Short Report

AXA Framlington
An AXA Investment Managers Expertise

AXA Framlington Managed Balanced Fund

For the year ended 31 December 2013

AXA Framlington is a leading equity expertise within the AXA Investment Managers Group, with teams based 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 £54.0 billion (as at 31 December 2013).

Investment objective and policy

Capital growth through investment in a broad range of securities in all or any economic sectors in all or any parts of the world which, in the manager's opinion, show above average profitability, management quality and growth, balancing risk and returns for investors.

Results

Unit Class	Unit Type	Price at 31.12.12 (p)	Price at 31.12.13 (p)	Unit Class Performance	Comparative Benchmark ^
R	Acc**	258.6	303.9	17.52%	16.10%
Z	Acc**	106.1	125.4	18.19%	-
ZI*	Acc**	n/a	102.2	n/a	-
R	Inc***	178.6	207.4	16.13%	-
Z	Inc***	106.0	123.7	16.70%	-
ZI*	Inc***	n/a	102.2	n/a	-

* Launched 9 December 2013 ** Acc units include net income reinvested, total return *** Inc units do not include net income reinvested, capital return. Benchmark: ^ CAPS Balanced Pooled Fund Median. Past performance is not a guide to future returns. Source of all performance data: AXA Investment Managers, and Lipper, bid to bid, to 31 December 2013.

Review

During 2013 the systemic risks in Europe reduced, growth in the US and the UK improved and Japan embarked on a very aggressive monetary stimulus programme. This was particularly good for equities in the developed markets, although emerging markets and the Pacific ex Japan region lagged. The US market was the strongest in sterling terms, returning +30.1%. UK equities returned +20.8%, which was close to the +21.4% of global equities. The US Federal Reserve (the Fed) finally started to taper quantitative easing (QE) in December, which was well received by equities, although bond yields rose. The issue of tapering first arose in May following comments from Ben Bernanke, the chairman of the Fed, and precipitated a sharp sell-off in June of both bonds and equities. When the decision was finally made, however, investors were reassured that growth was strong enough for that support to be reduced gradually.

The Fund's return of +17.5% was encouraging in absolute terms, and also modestly ahead of the comparative benchmark. The Fund's outperformance was largely driven by stock selection, particularly of UK and Japanese equities. In bonds, we outperformed modestly in the UK and significantly overseas where we only held short-dated German bunds. In addition, being very underweight in overseas bonds, where returns were negative, proved beneficial.

In UK equities, as we commented in the interim review, a number of more domestic situations outperformed significantly, such as ITV (+93.9%), BT (+68.8%), Barratt Developments (+70.4%), Persimmon (+64.0%), BTG (+74.5%), Daily Mail & General (+76.6%), Lloyds Banks (+63.5%), Legal & General (+60.1%), London Stock Exchange (+62.7%), St Modwen (+63.9%) and Schroders (+56.7%). Vodafone (+61.8%) benefitted from the sale of its half-share in Verizon Wireless for a very good price. Ashtead (+81.4%), the plant hire company, traded very strongly in the US. Financial services company,

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St James's Place (+76.8%), is growing very strongly, while its share price also benefitted from the sale of Lloyds Banks's holding, which had been hanging over the market. GKN (+66.7%) was re-rated following good results and as the percentage of aerospace profits has increased - investors value them more highly that those from automotive. On the negative side, both oils and miners were poor performers, although miners rallied modestly in the second half of the year. Debenhams (-33.5%) disappointed due to poor sales early in the year following poor weather, and again during the most recent Christmas trading period. Standard Chartered Bank (-10.6%) was hit by worries about Asian growth, and more recently by concerns about its capital position. When Imagination Technologies (-56.9%) produced disappointing sales, this small holding was sold. The UK portfolio returned +29.2%, which was well ahead of the comparative benchmark's +20.8%.

