AXA Framlington
An AXA Investment Managers Expertise

AXA Framlington Biotech Fund
For the year ended 31 August 2013

Investment objective and policy

To provide long term capital appreciation by investing principally in equity securities of companies in the biotechnology, genomic and medical research industries worldwide.

Results

Unit Class	Unit Type	Price at 31.08.12 (p)	Price at 31.08.13 (p)	Unit Class Performance	Comparative Benchmark
R	Acc*	63.77	94.82	48.69%	46.90%^
Z	Acc*	113.9	171.0	50.13%	46.90%^
R	Inc**	63.73	94.98	49.03%	46.54%^^

* Acc units include net revenue reinvested, total return. ** Inc units do not include net revenue reinvested, capital return dividends excluded. ^ Nasdaq Biotechnology Index (Total Return). ^^ Nasdaq Biotechnology Index (Capital Return). Source of all performance data: AXA Investment Managers and Lipper, bid to bid, to 31 August 2013. Past performance is not a guide to future returns.

Review

The biotechnology sector continued to outperform through the year ending 31 August 2013, posting +44% gains in US $ terms, as measured by the Nasdaq Biotechnology Index (NBI). Amazingly, this almost exactly mirrors the sector's 2012 performance which we reviewed this time last year.

Many of the factors that we highlighted then continue to be important. These include high profitability and healthy growth profiles among the large capitalisation stocks within the sector, research and development (R&D) success, a more benign regulatory environment, strong market launches for new drugs and merger and acquisition (M&A) activity.

Valuation has also been supportive, particularly when considering the growth profiles of other sectors/ indices. As a comparison, the MSCI Healthcare Index gained +24% over the same time period and the S&P 500 Index, +16%.

Throughout the review period, the majority of the larger cap stocks reported profits that either met or beat market expectations, with all maintaining or increasing financial guidance.

The defensive growth characteristics of the sector continue to look attractive with over 20% compound annual growth expected through 2015. Many of the group's base businesses are healthy with revenue growth being driven by volume as well as price increases. The launch of new, innovative products is set to bolster this growth further going forward. Considering operating margins, management teams have sharpened focus on core therapeutic areas and have been able to extract some sales and marketing synergies and, with strong sales growth, have been able to reduce R&D expense as a percentage of sales in many cases.

We have previously highlighted new drug launches as a central theme impacting the share price performance of many stocks in the sector. Looking back over the last year, it has been a mixed picture of success and failure. Although it remains early days, Biogen Idec's BG-12 (now commercially called Tecfidera) to treat Multiple Sclerosis has been a commercial success in the US, despite high consensus forecasts. Aegerion's share price has increased more than 5 times in the last year, following the

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 £51.7 billion (as at 31 August 2013).

approval and successful launch of its new drug to treat the orphan indication of homozygous familial hypercholesterolemia (HoFH). However, the launch of Medivation's Xtandi in late stage prostate cancer has fared less well, versus very high expectations, and its share price has lagged the sector. Further, the market launch of drugs to treat obesity has continued to disappoint investors and the share prices of these names have underperformed by over 70%. These few examples go to show the importance of this theme within the sector and of course, the potential impact it could have on the performance of a sector fund. In my view, this supports a bottom up, stock picking investment approach where an assessment of the market opportunity for a new product can be made and compared to market consensus, on a stock by stock basis.

The valuation of the biotechnology sector is certainly not as compelling as it was a year ago. However, arguably much of the increase can be explained by the sector rebounding from depressed levels as confidence in R&D pipelines as drivers of longer term growth, has improved. When factoring this growth in on a price/earnings to growth basis, the sector remains supported, versus the rest of the market.

Merger and acquisition (M&A) activity continues to be a boost for the sector as larger companies look to augment revenue growth profiles. Most recently, Amgen has announced a $10bn acquisition of Onyx, however there have been market rumours about a number of other potential large transactions in the sector. This has increased investor interest and provided some share price protection for the stocks that are viewed as potential take over candidates.

Finally, when reviewing the past year, it would be amiss not to mention the significant amount of money raised by companies across the sector. So far in 2013 (to 31 August), there have been 22 biotechnology initial public offerings (IPO's) raising $1.7bn. This compares to seven in 2011, and one in 2012 (source: Financial Times and JP Morgan). Further, approximately $5bn has been raised through secondary offerings in the sector (source: Bernstein).

The AXA Framlington Biotech Fund outperformed the comparative Nasdaq Biotechnology Index over the review period. Some of the stocks that contributed positively to performance include Aegerion, in which we are overweight. As discussed previously, the group's share price has been very strong on the back of a successful market introduction of its first commercial product, Juxtapid to treat HoFH. Celgene and Gilead which in our view have good long-term growth and profitability prospects and better valuation support, versus some of the other larger cap stocks, have also added to performance. We were also overweight Onyx when Amgen made the acquisition bid.

