AXA Framlington
An AXA Investment Managers Expertise

AXA Framlington UK Select Opportunities
For the year ended 15 September 2013

Investment objective and policy

To achieve capital growth by investing in companies, primarily of UK origin, where the Manager believes above average returns can be realised.

Results

Unit Class	Unit Type	Price at 15.09.12 (p)	Price at 15.09.13 (p)	Fund Performance	Comparative Benchmark
R	Acc*	2,308	2,766	19.84%	17.65%^
Z	Acc*	104.4	126.0	20.69%	17.65%^
ZI	Acc*	104.5	126.4	20.96%	17.65%^
R	Inc**	1,347	1,596	18.49%	13.58%^^
Z	Inc**	104.4	124.1	18.87%	13.58%^^
ZI	Inc**	104.6	124.4	18.93%	13.58%^^

* Acc units (incl. benchmark) include net revenue reinvested, total return. ** Inc units (incl. benchmark) do not include net revenue reinvested, capital return dividends excluded. ^ FTSE All Share (Total Return) Index. ^^ FTSE All Share (Capital Return) 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 September 2013.

Review

In our Interim Report, we commented that Washington and Brussels were equally reviled! Whilst politicians have ample opportunity to wreck an economic recovery, animal spirits will persist and perpetuate a business cycle. Even in the UK, as Disraeli remarked in 1852, "England does not love coalition." However, Simon Bond of Redburn Partners, one of our research-based stockbrokers, summed up the UK's improving position rather well. "Having grappled with rising bond yields and the appearance and disappearance of tapering, the new curve balls over stasis in the US budgetary process, and a mini profit warning from Unilever, refocused investors on the risk of both emerging markets and the foreign exchange component of company forecasts. When the UK becomes the Western world's poster child economy, we know that these are still not normal times!"

UK permanent salary inflation is the highest since February 2008 and temp wage inflation is not far off a five and a half year high, vacancies continue to rise at pace and candidates availability has fallen further. This augurs well for many of our UK-centric companies. It is interesting to note that only 26.3% of the All-Share Index aggregated revenues, by geography, come from the UK. The AXA Framlington UK Select Opportunities Fund holdings generate 30.3% of revenues from the UK.

Generally, low global growth and interest rates have focused attention on company returns. Shareholder value originally rose to prominence to solve what Adam Smith called the "agency problem". This relates to the age old problem of managers or executives of a company potentially following a course of action that was favourable to them as a group, but detrimental, in the long run, to the company's beneficial owners – the shareholders. The recent problems of the banks, before and after the credit crunch, illustrate this well. Asymmetrical risk, between ever greater risk-taking by executives, to inflate annual bonuses, versus the shareholders long-term total returns, where, as a result, capital and dividends have

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).

INVESTMENT MANAGERS
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been lost or forgone.

We are seeing more and more companies wholly embracing and aligning themselves with “total shareholder returns” (TSR). This involves dialogue with shareholders regarding growth of earnings and dividends, special dividends and share buybacks. Companies we hold that, to use the words of that well known Private Eye gossip columnist, “Geddit” are Next, Wolseley, ITV, Dunelm, St James’s Place, Rotork, Vodafone, WPP, Elementis and Rightmove. We will not comment here on those that remain works in progress.

We often remind investors of our investment mantra: “Things will not necessarily get better or worse, but will become different.” Citigroup produce good research on disruptive innovation and the growth of new industries - e-cigarettes, 3D printing, mobile payments, software as a service (SAAS) and the cloud, genomics and personalised medicine, solar energy and gas to liquids, to mention a few.

Xaar, based in Cambridge, with manufacturing facilities in Huntingdon and Jarfalla, outside Stockholm in Sweden, is in one such disruptive industry and an innovative company. Xaar research, design and manufacture, digital inkjet printing heads. These are being used to reshape manufacturing processes in a wide variety of applications including wide-format graphics, labels, packaging, ceramic tile decoration, decorative laminates and outer case coding. In terms of the decorative tile market, this is a global industry producing 10.5 billion m2 ceramic tiles a year and is progressively moving away from analogue production to digital. Xaar believes it has captured 20% of the market and is converting 20% of the rest, per annum. Most of this manufacturing equipment is in Italy, Spain and China.