In Europe, we saw systemic risks decline again and tentative signs of an improving economic outlook, albeit a modest one. The borrowing costs of the most indebted nations fell sharply. Investors returned to quality growth stocks, many with an international bias, and our portfolio performed satisfactorily following a difficult period in the first few months of the year when cyclical or more domestic stories were favoured. During the year overall, the European portfolio returned +27.4% compared with the comparative benchmark's +26.3%. Following the sharp re-rating of European equities over the past 18 months, we need to see earnings forecasts achieved in 2014 for prices to make progress.

US markets enjoyed a strong run into the end of the year, with both the Dow Jones Industrial Average Index and the S&P 500 Index ending the year at all-time highs. These indices delivered their biggest annual gains since the late 1990s as investors were encouraged by consistent improvement in economic data over the year, with manufacturing, housing and employment data all pointing towards economic expansion. Over the year, the private sector successfully picked up the slack created by a government retrenching at both the national and state level. After months of speculation, the improvement in data led the Fed to announce that it was to begin winding down its bond buying programme. Further incremental cuts will follow at subsequent meetings, but such moves will be measured and dependent on continued economic progress. The Fed also extended the amount of time it plans to wait before raising its target for short term rates to "well past the time that unemployment declines below 6.5%." This commitment means we are unlikely to see rate increases until well into 2015. The US portfolio continues to be constructed by means of a bottom-up stock-picking approach, in which we attempt to identify those companies with strong secular (as opposed to merely cyclical) revenue growth characteristics. This typically results in the US portfolio having large positions in sectors such as technology, healthcare and consumer discretionary, as these are areas where innovation and new products or concepts thrive. The approach also results in the Fund possessing a relatively large number of mid-cap holdings. We are trying to identify those companies that are in the process of becoming much larger, rather than focussing solely upon those that are already large.

Japan was the strongest market in local currency terms, returning +54.8% as aggressive QE, designed to end deflation and boost growth, began to have an impact on the domestic economy. The weakness of the yen, however, wiped out over half of the local currency return. Our overweight position in mid-cap companies, many with a more domestic bias, was unhelpful in the early weeks of the year, but subsequently proved very beneficial. For the year overall, we returned +32.1% compared with the comparative benchmark's +25.0% in sterling.

Emerging markets and Pacific ex Japan continued to underperform. Investors remained nervous about the progress of structural reform in China, while the prospect of less QE, and its likely end sometime in 2014, has negative implications for the weaker emerging economies. Our emerging markets Fund performed poorly in both absolute and relative terms, returning -6.4% compared with the benchmark's -4.1%, but was marginally better than the peer group of such funds, which returned -7.1%. In the Pacific our stock selection in Australia and Hong Kong was disappointing, so our total return of +0.9% was behind the comparative benchmark's +2.7%.

This was a poor year for bond markets, with the prospect of tapering producing negative sentiment and very low yields on offer from most government bonds. In the UK, index-linked stocks performed well initially, but lagged subsequently when the inflation data improved. Our UK gilts holdings returned -3.1%, which was marginally ahead of the comparative benchmark's -3.9%. In overseas bonds we remained underweight and only invested in short-dated German bunds, which returned +2.4% compared to the comparative benchmark's -6.4%. The bund return was due to the appreciation of the euro.

Outlook

In the developed economies economic growth should be stronger, but still below trend. Recent data from the US, UK and Japan looks encouraging, but Europe is likely to remain the laggard as they have been slow to deal with many structural issues concerning their budget deficits and banking system. Emerging economies also have structural issues, but should nevertheless grow more rapidly than the developed world. Equity markets have seen a major re-rating during the past two years even though company earnings have not grown. For equity markets to make progress in 2014 we need to see earnings growth. We do expect that to be achieved, but as sterling's strength will prove a headwind, we would be surprised if equity returns are as good as those in 2013. Bond yields look likely to edge higher as US QE is gradually withdrawn and growth appears to be sustainable. Bonds, therefore, remain an unattractive asset class. We do not expect interest rates to rise in 2014.

