AXA Framlington
An AXA Investment Managers Expertise

AXA Framlington Financial Fund

For the year ended 15 April 2014

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

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 £54.6 billion (as at 31 March 2014).

Investment objective and policy

Capital growth through investment principally in financial services companies worldwide. Investment will be predominantly in banks, insurance companies, property companies, investment-related companies and other financial service providers which, in the Manager's opinion, show above average profitability, management quality and growth.

Results

Unit Class	Unit Type	Price at 15.04.13 (p)	Price at 15.04.14 (p)	Unit Class Performance	Comparative Benchmark
R	Acc*	408.5	427.0	4.53%	3.06%^
Z	Acc*	124.6	131.1	5.22%	3.06%^
R	Inc**	327.1	339.1	3.67%	0.63%^^

* Acc units include net revenue reinvested, total return. ** Inc units do not include net revenue reinvested, capital return dividends excluded. ^ MSCI All World Financials TR Index, ^^ MSCI All World Financials CR Index. Past performance is not a guide to future returns. Source of all performance data: AXA Investment Managers and Lipper, bid to bid, to 15 April 2014.

Review

After a very strong increase in the previous financial year (+22%), the Fund’s +3.7% returns were more moderate in the financial year under review. This represented a 3% outperformance of the comparative benchmark’s (MSCI ACWI Financials) +0.63% rise.

Equity markets and financial shares showed resilience to potentially systemic events during the year in question, demonstrating a further healing from the 2008-2009 and Eurozone crises. The period started with Cyprus’ banking crisis coming to a head, which could have led to further Eurozone instability as in 2012. However, the effective (if costly) containment of this crisis , combined with continuing support from the European Central Bank (ECB), allowed the European financial system to retain the stability it had regained at the end of 2012.

Similarly, the impact of political bickering in the US over fiscal issues faded as the year progressed. The threat of falling over the ‘fiscal cliff’ certainly did not encourage corporate or consumer confidence, but the political fallout helped to dissapate this extreme posturing. The deadlock over the Federal budget, which ultimately resulted in automatic sequestration, somewhat dampened the US economy in early 2013, but did not cause the substantial impact that had been mooted. As confidence in a moderate US economic recovery increased, coupled with stability in the Eurozone, the stock markets could build on the gains of the prior year.

However, equity markets became choppier following comments in June 2013 by Ben Bernanke, the outgoing governor of the US Federal Reserve (the Fed). Bond markets reacted negatively to the focus on the forthcoming ‘tapering’ of the Fed’s quantitative easing (QE). This also strongly impacted emerging bond and equity markets, which had been viewed as particular beneficiaries of the ‘easy money’ stemming from ultra-loose US monetary policy. Also impacting emerging markets (EMs) during the year was the growing realisation of structurally lower growth in China and the impact of a gradual shift from an investment-led to consumer-led model on global commodity prices. Finally during the period, the

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intense rally in Japanese equities that had accompanied the launch of 'Abenomics' in the winter of 2012 faded substantially as policy follow-up on the initial monetary easing failed to meet expectations.

The Fund's performance reflected the environment, rising by just over +6% during the first half and then falling just over -2% in the second half of the financial year. The Fund's best performance came from its European and UK shares (+18-21%) and its North American holdings (+12%). Japanese shares were the worst performers, falling by -27% overall. Asia ex Japan and EM shares were also weak, falling roughly -10%.

Some of the Fund's best performers this year were shares that benefitted from the banking system restructuring post the financial crisis. For example, Lloyds Banking Group and KBC, the top contributors to performance (+46% and +42% respectively), demonstrated further progress in the enforced restructurings following the crisis. We took advantage of the UK government's share placings to build our position in Lloyds and to buy shares in St. James's Place as they were divested by Lloyds. We bought shares in BB Seguridade (the Brazilian insurance company) when controlling shareholder Banco de Brasil listed it in order to bolster its own capital ratios.

Another source of strong performance were a number of companies that benefitted from a better equity market environment, a higher level of investment activity and secular growth in the asset management industry. These trends particularly supported our holdings in Blackstone and TD Ameritrade, up +35% and +22% respectively. London Stock Exchange (+36%) benefitted as investors increasingly recognised its opportunities in a rapidly changing exchange and clearing environment. We bought BlackRock shares to add to our holdings in the asset management industry.

The Fund's payments and consumer credit company holdings had another good year. American Express (+23%) and Discover (+20%) once again delivered growth in a difficult top-line environment for US consumer credit. We believe these companies and Visa, which we added during the year, represent some of the strongest secular investment opportunities in financial services globally.

