Short Report

AXA Framlington
An AXA Investment Managers Expertise

AXA Framlington UK Growth Fund
For the year ended 15 May 2013

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 billion (as at 30 April 2013).

Investment objective and policy

Capital growth through investment principally in UK large and medium capitalisation companies which, in the Manager's opinion, show above average profitability, management quality and growth.

Results

Unit Class	Unit Type	Price at 15.05.12 (p)	Price at 15.05.13 (p)	Unit Class Performance	Comparative Benchmark
R	Acc*	183.5	228.7	24.63%	29.45%^
Z	Acc*	98.58	124.0	25.79%	29.45%^
R	Inc**	137.9	169.2	22.70%	24.79%^^
Z	Inc**	98.57	121.2	22.96%	24.79%^^

* Acc units include net income reinvested, total return. ** Inc units do not include net income reinvested, capital return dividends excluded. ^ FTSE All-Share (Total Return), ^^ FTSE All-Share (Capital Return). Source of all performance data: AXA Investment Managers and Lipper, bid to bid, to 15 May 2013.

Review

Supported by unprecedented levels of central bank stimuli, the last 12 months delivered another strong period for UK equity returns. Global growth remained subdued but the much-feared recession was avoided, despite austerity in Europe continuing to provide a significant drag. The European Central Bank President Mario Draghi committed to do "whatever it takes to save the Euro" by adopting new aggressive policies to avert systemic risk in the financial system. European sovereign tensions abated and investors embraced the opportunity. The US economic recovery gathered pace, and China's growth appeared to have troughed following a period of weakness. Despite the domestic loss of the coveted AAA credit status, fears of an economic 'triple dip' recession ultimately proved unfounded.

UK equities rose for twelve successive months, the longest winning streak since 1983. Investors simply shrugged off on-going company earnings downgrades and European political worries (deposits in Cyprus, elections in Italy, unconstitutional austerity in Portugal). The negative impact of US budgetary sequestration could not prevent US equities from posting all-time highs.

There were a number of severe 'style' rotations during the period which directly impacted performance. In the second half of 2012, market preference shifted from rewarding companies displaying predictable, consistent and above-average profit growth (the hallmark of holdings in the UK Growth Fund), to the pursuit of distressed valuations, leverage and falling equity risk premiums. Such short and sharp rotations have been seen before (2000, 2003, 2009) often signalling an inflection in market direction, led by the lowest quality companies. Financials, and in particular the recovering banking sector, led the way, which did not suit the Fund's positioning. At the beginning of 2013 there was a further rotation back to growth and unusually, on to defensive companies, where bond-like equities have only outperformed a rising UK market 15% of the time in the last 15 years.

From a Fund holding perspective, market share gains and the tentative signs of a cyclical recovery pushed up shares in non-residential construction hire company, Ashtead. The improved lending outlook for domestic buy-to-let financer Paragon was reflected in a marked re-rating, while the focused strategy of new management and the potential of capital returns led to out-performance for media company ITV and private equity and infrastructure play 3i Group. Under-performers included graphics software designer Imagination Technologies, on fears of licensing delays and competitive threats; iron ore developer London Mining on cash concerns; Spirent Communications, reflecting a slowdown in corporate capital spending; and BG Group which declined following lower production guidance.

Market Outlook & Strategy

Following the strong gains of recent times, investors approach the summer months with a degree of trepidation. Markets have traditionally displayed weakness at this time of year, whilst the dual forces of austerity and de-leveraging in Europe continue to hinder global growth. The gap between US GDP growth and the Eurozone has rarely been wider. Leadership change and the transition to a consumption-led economy in China have added further uncertainty. Company profit growth remains positive but continues to be revised downwards. For many there are handsome profits to be taken.