Stocks that detracted from performance throughout the review period included Affymax, which was a key contributor to performance the previous year after its first product Omontys was approved in the US to treat anaemia. However, earlier this year, Affymax and partner Takeda had to withdraw it from the market following reports of serious side effects. The stock was down over 80% on the news. A key holding in Ariad has also had a negative impact on performance. It has underperformed the sector this year as the launch of its first commercial product, Iclusig, for the treatment of later stage Chronic Myeloid Leukaemia (CML), has lagged previously high forecasts. The fact that there have been less R&D newsflow catalysts throughout the year for Ariad has also likely hampered comparative performance. We continue to view the outlook for the company as positive and maintain our overweight position.

We continue to maintain the Fund's investment focus on the biotechnology and life sciences companies that have strong innovation characteristics. Generally, we have been underweight the earlier stage R&D companies that are more speculative and have weaker cash positions and overweight the mid-cap names that have launched, or are due to launch, new innovative products with good market opportunities. As valuations have increased, it has become more difficult to find 'cheap', good quality stocks. Within the larger cap stocks, we have invested in those where valuations versus growth prospects continue to look compelling.

Outlook

The good performance of the sector, to date, means that, going forward, it is critical that companies deliver on (and beat, where possible) expectations on revenues, profit and R&D success, in order to maintain positive share price momentum. It was interesting that, during 1H 2013 financial reporting, on average, the share prices of companies that only met expectations, went down. With forecasts increasing, this may become more difficult. This supports a more tactical, bottom-up stock selective approach, investing in those names that we expect to continue to post good revenue and earnings growth in the short and mid-term and/or those that have R&D optionality.

Headwinds facing the sector, including competition from generic biologics (biosimilars) and drug pricing pressure, have not materialised as a major threat over the last 12 months. However, given the rising costs of healthcare globally, they remain risk factors. As we have previously highlighted, it is critical that companies continue to focus on the development of drugs to treat diseases without effective therapeutic options and drugs which offer a significant benefit over what is currently available, through better efficacy and safety. The US market remains willing to accept higher prices for these drugs. In Europe, these qualities are now required to ensure market access. This supports our innovation-focused investment approach and we remain bullish on the R&D outlook for many companies in the sector.

In summary, a more selective investment approach is required following the biotech sector's stellar performance. However, in the short to medium-term, we continue to believe the sector is well positioned for continued, above market average, sales and earnings growth. Further, the longer-term growth drivers for the biotech sector remain intact, including supportive demographic trends, a more benign regulatory environment and continued focus on R&D innovation.

Linden Thomson

9 September 2013

All performance data source: AXA Investment Managers and Lipper to 31 August 2013.

Risk and reward profile

As the Fund invests in a single sector it has the potential to be more volatile than a fund which invests in a more diversified portfolio of equities across a range of sectors. The Fund also invests in overseas securities and therefore it may hold currencies other than sterling. As a result, exchange rate movements may cause the value of investments to fall or rise. The Fund invests in companies which are particularly vulnerable to rapidly changing technology and a relatively high risk of obsolescence caused by scientific and technological advances. Investment in biotechnology related businesses may be more volatile than investment in broader healthcare related, or other more diversified industries. 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: 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.

FUND FACTS

Lead Fund manager	Linden Thomson
Sector	Specialist
Comparative Benchmark	Nasdaq Biotechnology Index
Launch date	26 Nov 2001
Fund size at 31 Aug 2013	£214m
Fund size at 31 Aug 2012	£104m
Minimum investments	
Lump sum	R: £1,000 Z: £100,000
Minimum subscription	R: £100 / Z: £5,000
Net Yield	
R Inc	Nil
R Acc	Nil
Z Acc*	Nil
Unit type	Inc/Acc
Number of stocks	63
Initial charge	R: 5.50% / Z: 0.00%
Annual charge	R: 1.75% / Z: 0.75%
Ongoing charges	
R Inc	1.82%
R Acc	1.83%
Z Acc*	0.83%
Accounting dates (interim)	28 Feb
Accounting dates (annual)	31 Aug
Distribution dates (interim)	30 Apr
Distribution dates (annual)	31 Oct

All data, source: AXA Investment Managers as at 31 August 2013.
**Launched 16 April 2012.*

Top five purchases

For the year ended 31 August 2013
Amgen
Celgene
Gilead Sciences
Regeneron Pharmaceuticals
Vertex Pharmaceuticals

