

**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 £53.5 billion (as at 30 November 2013).

## AXA Framlington Managed Income Fund

### For the year ended 15 December 2013

#### Investment objective and policy

To generate a high level of income with capital growth. Investment will be principally in convertible securities, corporate bonds and other fixed income securities (including government securities) of predominantly, but not exclusively, UK issuers. Investment will be in convertible and fixed interest securities which, in the Manager's opinion, have yield and value characteristics which create attractive total return potential. The Manager may also invest, to a limited extent, in ordinary shares.

#### Results

Unit Class	Unit Type	Price at 15.12.12 (p)	Price at 15.12.13 (p)	Fund Performance	Comparative Benchmark
R(n)	Acc*	703.8	776.9	10.39%	3.34%^
R(g)	Acc*	114.0	127.3	11.67%	3.34%^
Z(n)	Acc*	109.7	121.9	11.12%	3.34%^
Z(g)	Acc*	110.9	124.5	12.26%	3.34%^
R(n)	Inc**	130.8	136.7	4.51%	1.66%^
R(g)	Inc**	104.1	108.8	4.51%	1.66%^
Z(n)	Inc**	107.4	113.1	5.31%	1.66%^
Z(g)	Inc**	108.2	113.7	5.08%	1.66%^

\* Acc units include net income reinvested, total return. \*\* Inc units do not include net income reinvested, capital return dividends excluded. ^ IMA Sterling Strategic Bond (Total Return) Index. ^^ IMA Sterling Strategic Bond (Capital Return) Index. Past performance is not a guide to future returns. Source of all performance data: AXA Investment Managers and Lipper to 15 December 2013.

#### Review

During the Fund's year, economic developments began to lose the ability to shock investors. That said, it was not a year without significant policy moves and turmoil. The biggest policy change occurred in Japan, which adopted a policy of aggressive quantitative easing (QE) in an attempt to break the hold of deflation over the economy. This led to a large fall in the yen, with its value against the US dollar plunging by more than 20% during the year. As the year finished, the fall in the currency helped engineer some modest inflation.

The US economy produced steady, unspectacular growth, which occurred despite significant headwinds produced from lower US government spending. In March, spending was restricted by mandated cuts under legislation called sequestration in response to the failure of politicians to reach a budget agreement. In addition to this headwind, the economy in October had to deal with a shutdown in government from a continued failure to reach a budget agreement, and a protracted fight over raising their debt ceiling. The latter was averted, which prevented the possibility of the US defaulting on paying interest on their bonds. At the Fund's year-end there was progress, with an agreement being reached shortly after. Growth in the US was bolstered by low energy prices arising from the shale gas boom, which is encouraging companies to relocate manufacturing facilities back to the US. On top of this there was a recovery in the housing market, where prices had fallen to levels that were extremely affordable. Credit conditions also improved as banks became more confident that their balance sheets

# AXA Framlington Managed Income Fund

## For the year ended 15 December 2013

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were in a good state.

The US Federal Reserve (the Fed) continued to provide support by continuing to purchase bonds under their QE programme. Speculation as to when they would begin to reduce their purchases (tapering), however, caused a period of bond weakness towards the end of the Fund's first half. Nevertheless, this burst of volatility appeared to prepare investors, with the actual onset of tapering in December being met calmly .

The Chinese economy continued to register good growth, albeit at slower rates than in the past. Its new 10-year government plan is an attempt to steer the economy away from investment-led growth to a consumption-driven economy. The investment drive had been the key force behind rising commodity prices; any reduction of these pressures should help reduce inflationary pressures.

European economies continued to struggle, but survived the requirement to bail out Cyprus. The French economy in particular struggled as the policies of its socialist president did not engender the confidence of businesses. Next year sees Europe-wide elections to the European parliament, which could see a rise in representation of Eurosceptic parties. Time will tell what impact that would have.