However, most uncertainty is created by the US Fed's commitment to reduce or "taper" Quantitative Easing (currently running at $85 billion of bond purchases per month). Whilst the scale and timing is dependent on the continued improvement in the US economy, the initial reaction has been negative. This policy reversal may commence in the autumn, much sooner than expected. Bond yields have risen and equities fallen from their mid-May peaks. Fixed income investors are now losing money alongside their equity peers. Asset price volatility has seen a sharp spike. What will happen now this support is being withdrawn? Will low funding rates for companies and US mortgage applicants disappear? Will the nascent recovery falter? Precedents of policy inflection, such as 1994 are unhelpful. In this instance the Fed delivered a surprise interest rate hike, bond yields spiked from 5.5% to 8% and equities fell 15% in less than a year.

Yet despite these concerns the Fund remains fully invested and positively disposed toward UK equities on a multi-year basis. For companies, the improving economic data is a positive. This change in policy is a sign of improved confidence in the world's largest economy. The downside risks to growth have diminished so Quantitative Easing (QE) is being phased out. Equities should ultimately enjoy this normalisation process.

Global liquidity and aggressive policy measures remain in place for now, powerful drivers in the fight against systemic risk and deflationary pressures. Unlike 1994, communication appears to be much stronger. After all, we are now discussing and discounting US tapering before, rather than after the event. Meanwhile, Japan has only just launched a stimulus and restructuring plan after two decades of economic stagnation. Inflationary pressures remain low, allowing policymakers flexibility in their exit strategies. Interest rates look set to remain low for some time to come. We expect global economic growth (hopefully stabilisation in Europe) and corporate earnings to actually improve in the second half of 2013.

Corporates, meanwhile, are in rude financial health. With strong cash generation there remains huge scope for increased dividend returns, investment, leverage and M&A. Despite recent moves in the bond market, funding rates still remain exceptionally low. More than a third of companies are borrowing at negative real interest rates. Meanwhile, the valuation opportunity for equities over bonds remains stark. European and UK equities are now cheaper than they were in March 2009, relative to investment grade corporate bond yields. Central banks are purchasing equities and so are the companies. The capital allocators should follow.

Equity inflows have been meaningful in 2013, funded by cash and money market funds. The quest for yield is overwhelming. The "great rotation" out of bonds and into equities, however, is still in its infancy. Quantitative easing will continue to support developed government bonds for now, while many bond holders are more concerned with matching future liabilities than the desultory yields currently on offer. Until very recently, US$20 trillion of government bonds were yielding less than 1%, following the thirty year bull market. That's before taking the effect of inflation in to account.

Portfolio stock selection remains driven by longer-term themes including the US industrial renaissance, the growth of the global middle classes, the technology cycle and changing trends in energy. The Fund continues to focus on "core compounders" at the heart of its strategy. Companies that can generate and reinvest excess capital, at above average returns for an extended period, are inherently attractive. Examples include Babcock, Booker, BT Group, Compass, Dunelm, Filtrona, Rightmove, Rolls Royce, Sports Direct and Whitbread.The Fund enjoys a healthy exposure to the US economic recovery and the strengthening dollar (Ashtead, Wolseley, Tyman, Experian) but also the improving news flow in the UK (Whitbread, Sports Direct, Crest Nicholson, Lloyds). The much-maligned Eurozone may see tentative signs of stabilisation as the year progresses. Holdings in Kingfisher, Imperial Tobacco, GKN and 3i would benefit in such an environment.

The Manager remains wary of expensive defensive stocks or simple bond-like companies, which typically underperform when bond yields start to rise, as their attributes become less scarce. Low cash flow cover, limited growth and high capital spending requirements are considered to be unattractive characteristics. The weakening outlook for the emerging markets could also prove problematical at least in the short-term. Consequently the Fund remains underweight the mining, consumer staples, utilities and food retail sectors.

Equities may be choppy over the summer months. However, modest valuations, accelerating cash returns, central bank liquidity and equity fund inflows, should prove supportive of UK equity returns in the medium-term. The domestic economy can return to modest growth in 2014 as banks start to ease credit conditions and recent housing policies encourage consumer confidence. UK equities offer an attractive mix of domestic and global earnings exposure combined with developed world levels of corporate and legal governance. A loss in global/US economic momentum or a sharp and destabilising sell-off in government bonds remain the key risks to this positive stance.