Top five sales

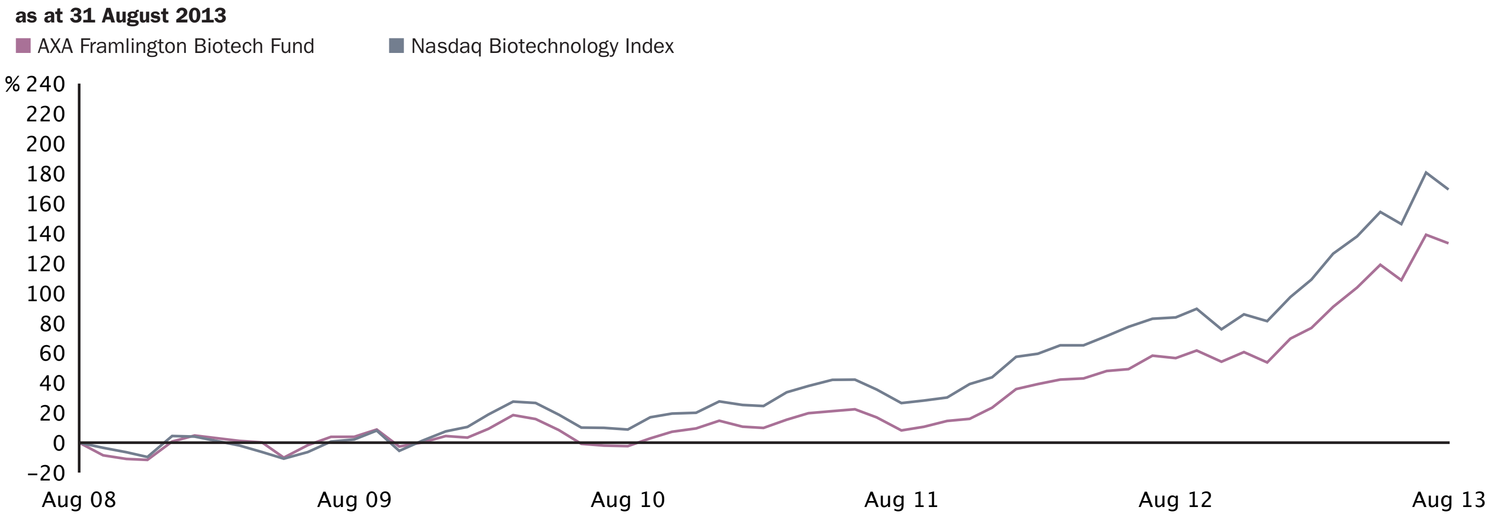
For the year ended 31 August 2013
Regeneron Pharmaceuticals
Alexion Pharmaceuticals
Onyx Pharmaceuticals
Celgene
Gilead Sciences

Five year discrete annual performance %

Aug 08 to Aug-09	Aug 09 to Aug 10	Aug 10 to Aug 11	Aug 11 to Aug 12	Aug 12 to Aug 13
3.93%	-6.03%	10.76%	44.68%	49.03%

Past performance is not a guide to future returns. Sources: AXA Investment Managers and Lipper as at 31 August 2013. Basis: Bid to bid, with no income reinvested, net of fees in GBP. Performance is representative of R Inc class.

Cumulative fund performance versus comparative benchmark



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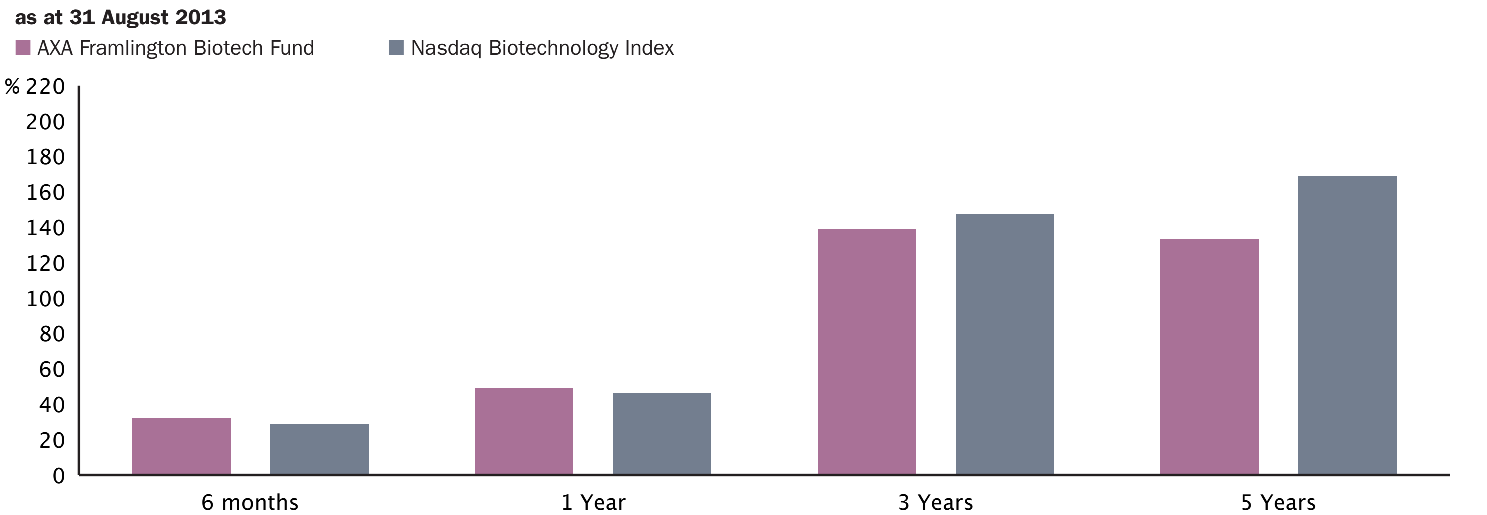