It has been a busy year on the insurance side of the portfolio. The UK life and pensions sector is being buffeted by numerous regulatory and policy changes that, we believe, create both risks and opportunities. The Retail Distribution Review (RDR) has led to many regulatory changes that impact the asset management industry and advisory services. Many are positive for retail investors, but have also had indirect consequences, particularly on the distribution side. An increase in training and compliance requirements, coupled with lower and more transparent fees, have led many independent financial advisers (IFAs) to exit the industry or join 'restricted' platforms, it has led most of the high street banks to severely limit their investment offerings to the mass market and it has created increased opportunities for platforms, among other effects.

The announced increased freedom for pension pots (removal of compulsory annuitisation) will also likely cause a decline in the individual annuities market while leading to a wider product offering for retirees and increased market opportunities for pension providers and asset managers. We made some changes in our portfolio during the period, adding a new position in St. James's Place. We took profits in Legal & General after a second strong year of performance. In Australia we replaced AMP with shares in specialist annuity provider Challenger.

The Fund's Japanese holdings fell strongly during the financial year as optimism about Abenomics' ability to kick-start the economy proved misplaced. Valuations had run so far ahead of events on the ground that disappointment was painfully felt in share prices. Mitsubishi Estate shares fell by -38% and SMFG and Nomura shares fell by more than -20%; only Tokio Marine shares proved somewhat more resilient (-12%).

EMs and Asia ex-Japan also experienced a difficult year as the expectation of the withdrawal of US Fed QE deflated a credit bubble in many markets. In addition, slower Chinese growth and its impact on global commodity prices contributed to reduced expectations for GDP growth in a number of countries. The Fund benefitted from being underweight in both EMs and Asia ex-Japan, as we have highlighted risks in these regions for some time. The shares that we do own, nonetheless, were not immune to these declines. Thai Kasikornbank (-26%) and Peruvian Credicorp (-17%) were impacted, and Bolsa Mexicana reversed its previously strong performance, falling -38%. During the year we bought shares in the Brazilian insurer BB Seguridade and Bank of Georgia; both performed strongly rising by +28-31%. Sberbank shares fell -18% in the year. We were able to limit the Fund's losses by selling immediately upon concerns about the Russian annexation of Crimea. The governance issues at company and country level are too high for us to remain shareholders, despite the bank's dominant market position and long-term growth potential.

During the period we bought shares in Prudential plc. and Pan-Asian insurer AIA in order to take advantage of the substantial long-term growth opportunity in life insurance and protection in Asia. We sold some shares in HSBC and bought shares in Citigroup, both of which have sizeable operations in EMs. Other companies in the portfolio with exciting long-term EM opportunities include American Express, Visa and BlackRock.

Outlook

Following the strong recovery in 2012 and the first half of 2013, equity markets and financial shares have struggled to make headway. Valuations are generally not as compelling as before, but the economic backdrop in developed countries seems more secure and systemic risk has been substantially reduced through concerted action by central banks and bank regulators around the world.

Looking forward, geopolitical risks remain and the impact of the removal of QE is uncertain. Given the subdued nature of the current economic recovery cycle, we believe focusing on companies with strong competitive advantages and good cost structures will help to deliver solid investment results over the medium term.

Susan Sternglass Noble

1 May 2014

All performance data source: AXA Investment Managers and Lipper to 15 April 2014.

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 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.

Additional risks
Geopolitical Risk: Investments in securities issued or listed in different countries may imply the application of different standards and regulations. Investments may be affected by movements of foreign exchange rates, changes in laws or restrictions application to such investments, changes in exchange control regulations or price volatility.

FUND FACTS

Lead Fund Manager	Susan Sternglass Noble
Sector	Specialist
Comparative Benchmark	MSCI All World Financials (Capital Return)
Launch date	31 Oct 1986
Fund size at 15 Apr 2014	£42m
Fund size at 15 Apr 2013	£43m
Minimum investments	
Lump sum	R: £1,000 Z: £100,000
Minimum subscription	R: £100 / Z: £5,000
Net Yield	
R Inc	0.64%
R Acc	0.64%
Z Acc*	1.41%
Unit type	Inc/Acc
Number of stocks	37
Initial charge	R: 5.25% / Z: 0.00%
Annual charge	R: 1.50% / Z: 0.75%
Ongoing charges	
R Inc	1.63%
R Acc	1.63%
Z Acc*	0.88%
Accounting dates (interim)	15 Oct
Accounting dates (annual)	15 Apr
Distribution dates (interim)	15 Dec
Distribution dates (annual)	15 Jun

All data, source: AXA Investment Managers as at 15 April 2014.
**Launched 16 April 2012.*

Top five purchases

For the year ended 15 April 2014
Citigroup
BlackRock
Prudential
TD Ameritrade
Visa Class 'A'

Top five sales

For the year ended 15 April 2014
HSBC
Industrial and Commercial Bank of China
Lloyds Banking
State Street
Allianz