Long term performance

Since Jamie Hooper commenced managing the Fund at the end of 2006, the price of R Acc units (which includes net income reinvested) has increased by +43.3% (bid to bid). This compares with the benchmark FTSE All-Share Index (total return) rising by +38.0% and the IMA UK All Companies peer group which increased by +30.3%.

Jamie Hooper

27 June 2013

All performance data source: AXA Investment Managers and Lipper to 15 May 2013.

Risk and reward profile

The Fund invests principally in UK large and medium capitalisation equities. The value of investments and the income 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.

FUND FACTS

Lead Fund manager	Jamie Hooper
Sector	UK All Companies
Comparative Benchmark	FTSE All-Share (TR)
Launch date	31 Dec 1992
Fund size at 15 May 2013	£231m
Fund size at 15 May 2012	£193m
Minimum investments	
Lump sum	R: £1,000 Z: £100,000
Minimum subsequent investment	R: £100 / Z: £5,000
Net Yield	
R Inc	1.31%
R Acc	1.30%
Z Inc	1.97%
Z Acc	2.03%
Unit type	Inc/Acc
Number of stocks	63
Initial charge	R: 5.25% / Z: 0.00%
Annual charge	R: 1.50% / Z: 0.75%
Ongoing charges	
R Inc	1.58%
R Acc	1.58%
Z Inc	0.85%
Z Acc	0.82%
Accounting dates (interim)	15 Nov
Accounting dates (annual)	15 May
Distribution dates (annual)	15 Jul

All data, source: AXA Investment Managers as at 15 May 2013.

Top five purchases

For the year ended 15 May 2013
HSBC
BHP Billiton
Scottish & Southern Energy
Aggreko
Standard Chartered

Top five sales

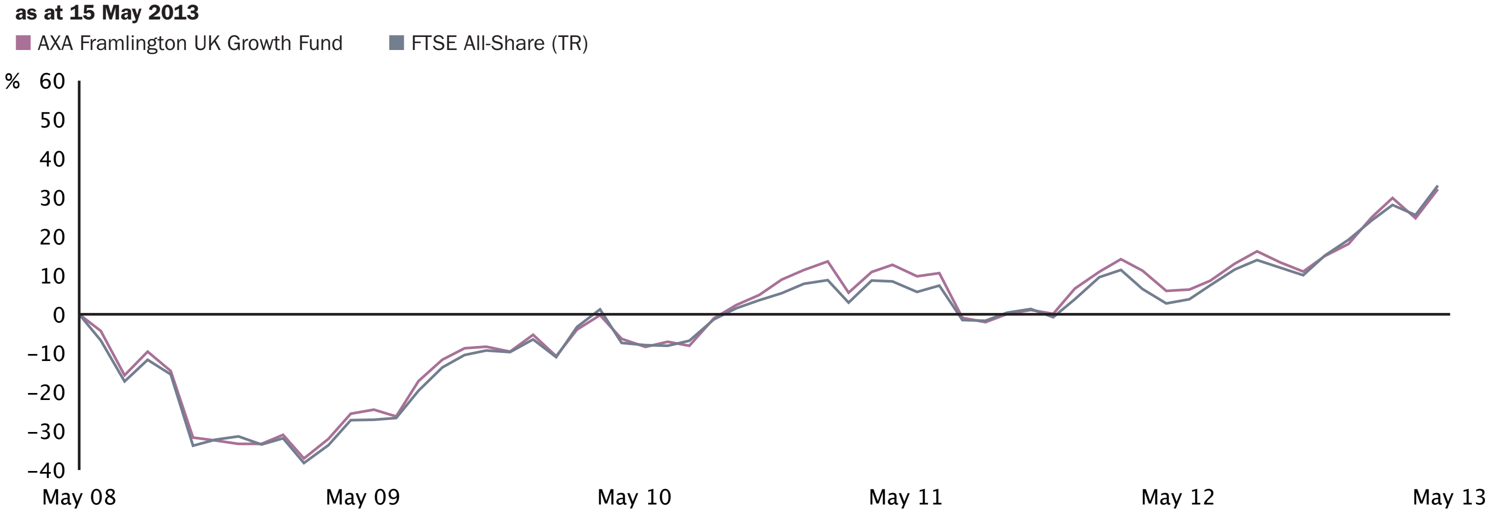
For the year ended 15 May 2013
GlaxoSmithKline
Diageo
Scottish & Southern Energy
Rio Tinto
Regus