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Summary of historic prices and distributions

Year	Unit class	Unit type	Highest offer price (pence)	Lowest bid price (pence)	Total net distribution per unit (pence)
2008	R	Inc	43.96	29.25	Nil
2008	R	Acc	43.96	29.25	Nil
2009	R	Inc	47.80	36.50	Nil
2009	R	Acc	47.80	36.50	Nil
2010	R	Inc	52.32	38.57	Nil
2010	R	Acc	52.32	38.57	Nil
2011	R	Inc	54.46	38.74	Nil
2011	R	Acc	54.46	38.74	Nil
2012	R	Inc	72.26	49.98	Nil
2012	R	Acc	72.30	49.98	Nil
2012	Z	Acc	122.7	99.00	Nil
2013*	R	Inc	105.7	63.02	Nil
2013*	R	Acc	105.6	62.91	Nil
2013* #	Z	Acc	180.3	112.7	Nil

*Highest offer and lowest bid price quoted at any time in the calendar year and * to 31 August 2013.*
 # Launched 16 April 2012.

Net asset value record

Unit class	Unit type	Net asset value per unit as at 31 Aug 2013 (pence)	Net asset value per unit as at 31 Aug 2012 (pence)
R	Inc	95.23	63.95
R	Acc	95.06	63.92
Z #	Acc	171.1	114.0

 # Launched 16 April 2012. Please note, that the NAV prices shown above are different from the results prices as at 31.08.13. 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, 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 Biotech 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 Biotech 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 31 August 2013

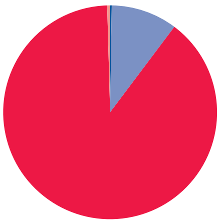
Company	Sector	%
Celgene	USA equities	9.66
Gilead Sciences	USA equities	9.58
Amgen	USA equities	8.75
Regeneron Pharmaceuticals	USA equities	5.28
Biogen Idec	USA equities	4.82
Vertex Pharmaceuticals	USA equities	4.44
Illumina	USA equities	3.57
Alexion Pharmaceuticals	USA equities	2.95
Incyte	USA equities	2.48
Cubist Pharmaceuticals	USA equities	2.46

Top ten holdings as at 31 August 2012

Company	Sector	%
Amgen	USA equities	7.53
Alexion Pharmaceuticals	USA equities	7.44
Gilead Sciences	USA equities	7.31
Celgene	USA equities	6.52
Regeneron Pharmaceuticals	USA equities	6.47
Biogen Idec	USA equities	3.77
Onyx Pharmaceuticals	USA equities	3.44
Vertex Pharmaceuticals	USA equities	3.13
BioMarin Pharmaceutical	USA equities	3.11
Illumina	USA equities	2.81

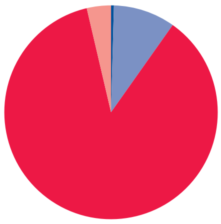
Portfolio breakdown

as at 31 August 2013



Sector	%
United Kingdom	0.24
Europe (Ex United Kingdom)	10.02
United States of America	89.30
Net Current Assets	0.44

as at 31 August 2012



Sector	%
United Kingdom	0.43
Europe (Ex United Kingdom)	9.38
United States of America	86.53
Net Current Assets	3.66

All data, source: AXA Investment Managers as at 31 August 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 (formerly the Financial Services Authority). Member of the IMA.

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

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Registrar
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Unit Trust Registrars
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.

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

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All data sources: AXA Investment Managers unless otherwise stated.

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