The surprise economy during the Fund's year was that of the UK. At the start of the year there were fears that the economy was stuck in a no-growth phase, with many economists calling for a change in economic policy. Buoyed by a rising housing market, however, economic growth surprised on the upside as numbers employed hit record levels. Despite the new Bank of England governor facing the prospect of calls to raise interest rates from the current very low levels, this is likely to be resisted as sterling has responded to the pick-up in growth by rising markedly, helping to reduce inflation so it is closer to the Bank's target.

Holders of US and UK government bonds lost money during the Fund's year as long-term interest rates rose from very low levels. Corporate bond holders fared better as spreads narrowed, but still saw modest positive returns.

The Fund performed well during the year with the accumulation units registering a rise of 10.39% in comparison with the comparative benchmark's 3.34% rise. As investors became more comfortable with the economic background, financially-related bonds continued to recover. Bonds associated with the Phoenix group in particular were strong after their equity fund raising, but other good performers

included Brit insurance, Kensington Group and Society of Lloyds bonds.

Outside of financials there were good increases in Skyepharma and T. Cook bonds on the back of their improving financial progress. In contrast, ATU Auto bonds collapsed as they entered a financial reconstruction, while Invista European Real Estate performance was weak due to concerns regarding their banking facilities. Our holding in Small Companies Dividend Trust rose by around 70% during the year on the back of a strong rise in the underlying assets.

During the year, the Fund purchased new holdings in AD Funding, Arrow Group, Intermediate Capital, International Personal Finance, ITV, National Grid, Pendragon, Premier Oil, Prudential and Scottish Widows bonds. Convertible holdings were acquired in Ceramic Fuel Cells and JKK Oil & Gas. We achieved beneficial exposure to rising interest by buying NB Global Floating Rate and JP Morgan Senior Secured Loan Fund.

We converted our Alliance Pharma convertibles and sold the ordinary share holdings. The holding of Capital Shopping bonds was redeemed.

As bonds issued during earlier years at high yields are redeemed, there is on-going pressure on dividend payments. This is reflected in the distribution generated which fell by just under 7%. There is likely to be continued pressure on income generation as further higher yielding bonds are redeemed.

### Outlook

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The pace of economic growth is likely to pick up modestly, which should allow central banks to step back from QE. They are likely to be loath to hike interest rates until they are convinced that the recoveries are durable. With many bonds trading above par, the prospects of capital growth for bonds are limited. As always, credit quality will be a key factor in the generation of returns.

**George Luckraft**

**7 January 2013**

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

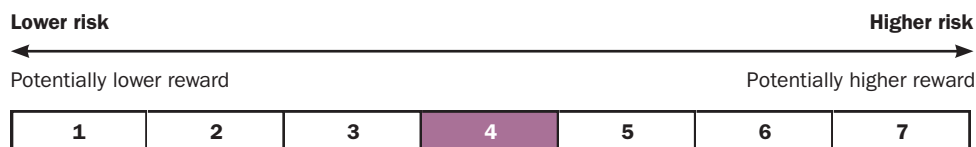
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# AXA Framlington Managed Income Fund

## For the year ended 15 December 2013

### Risk and reward profile

By investing in a fund which invests primarily in convertible securities, corporate bonds and other fixed income securities you are likely to be looking for an investment which will generate income with the potential for capital growth. You are willing to accept that investing in corporate bonds (including sub-investment grade debt) and convertible securities is higher risk than other investments such as government bonds and that your investment may fluctuate in value and that you could get back less than you invest. You should be willing to invest for a minimum of 5 years.



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.

The ACD monitors the credit quality and risk of the portfolio as a part of the overall investment process and in accordance with the objective and policy of the fund.

**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.

The ACD monitors the liquidity profile of the portfolio as a part of the overall investment process and risk oversight of the fund and mindful of market conditions.

