unit (pence)
2009	R	Inc	31.19	20.09	1.946
2009	R	Acc	65.52	39.21	3.900
2010	R	Inc	33.56	28.89	1.956
2010	R	Acc	74.44	60.71	4.210
2011	R	Inc (net)	33.57	26.17	1.940
2011	R	Acc (net)	76.50	61.63	4.450
2011~	R	Inc (gross)	107.2	85.93	3.086
2011~	R	Acc (gross)	107.2	87.86	3.092
2012	R	Inc (net)	31.95	27.20	2.088
2012	R	Acc (net)	81.00	65.02	5.126
2012	R	Inc (gross)	105.6	89.39	8.455
2012	R	Acc (gross)	117.6	93.03	9.134
2012#	Z	Inc (net)	104.6	96.85	4.453
2012#	Z	Acc (net)	113.9	97.67	4.493
2012#	Z	Inc (gross)	109.9	96.86	5.560
2012#	Z	Acc (gross)	115.2	97.88	5.699
2013*+	R	Inc (net)	32.88	31.33	1.567
2013*+	R	Acc (net)	87.59	81.22	4.075
2013*+	R	Inc (gross)	108.7	103.5	6.440
2013*+	R	Acc (gross)	128.9	117.9	7.469
2013*+	Z	Inc (net)	113.4	107.9	5.427
2013*+	Z	Acc (net)	123.6	114.2	5.784
2013*+	Z	Inc (gross)	113.7	108.0	6.770
2013*+	Z	Acc (gross)	126.8	115.5	7.349

Highest offer and lowest bid price quoted at any time in the calendar year and \* to 31 December 2013. + Distribution to 31 December 2013. # Launched 16 April 2012. ~ Launched 22 June 2011.

### Net asset value record

Unit class	Unit type	Net asset value per unit as at 31 December 2013 (pence)	Net asset value per unit as at 31 December 2012 (pence)
R	Acc (net)	87.27	81.00
R	Inc (net)	32.62	31.78
R	Acc (gross)	128.4	117.7
R	Inc (gross)	107.8	104.9
Z	Acc (net)	123.2	113.9
Z	Inc (net)	112.6	109.3
Z	Acc (gross)	126.3	115.2
Z	Inc (gross)	112.7	109.2

Please note, that the NAV prices shown above are different from the results prices as at 31.12.13. 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, moving the portfolio from bid to mid). Basis: bid to bid.

# AXA Pan European High Yield Bond Fund

## For the year ended 31 December 2013

### Top ten Master Fund holdings as at 31 Dec 2013

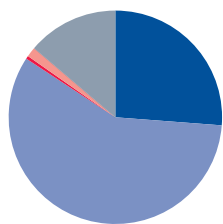
Company	Sector	%
Lafarge 10% 30/05/17	Euro denominated bonds	1.15
Lowell 10.75% 01/04/19	Euro denominated bonds	1.10
Legal & General 6.385% Perpetual	Sterling denominated bonds	1.03
Kion Finance 6.75% 15/02/20	Euro denominated bonds	1.00
GCL 9.375% 15/04/18	Euro denominated bonds	0.99
Travelex 8% 01/08/18	Sterling denominated bonds	0.99
Eileme 11.75% 31/01/20	Euro denominated bonds	0.97
Interxion 6% 15/07/20	Euro denominated bonds	0.97
Virgin Media 8.875% 15/10/19	Sterling denominated bonds	0.97
ABN Amro Bank FRN Perpetual	Euro denominated bonds	0.94

### Top ten Master Fund holdings as at 31 Dec 2012

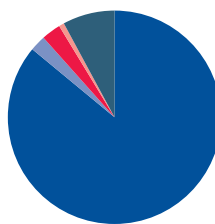
Company	Sector	%
Virgin Media 8.875% 15/10/19	Sterling denominated bonds	1.63
ITV FRN 05/01/17	Sterling denominated bonds	1.49
Telenet Finance III 6.625% 15/02/21	Euro denominated bonds	1.47
Enterprise Inns 6.5% 06/12/18	Sterling denominated bonds	1.40
William Hill 7.125% 11/11/16	Sterling denominated bonds	1.36
Spirit Issuer 5.86% 28/12/21	Sterling denominated bonds	1.35
Lafarge 8.75% 30/05/17	Sterling denominated bonds	1.32
Scottish Widows 5.125% Perpetual	Sterling denominated bonds	1.29
Ladbroke Finance 7.625% 05/03/17	Sterling denominated bonds	1.28
Ineos 7.8575% 15/02/16	Euro denominated bonds	1.27