Richard Peirson

22 January 2014

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

Risk and reward profile

The Fund invests in a wide range of securities, both in the UK and overseas and may therefore hold currencies other than sterling. As a result, exchange rate movements may cause the value of investments to fall or rise. The Fund invests a proportion of its assets in smaller companies which offer the possibility of higher returns but may also involve a higher degree of risk. The Fund may also invest in emerging markets which may involve a higher degree of risk than investing in established markets due to heightened geopolitical risk and potential large currency volatility. Investors should consider carefully whether this investment risk is suitable for them. 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 are subject to some levels of variation, which may result in gains or losses.

Additional risks
Interest Rate Risk: Credit and fixed interest securities are the debts of governments or companies, generally in the form of bonds. These securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of securities tends to fall, and vice versa. Inflation will also reduce the real value of securities over time. The value of a security will also fall if the issuer is unable to repay their debt or has a credit rating downgrade or if there is less of an appetite generally in the market for bonds carrying credit risk.

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, change in laws or restrictions applicable to such investments, changes in exchange control regulations or price volatility.

FUND FACTS

Lead Fund manager	Richard Peirson
Sector	IMA Mixed Investment 40-85% Shares
Comparative Benchmark	CAPS Balanced Pooled Fund Median
Launch date	31 Dec 1992
Fund size at 31 Dec 2013	£576m
Fund size at 31 Dec 2012	£416m
Minimum investments	
Lump sum	R: £1,000 Z: £100,000 ZI: £50,000,000
Subsequent	R: £100 / Z: £5,000 / ZI*: £1,000
Net Yield	
R Inc / R Acc	0.87% / 0.87%
Z Inc / Z Acc	1.48% / 1.48%
ZI Inc* / ZI Acc*	1.62% / 1.62%
Unit type	Inc/Acc
Number of stocks	189
Initial charge	R: 5.25% / Z: 0.00% / ZI: 0.00%
Annual Management Charge	R: 1.25% / Z: 0.625% / ZI: 0.50%
Ongoing charges	
R Inc / R Acc	1.32% / 1.32%
Z Inc / Z Acc	0.70% / 0.70%
ZI Inc* / ZI Acc*	0.56% / 0.56%
Accounting dates (interim)	30 Jun
Accounting dates (annual)	31 Dec
Distribution dates (annual)	28 Feb

*All data, source: AXA Investment Managers as at 31 December 2013. *Share class launched 9 December 2013.*

Top five purchases

For the year ended 31 December 2013
Bundesobligation 0.25% 2018
AXA Framlington Emerging Markets Fund
UK Treasury 2.5% I/L 2024
Bundesschatzanweisungen 0.75% 2013
Wolseley

Top five sales

For the year ended 31 December 2013
Bundesschatzanweisungen 0.75% 2013
AXA Framlington Japan Smaller Companies Fund
Barratt Developments
Allergan
Link