### FUND FACTS

Lead Fund Manager	George Luckraft
Sector	IMA £ Strategic Bond
Comparative benchmark	IMA £ Strategic Bond
Launch date	27 Feb 1981
Fund size at 15 Dec 2013	£77m
Fund size at 15 Dec 2012	£57m
Minimum investments	
Lump sum	R: £1,000 Z: £100,000
Subsequent subscription	R: £100 / Z: £5,000
Net yield	
R Inc / Acc (net)	4.91% / 4.81%
R Inc / Acc (gross)	6.12% / 5.96%
Z Inc / Acc (net)	4.99% / 4.79%
Z Inc / Acc (gross)	6.22% / 6.22%
Unit type	Inc/Acc
Number of stocks	90
Initial charge	R: 5.25% / Z: 0.00%
Annual management charge	R: 1.00% / Z: 0.50%
Ongoing charges	
R Inc / Acc (net)	1.10% / 1.10%
R Inc / Acc (gross)	1.10% / 1.10%
Z Inc / Acc (net)	0.60% / 0.60%
Z Inc / Acc (gross)	0.60% / 0.60%
Accounting dates (interim)	15 Jun
Accounting dates (annual)	15 Dec
Distribution dates (interim)	15 May, 15 Aug, 15 Nov
Distribution dates (final)	15 Feb

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

### Top five purchases

#### For the year ended 15 December 2013

Pendragon 6.875% 01/05/20
Scottish Widows 5.5% 16/06/23
A2D Funding 4.75% 18/10/22
Premier Oil 5% 11/12/20
JPMorgan Senior Secured Loan Fund

### Top five sales

#### For the year ended 15 December 2013

Alliance Pharmaceuticals
INTU Properties 6.875% 05/03/13
Prudential 1.25% 16/11/15
Private & Commercial Finance 8% 2013
Schroder Real Estate Investment

# AXA Framlington Managed Income Fund

## For the year ended 15 December 2013

### Five year discrete annual performance %

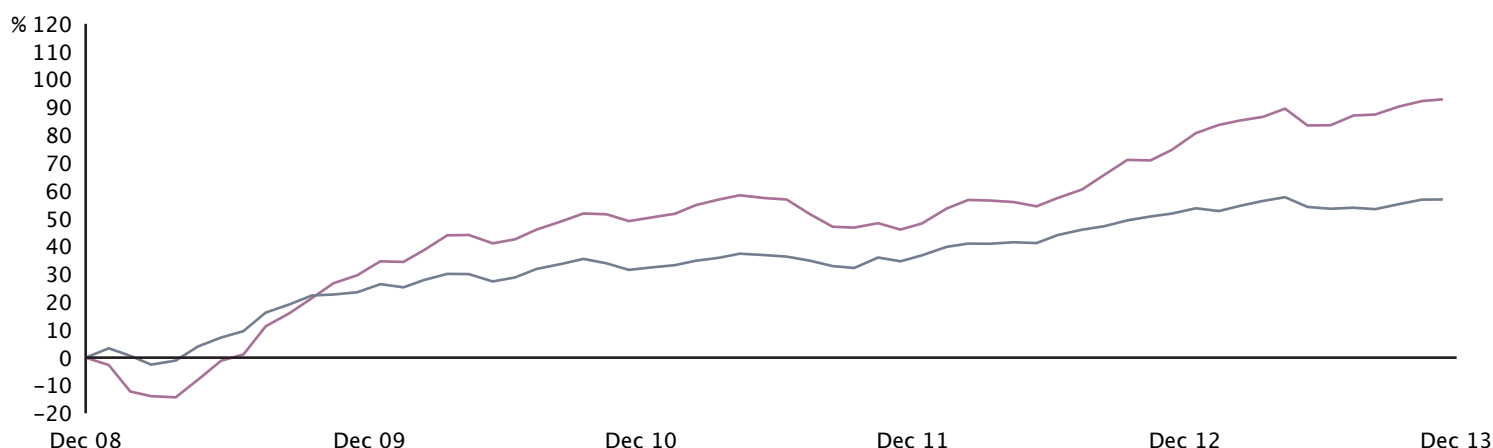
Dec 08 to Dec 09	Dec 09 to Dec 10	Dec 10 to Dec 11	Dec 11 to Dec 12	Dec 12 to Dec 13
29.60%	15.02%	-2.04%	19.65%	10.39%