### Portfolio breakdown

as at 31 December 2013



Sector	%
Sterling denominated bonds	26.38
Euro denominated bonds	58.44
US Dollar denominated bonds	0.46
Swiss Franc denominated bonds	1.50
Forward currency contracts	-0.65
Net current liabilities	13.88



Sector	%
Euro denominated bonds	58.28
US Dollar denominated bonds	1.63
Swiss Franc denominated bonds	1.98
Forward currency contracts	0.54
Net current assets (incl. cash)	5.34

\* On 26th October 2012 Fund structure was changed and all the assets was transferred to Master Fund: AXA World Funds European High Yield Bonds. As at 31 December 2013, 100.30% of the investment from the AXA Pan European High Yield Bond Fund was invested in the AXA World Funds European High Yield Bonds. As a result, the top ten holdings and portfolio breakdown displayed above are that of the AXA World Funds European High Yield Bonds. All data, source: AXA Investment Managers unless otherwise stated.

# AXA Pan European High Yield Bond Fund

## For the year ended 31 December 2013

### Important information

#### Authorised Fund Manager / Investment Adviser

AXA Investment Managers UK Ltd  
7 Newgate Street  
London, EC1A 7NX

*Authorised and regulated by the Financial Conduct Authority. Member of the IMA*

#### Trustee

National Westminster Bank plc  
Trustee & Depositary Services  
Younger Building  
1st Floor  
3 Redheughs Avenue  
Edinburgh, EH12 9RH

*Authorised and regulated by the Financial Conduct Authority.*

#### Dealing & correspondence

PO Box 10908  
Chelmsford, CM99 2UT

Telephone dealing & enquiries

**0845 777 5511**

IFA dealing & enquiries

**0845 766 0184**

If you are calling us from outside of the UK:

**+44 1268 448667**

Our lines are open Monday to Friday between 9am and 5:30pm

#### Independent auditor

PricewaterhouseCoopers LLP  
7 More London Riverside  
London, SE1 2RT

#### Registrar

AXA Investment Managers UK Ltd  
7 Newgate Street  
London, EC1A 7NX

*Authorised and regulated by the Financial Conduct Authority.*

**For more information on any AXA IM Fund please contact us via our website or telephone number below.**

Copies of the latest Report and Accounts (long form) and Prospectus are available free of charge from the administration office: PO Box 10908, Chelmsford, CM99 2UT.

Telephone calls may be recorded or monitored for quality assurance purposes.

**0845 777 5511**

**[www.axa-im.co.uk](http://www.axa-im.co.uk)**

### ADDITIONAL INFORMATION

#### Report and accounts

The purpose of sending this Short Report for the Fund is to present you with a summary of how the Fund has performed during the accounting period in accordance with the Financial Conduct Authority (FCA) rules. If you wish to request further information it is available by requesting a copy of the more detailed long form accounts for the Fund. For a copy please write to the administration office: PO Box 10908, Chelmsford, CM99 2UT or telephone customer services on 0845 777 5511. Copies of the annual and half yearly Report and Accounts are available free of charge on request to our customer services team who can be contacted on 0845 777 5511. Alternatively, this report can be downloaded from our website [www.axa-im.co.uk](http://www.axa-im.co.uk). If you wish to view the accounts for the Master Fund, AXA World Funds European High Yield Bonds, both the short and long versions are also available upon request or via our website.

#### European Savings Directive

The AXA Pan European High Yield Bond 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 Pan European High Yield Bond Fund falls within the 25% debt investment reporting threshold. This means that details of all revenue distributions and redemption proceeds paid to non UK investors will be reported by AXA Investment Managers to HM Revenue & Customs to be exchanged with the relevant tax authorities.

**0845 777 5511**

**[www.axa-im.co.uk](http://www.axa-im.co.uk)**

The value of investments and the income from them can fluctuate and investors may not get back the amount originally invested. Past performance is not a guide to future performance. Issued by AXA Investment Managers UK Ltd registered in England No. 01431068. The registered office address is 7 Newgate Street, London EC1A 7NX. AXA Investment Managers UK Ltd (119368) is authorised and regulated by the Financial Conduct Authority under the account shown. A member of the IMA. Telephone calls may be recorded or monitored for quality assurance purposes.

18360 SR/PE 01/14

All data sources: AXA Investment Managers unless otherwise stated.