Five year discrete annual performance %

May 08 to May 09	May 09 to May 10	May 10 to May 11	May 11 to May 12	May 12 to May 13
-25.53%	25.82%	20.29%	-5.94%	24.63%

Past performance is not a guide to future returns. Sources: AXA Investment Managers and Lipper as at 15 May 2013. Basis: Bid to bid, with net income reinvested, net of fees in GBP. Performance is representative of R Acc class.

Cumulative fund performance versus comparative benchmark



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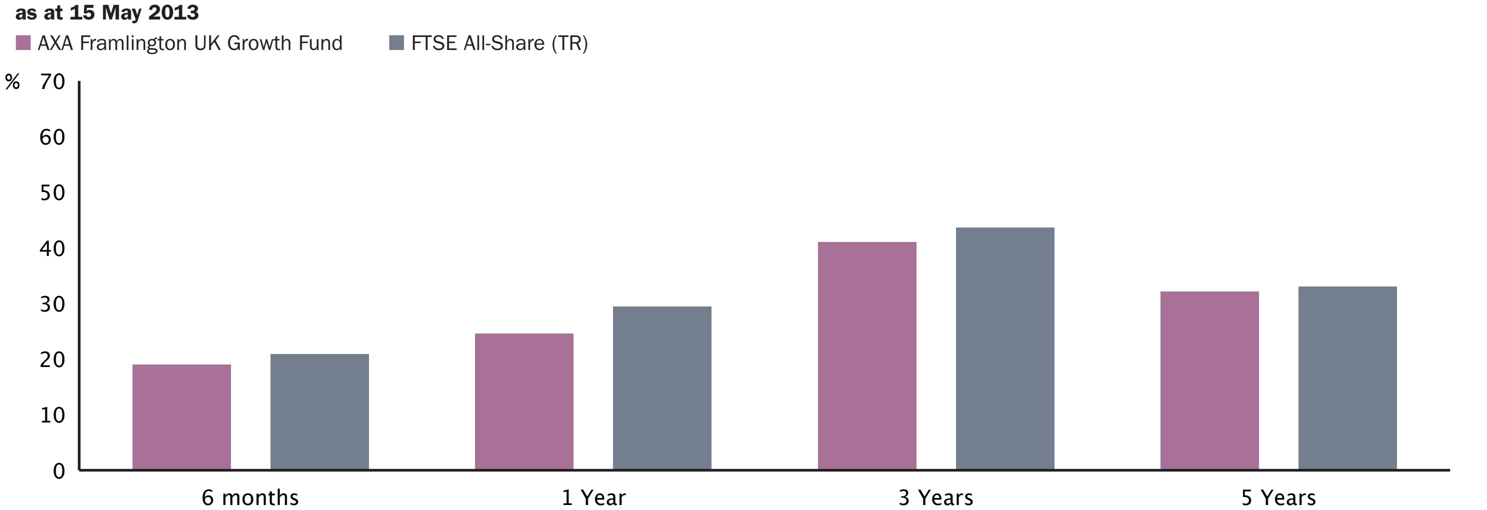

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Summary of historic prices and distributions