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

### Cumulative fund performance versus comparative benchmark

as at 15 December 2013

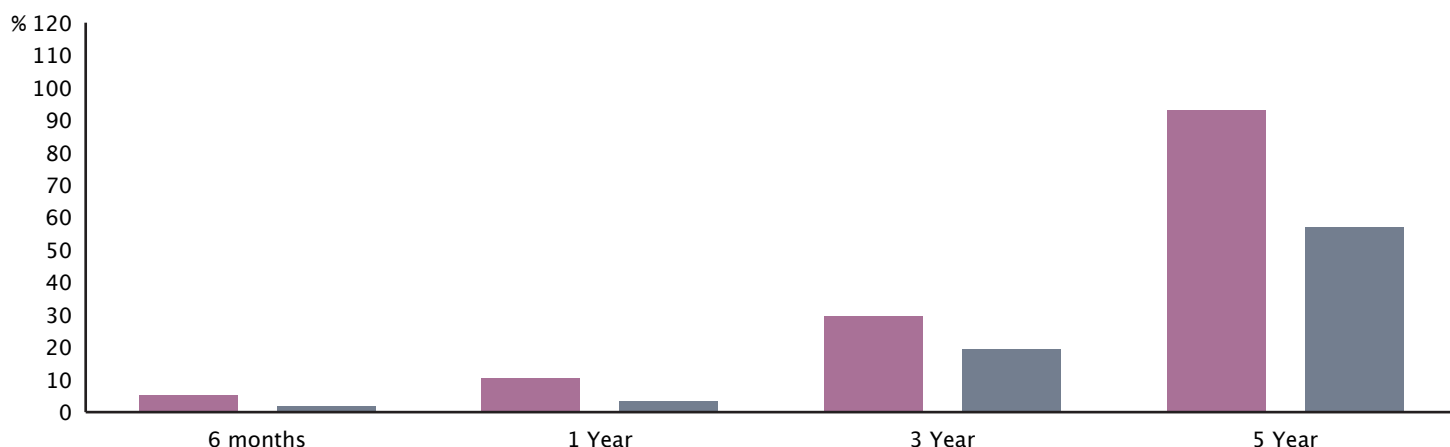
■ AXA Framlington Managed Income Fund ■ IMA £ Strategic Bond



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

as at 15 December 2013

■ AXA Framlington Managed Income Fund ■ IMA £ Strategic Bond



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

# AXA Framlington Managed Income Fund

## For the year ended 15 December 2013

### 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	161.2	93.51	8.618
2008	R	Acc	644.4	400.5	34.70
2009	R	Inc	126.6	76.77	6.789
2009	R	Acc	575.1	336.3	29.97
2010	R	Inc	139.5	113.7	6.735
2010	R	Acc	667.6	524.4	31.59
2011	R	Inc (net)	138.2	113.2	7.680
2011	R	Acc (net)	679.4	584.7	38.22
2011	R	Inc (gross)	107.1	89.72	3.437
2011	R	Acc (gross)	107.1	92.92	3.442
2012	R	Inc (net)	146.3	113.8	7.427
2012	R	Acc (net)	371.3	312.7	39.10
2012	R	Inc (gross)	110.8	90.23	7.359
2012	R	Acc (gross)	122.2	94.18	7.846
2012	Z	Inc (net)	111.3	95.68	3.882
2012	Z	Acc (net)	114.2	96.04	3.936
2012	Z	Inc (gross)	112.0	95.71	4.860
2012	Z	Acc (gross)	115.5	96.22	4.925
2013*+	R	Inc (net)	146.3	129.4	6.919
2013*+	R	Acc (net)	830.0	709.4	38.53
2013*+	R	Inc (gross)	116.3	102.8	6.870
2013*+	R	Acc (gross)	135.9	114.9	7.828
2013*+#	Z	Inc (net)	116.1	106.4	5.704
2013*+#	Z	Acc (net)	124.7	110.7	6.028
2013*+#	Z	Inc (gross)	116.8	106.5	7.149
2013*+#	Z	Acc (gross)	127.6	111.9	7.655

Highest offer and lowest bid price quoted at any time in the calendar year and \* to 15 December 2013.