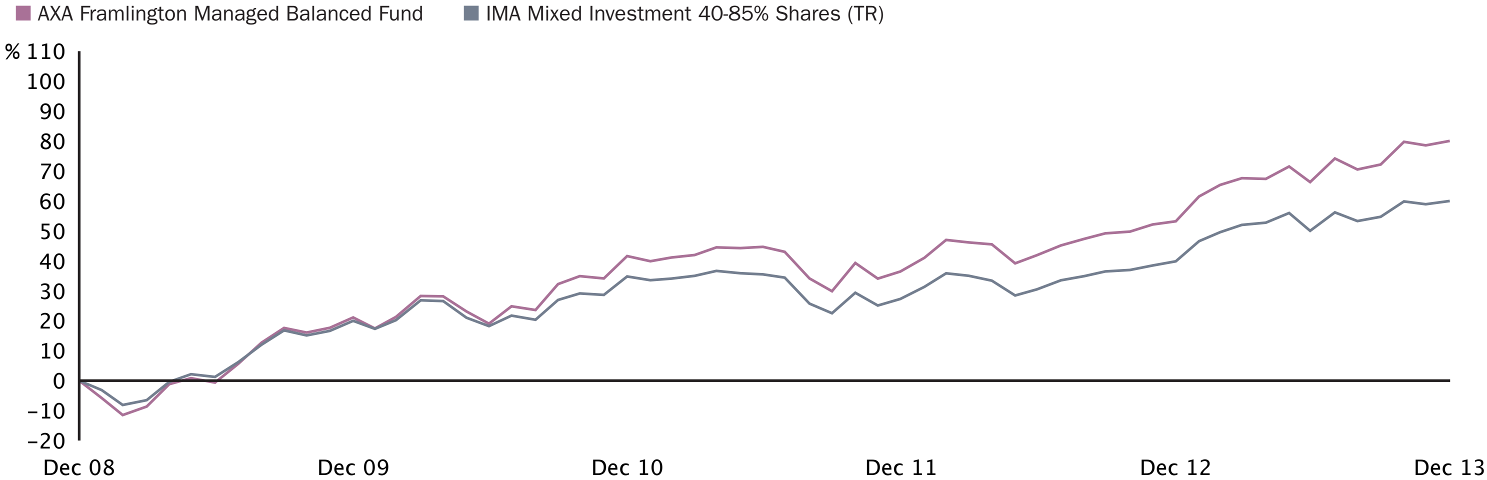
Five year discrete annual performance %

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
21.08%	16.92%	-3.63%	12.29%	17.52%

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

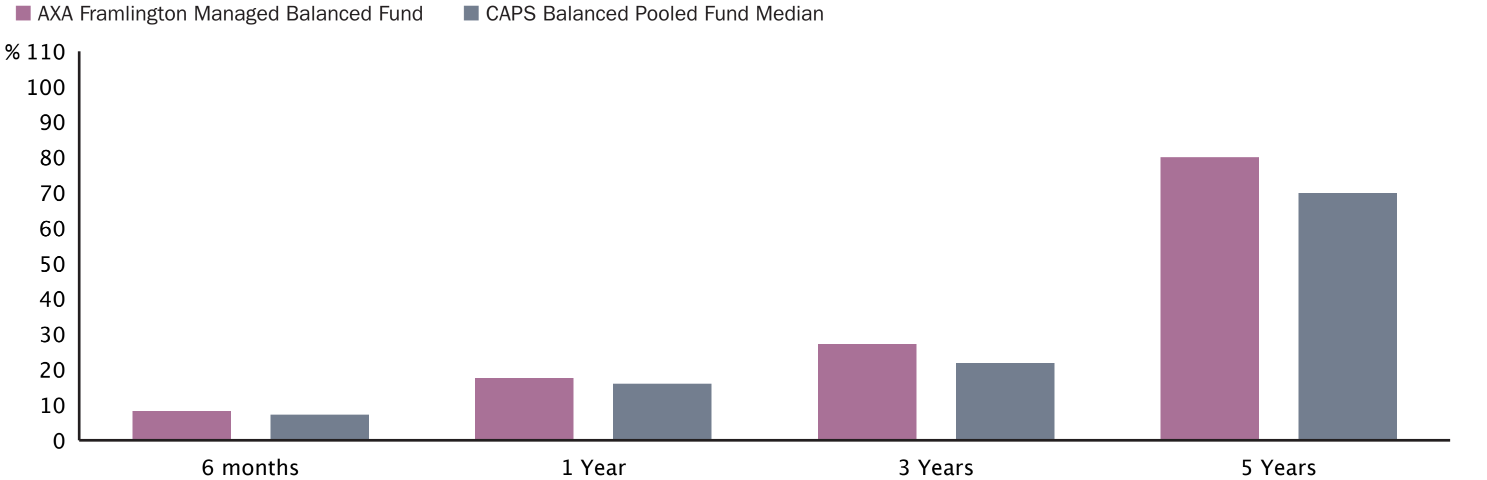
Cumulative fund performance versus comparative benchmark

as at 31 December 2013



Past performance is not a guide to future returns. Sources: AXA Investment Managers and Lipper as at 31 December 2013. Basis: Bid to bid, with net income reinvested, net of fees in GBP. Please note, the CAPS Balanced Pooled Fund Median does not publish series data; therefore the IMA sector median has been used as a comparison. Performance is representative of R Acc class.