Year	Unit class	Unit type	Highest offer price (pence)	Lowest bid price (pence)	Total net distribution per unit (pence)
2008	R	Income	148.4	77.90	1.884
2008	R	Accumulation	185.6	98.50	2.351
2009	R	Income	133.0	78.63	2.469
2009	R	Accumulation	172.4	99.50	3.123
2010	R	Income	154.9	112.4	2.420
2010	R	Accumulation	204.8	148.5	3.137
2011	R	Income	159.0	117.5	1.060
2011	R	Accumulation	211.7	156.3	1.400
2011	Z	Income	107.2	83.54	-
2011	Z	Accumulation	107.2	83.48	-
2012	R	Income	159.0	131.1	2.046
2012	R	Accumulation	213.7	177.1	2.701
2012	Z	Income	107.8	93.20	1.989
2012	Z	Accumulation	109.5	95.15	2.022
2013*+	R	Income	179.8	149.5	2.281
2013*+	R	Accumulation	243.0	202.0	3.075
2013*+	Z	Income	122.3	106.8	2.404
2013*+	Z	Accumulation	125.1	109.2	2.525

*Highest offer and lowest bid price quoted at any time in the calendar year and * to 15 May 2013.*
+ Distribution paid on 15 July 2013.

Net asset value record

Unit class	Unit type	Net asset value per unit as at 15 May 2013 (pence)	Net asset value per unit as at 15 May 2012 (pence)
R	Inc	167.2	136.1
R	Acc	229.1	183.8
Z	Inc	118.8	96.77
Z	Acc	123.9	98.77

Please note, that the NAV prices shown above are different from the Results prices as at 15 May 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 Growth 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 Growth 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.

Top ten holdings as at 15 May 2013

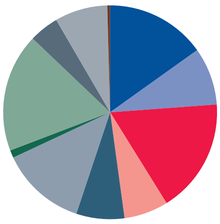
Company	Sector	%
HSBC	Financials	5.40
BP	Oil & Gas	3.95
GlaxoSmithKline	Healthcare	3.94
Vodafone	Telecommunications	3.79
Royal Dutch Shell 'B'	Oil & Gas	3.48
BG	Oil & Gas	3.33
BT	Telecommunications	3.01
Rio Tinto	Basic Materials	2.69
ITV	Consumer Services	2.64
Diageo	Consumer Goods	2.60

Top ten holdings as at 15 May 2012

Company	Sector	%
GlaxoSmithKline	Healthcare	6.00
Diageo	Consumer Goods	4.38
BG	Oil & Gas	4.25
Vodafone	Telecommunications	4.25
Royal Dutch Shell 'B'	Oil & Gas	4.01
Rio Tinto	Mining	3.95
BP	Oil & Gas	3.18
ITV	Consumer Services	2.49
Weir Group	Industrials	2.25
Shire	Healthcare	2.18

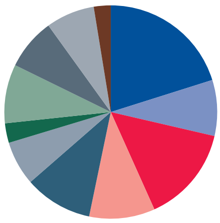
Portfolio breakdown

as at 15 May 2013



Sector	%
OIL & GAS	15.13
BASIC MATERIALS	8.70
INDUSTRIALS	17.32
CONSUMER GOODS	6.69
HEALTHCARE	7.28
CONSUMER SERVICES	12.92
UTILITIES	1.15
FINANCIALS	17.92
TECHNOLOGY	4.48
TELECOMMUNICATIONS	7.99
NET CURRENT ASSETS (INCL CASH)	0.42

as at 15 May 2012



Sector	%
OIL & GAS	20.14
BASIC MATERIALS	8.48
INDUSTRIALS	14.66
CONSUMER GOODS	9.99
HEALTHCARE	10.34
CONSUMER SERVICES	6.73
UTILITIES	2.97
FINANCIALS	8.93
TECHNOLOGY	7.80
TELECOMMUNICATIONS	7.39
NET CURRENT ASSETS (INCL CASH)	2.57

All data, source: AXA Investment Managers

Important information

Authorised Fund Manager / Investment Manager
AXA Investment Managers UK Ltd
7 Newgate Street
London EC1A 7NX
Authorised and regulated by the Financial Conduct Authority (formerly the Financial Services 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 (formerly the Financial Services 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
Ernst & Young LLP
1 More London Place
London SE1 2AF

Registrar
AXA Investment Managers UK Ltd
7 Newgate Street
London EC1A 7NX
Authorised and regulated by the Financial Conduct Authority (formerly the Financial Services 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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