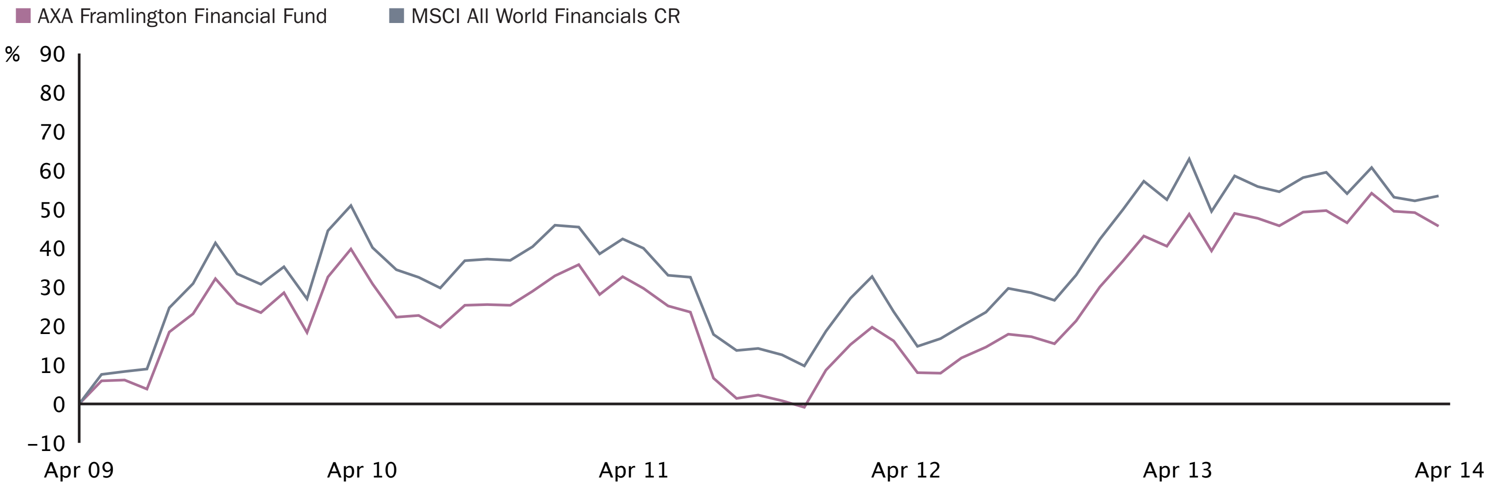
Five year discrete annual performance %

Apr 09 to Apr 10	Apr 10 to Apr 11	Apr 11 to Apr 12	Apr 12 to Apr 13	Apr 13 to Apr 14
39.77%	-5.07%	-12.43%	20.92%	3.67%

Past performance is not a guide to future returns. Sources: AXA Investment Managers and Lipper as at 15 April 2014. Basis: Bid to bid, with no revenue reinvested, net of fees in GBP. Performance is representative of R Inc class.

Cumulative fund performance versus comparative benchmark

as at 15 April 2014



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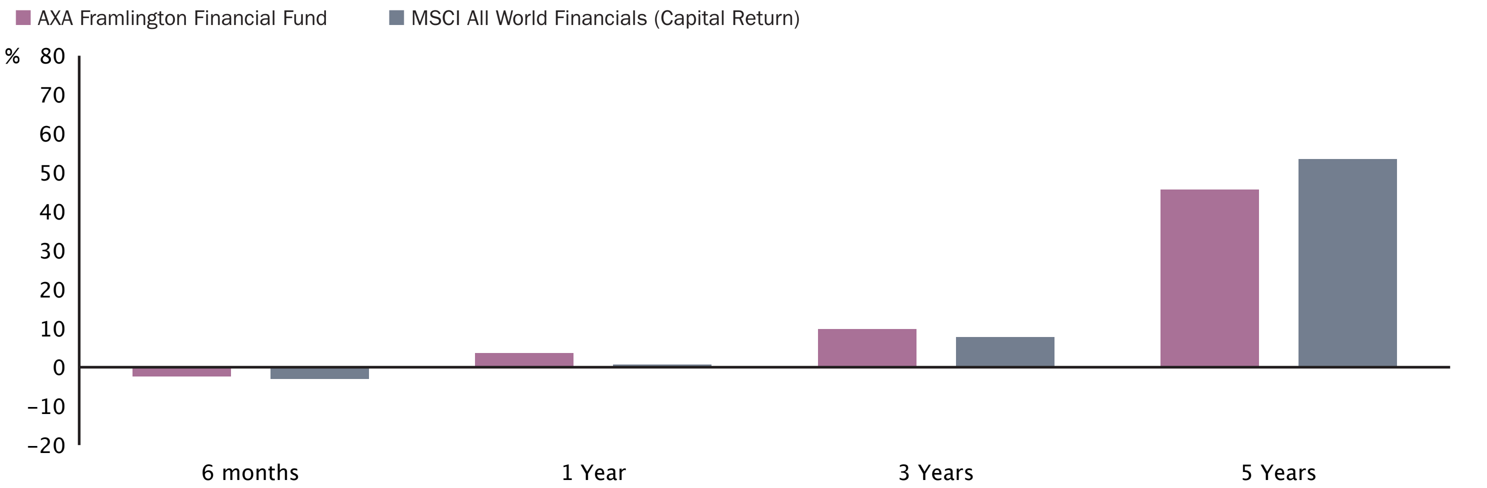
as at 15 April 2014