+ Distribution paid 15 December 2013. # Launched 16 April 2012

### Net asset value record

Unit class	Unit type	Net asset value per unit as at 15 December 2013 (pence)	Net asset value per unit as at 15 December 2012 (pence)
R	Inc (net)	134.8	128.7
R	Acc (net)	776.9	704.4
R	Inc (gross)	107.0	102.1
R	Acc (gross)	127.2	113.9
Z #	Inc (net)	111.5	105.8
Z #	Acc (net)	121.9	109.8
Z #	Inc (gross)	111.4	105.8
Z #	Acc (gross)	124.5	110.8

# Launched 16 April 2012.

### 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 free of charge. For a copy of this, please contact our dedicated customer services team on 0845 777 5511.

#### Net asset value record

Please note, that the NAV prices shown in the table are different from the Results prices as at 15 December 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).

# AXA Framlington Managed Income Fund

## For the year ended 15 December 2013

### Top ten holdings as at 15 December 2013

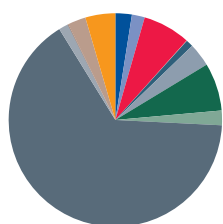
Company	Sector	%
Legal & General 6.385% Perpetual Variable	Financials	2.77
HSBC Funding FRN Perpetual	Financials	2.76
Phoenix Life 7.25% 23/07/49	Financials	2.68
Premier Farnell	Industrials	2.66
Barclays Bank 6% Perpetual Variable	Financials	2.41
Beazley 7.25% 17/10/26	Industrials	2.23
Cable & Wireless 8.625% 25/03/19	Telecommunications	2.22
Thomas Cook 7.75% 22/06/17	Consumer Services	2.11
Society of Lloyds FRN Perpetual	Financials	2.10
Brit Insurance 6.625% 09/12/30 Variable	Financials	2.10

### Top ten holdings as at 15 December 2012

Company	Sector	%
Legal & General 6.385% Perpetual Variable	Financials	3.05
Premier Farnell	Industrials	3.05
Phoenix Life 7.25% 23/07/49	Financials	2.96
Beazley 7.25% 17/10/26	Industrials	2.93
Barclays Bank 6% Perpetual Variable	Financials	2.89
Carador Income Fund	Financials	2.83
Cable & Wireless 8.625% 25/03/19	Telecommunications	2.82
Royal Sun Alliance 7.375% CIP	Financials	2.76
Barclays Funding 'B'	Financials	2.69
Investec 9.625% 17/02/22	Financials	2.62

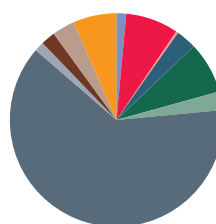
### Portfolio breakdown

as at 15 December 2013



Sector	%
Oil & Gas	2.49
Basic Materials	1.95
Industrials	7.20
Consumer Goods	0.06
Healthcare	1.08
Consumer Discretionary	3.55
Consumer Services	7.25
Telecommunications	2.22
Financials	65.40
Europe	1.44
Canada	0.07
USA	2.75
Net Current Assets	4.54

as at 15 December 2012



Sector	%
Oil & Gas	0.00
Basic Materials	1.46
Industrials	8.00
Consumer Goods	0.32
Healthcare	3.10
Consumer Discretionary	0.00
Consumer Services	7.81
Telecommunications	2.82
Financials	62.84
Europe	1.46
Canada	2.17
USA	3.44
Net Current Assets	6.58

All data, source: AXA Investment Managers

# AXA Framlington Managed Income Fund

## For the year ended 15 December 2013

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### Important information

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#### 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  
Younger Building  
1st Floor  
3 Redheughs Avenue  
Edinburgh, EH12 9RH

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#### Dealing and Correspondence

PO Box 10908  
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**0845 777 5511**

IFA dealing & enquiries

**0845 766 0184**

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**+44 1268 448667**

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

#### Independent Auditor

Ernst & Young LLP  
Ten George Street  
Edinburgh, EH2 2DZ

#### Registrar

AXA Investment Managers UK Limited  
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.

**0845 777 5511**

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

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All data sources: AXA Investment Managers unless otherwise stated.