as at 31 December 2013



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

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	154.8	102.5	2.445
2009	R	Acc	218.8	142.2	3.398
2010	R	Inc	180.0	138.7	1.809
2010	R	Acc	254.4	196.1	2.556
2011	R	Inc	185.3	148.9	2.233
2011	R	Acc	264.8	212.7	3.187
2012	R	Inc	190.3	160.0	2.113
2012	R	Acc	275.6	232.0	3.005
2012	Z	Inc	107.1	94.68	1.411
2012	Z	Acc	107.1	94.68	1.422
2013~+	R	Inc	219.9	178.6	1.849
2013~+	R	Acc	322.3	261.7	2.709
2013~+#	Z	Inc	124.4	105.9	1.835
2013~+#	Z	Acc	125.9	107.3	1.859
2013^+*	ZI	Inc	102.4	100.5	-
2013^+*	ZI	Acc	102.4	100.5	-

Highest offer and lowest bid price quoted at any time in the calendar year and ~ to 31 December 2013 ^ or since launch to 31 December 2013. + Distribution to 31 December 2013. # Launched 16 April 2012. Launched 9 December 2013.*

Net asset value record

Unit class	Unit type	Net asset value per unit as at 31 Dec 2012 (pence)	Net asset value per unit as at 31 Dec 2013 (pence)
R	Inc Net	176.7	205.7
R	Acc Net	259.0	304.2
Z #	Inc Net	104.6	121.8
Z #	Acc Net	106.1	125.3
Z *	Inc Net	n/a	102.2
Z *	Acc Net	n/a	102.2

*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, notional dealing charges are removed). Basis: bid to bid. # Launched 16 April 2012. * Launched 9 December 2013.*

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 31 December 2013

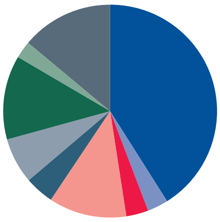
Company	Sector	%
AXA Framlington Emerging Markets Fund	Emerging Markets Country Funds	3.35
Bundesobligation 0.25% 2018	German Government Stocks	2.62
UK Treasury 5% 2025	UK Government Stocks	1.83
UK Treasury 2.5% I/L 2020	UK Government Inflation-Linked Stocks	1.81
Vodafone	UK Equities	1.70
HSBC	UK Equities	1.69
BP	UK Equities	1.60
UK Treasury 2.5% I/L 2024	UK Government Inflation-Linked Stocks	1.48
GlaxoSmithKline	UK Equities	1.47
Rio Tinto	UK Equities	1.13

Top ten holdings as at 31 December 2012

Company	Sector	%
AXA Framlington Emerging Markets Fund	Emerging Markets Country Funds	3.08
UK Treasury 5% 2025	UK Government Stocks	2.54
Bundesschatzanweisungen 0.75% 2013	German Government Stocks	2.37
HSBC	UK Equities	2.19
UK Treasury 2.5% I/L 2020	UK Government Inflation-Linked Stocks	1.97
GlaxoSmithKline	UK Equities	1.55
Vodafone	UK Equities	1.43
Royal Dutch Shell 'B'	UK Equities	1.41
BP	UK Equities	1.31
Diageo	UK Equities	1.31

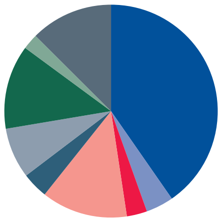
Portfolio breakdown

as at 31 December 2013



Sector	%
UNITED KINGDOM	41.05
ASIA/PACIFIC (EX JAPAN)	3.17
EMERGING MARKETS	3.35
EUROPE (EX UK)	11.78
JAPAN	4.41
UK BONDS	6.95
NORTH AMERICA	12.77
OVERSEAS BONDS	2.62
NET CURRENT ASSETS	13.90

as at 31 December 2012



Sector	%
UNITED KINGDOM	40.35
ASIA/PACIFIC (EX JAPAN)	4.19
EMERGING MARKETS	3.08
EUROPE (EX UK)	13.07
JAPAN	3.96
UK BONDS	7.69
NORTH AMERICA	12.78
OVERSEAS BONDS	2.37
NET CURRENT ASSETS	12.51

All data, source: AXA Investment Managers

Important information

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

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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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