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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)
2009	R	Inc	329.2	173.1	7.415
2009	R	Acc	396.3	201.7	8.643
2010	R	Inc	345.6	267.3	1.227
2010	R	Acc	416.0	322.9	1.476
2011	R	Inc	338.1	219.8	4.691
2011	R	Acc	408.5	268.4	5.770
2012	R	Inc	307.1	240.3	4.248
2012	R	Acc	383.4	295.5	5.173
2012#	Z	Acc	110.7	90.90	1.369
2013	R	Inc	376.3	290.0	2.801
2013	R	Acc	470.9	362.1	3.501
2013	Z	Acc	136.9	110.2	2.033
2014*+	R	Inc	382.5	336.7	0.512
2014*+	R	Acc	481.7	424.1	0.645
2014*+	Z	Acc	140.2	130.1	0.704

*Highest offer and lowest bid price quoted at any time in the calendar year and * to 15 April 2014.*
+ Distribution to 15 June 2014. # Launched 16 April 2012

Net asset value record

Unit class	Unit type	Net asset value per unit as at 15 Apr 2014 (pence)	Net asset value per unit as at 15 Apr 2013 (pence)
R	Inc	339.0	326.7
R	Acc	427.6	409.5
Z *	Acc	131.0	124.8

** Launched 16 April 2012. Please note, that the NAV prices shown above are different from the results prices as at 15.04.14. 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). If you would like any additional information about the Fund you can request a free of charge 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.

Top ten holdings as at 15 April 2014

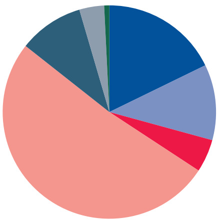
Company	Sector	%
Wells Fargo	US Equities	6.22
JPMorgan Chase	US Equities	5.86
American Express	US Equities	4.91
Toronto-Dominion Bank	Canadian Equities	4.89
Discover Financial Services	US Equities	4.06
BlackRock	US Equities	3.83
AIA	Hong Kong Equities	3.70
Prudential	UK Equities	3.66
TD Ameritrade	US Equities	3.60
Citigroup	US Equities	3.59

Top ten holdings as at 15 April 2013

Company	Sector	%
JPMorgan Chase	US Equities	5.26
HSBC	UK Equities	5.18
Wells Fargo	US Equities	4.27
Toronto-Dominion Bank	Canadian Equities	4.03
Sumitomo Mitsui Financial	Japan Equities	4.01
American Express	US Equities	3.93
AIA	Hong Kong Equities	3.22
Swedbank 'A'	Swedish Equities	3.13
Discover Financial Services	US Equities	3.12
Hongkong Land	Hong Kong Equities	3.08

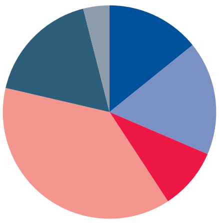
Portfolio breakdown

as at 15 April 2014



Sector	%
United Kingdom	17.78
Europe (ex United Kingdom)	11.47
Japan	4.99
North America (incl. Canada)	51.39
Asia Pacific ex-Japan*	9.83
Emerging Markets **	3.76
Net Current Assets	0.78

as at 15 April 2013



Sector	%
United Kingdom	14.22
Europe (ex United Kingdom)	17.27
Japan	9.34
North America (incl. Canada)	37.91
Asia Pacific ex Japan*	17.42
Emerging Markets**	3.98
Net Current Liabilities	(0.14)

* Asia Pacific ex-Japan includes Hong Kong, Singapore, South Korea and Australia.
** Emerging Markets includes Brazil, China, India, Indonesia, Russia, Peru, Mexico and Turkey.
All data, source: AXA Investment Managers as at 15 April 2014

Important information

Authorised Fund Manager and Investment Manager
AXA Investment Managers UK Limited
7 Newgate Street
London, EC1A 7NX
Authorised and regulated by the Financial Conduct Authority.

Trustee
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Trustee and Depositary Services
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Dealing and Correspondence
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IFA dealing & enquiries
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Our lines are open Monday to Friday between 9am and 5:30pm

Independent Auditor
Ernst & Young LLP
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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.

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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