Another area of interest for its digital inkjet printheads is what is called “Direct to Shape”. Xaar has been working on this in research and development since 2006. As stated in Packaging Europe News “Printing full colour images and text directly onto glass, PET and metal containers is a highly efficient process. It cuts out materials and inventory, reduces time to market and avoids many of the costs associated with using labels or sleeves. Images and text can be fully variable if required so that each container can be unique for targeted marketing campaigns or traceability purposes. In addition, decoration can be applied easily to irregular-shaped and textured containers which can pose a challenge for traditional labels and sleeves.” Xaar has been collaborating with six German process manufacturing companies that, in September, exhibited products incorporating Xaar technologies at the Drinktec show in Munich. With labels often being a higher cost than the bottle, or even its contents, the cost saving using Xaar printheads would be similar to ceramic tiles. However, a tipping point is necessary for an industry to adopt digital printing.

Xaar is growing fast and its share price has risen by 230% in the year to 15 September 2013. We hold 9.6% of the issued share capital of the company in the Fund, This is a great example of how we invest in small companies and hold them for the long term. We have held the shares for over 10 years, helped when they have raised capital to expand, visited its manufacturing plants in the UK and Sweden and seen off two takeover attempts, particularly from US companies. Xaar has recently entered the FTSE 250 Index.

We mentioned in the Interim Report that we had visited Booker’s nascent cash and carry business in Mumbai. Another growth strategy unveiled in the summer by the company is the roll out of its Family Shopper discount convenience store concept. It tries to combine the best of the hard discounters, such as Aldi, and the soft discounters, such as Poundland and tries to fill the gaps they miss. These are typically housed in two thousand sq ft stores, and 85% of goods sold will come directly from Bookers, using its buying power and scale.

Change in any industry varies, especially when management teams are willing, or not, to embrace change. Retailers particularly demonstrate innovation and change when they are particularly close to, and can smell, the elephant in the room – namely the internet.

The internet of all things is changing many things. Mobile communication is exploding as device-makers multiply. Filtronic plc, in a recent company announcement, commented that, “Mobile data traffic doubled during 2012 and continues to grow rapidly. Increasing numbers of data hungry devices – smart phones, tablets, e-books etc., require video. Video applications are projected to grow at 60% per annum to 2018 and will represent over half of mobile data traffic by then.”

One of our successful investments that was borne out of the internet is Rightmove. It is the sixth most popular website in the UK and, during the first half of 2013, had 81% of market share online, compared to Zoopla with 16% and Prime Location with 3%. When they raised prices for estate agents again this year, only 10 left in response. Housing activity has picked up and mobile access is coming through strongly – 2 billion mobile page impressions in the first half of their year, out of a company total of 7.2 billion. As mentioned above, Rightmove expect to continue to return all free cashflow to shareholders following payment of a progressive dividend. Very strong cashflow will also continue to fund share buybacks. As the management team commented to us recently, “What else are we going to do with the cash? We do not want to go into another online industry or geography”.

The largest holding in the Fund is now ITV. We mentioned in the Interim Report that the investment was well timed in terms of its own recovery and that of the economy in general. National Advertising Revenue (NAR) for ITV looks like it could grow by 5% in the fourth quarter of 2013 and is now expected to grow by 5% for 2014. However, recent research from Credit Suisse has reinforced the attraction of its content, as produced by ITV Studios. Studios’ revenues from original commissions grew by 37% between 2010 - 2012 – the content pipeline probably having been replenished after a long period of underperformance when Studios’ revenues had fallen in the previous five years. Growth from distributing this content globally, where margins are estimated to be over 50%, would also add to profitability. Credit Suisse believes that if some of this content turned into global hits, like Downton Abbey or Mr Selfridge, then profitability would be significantly enhanced. Six recent bolt-on acquisitions bring optionality through diversification in terms of geography (three were in America), but also in terms of genre i.e. comedy.

Outlook

The influences buffeting equity markets since 2007 continue. Peter Marshall, the British philosopher, when contemplating the past, commented “When we long for life without difficulties, remind ourselves that oaks grow strong in contrary winds and diamonds are made under pressure!”

Some management teams can cope with change and willingly embrace total shareholder returns. It is in these companies that we will try to allocate our investors’ capital.

Nigel Thomas

14 October 2013

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

Risk and reward profile

The Fund invests principally in UK equities. The Fund may invest a proportion of its assets in smaller companies which offers the possibility of higher returns but may also involve a higher degree of risk. 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
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	Nigel Thomas
Sector	UK All Companies
Comparative Benchmark	FTSE All-Share Index (Total Return)
Launch date	31 Jan 1969
Fund size at 15 Sept 2013	£4,405m
Fund size at 15 Sept 2012	£3,358m
Minimum Investments (Lump sum)	R: £1,000 Z: £100,000,000 ZI: £100,000
Minimum subscription	R: £100 / Z: £5,000 ZI: £5,000
Net Yield	
R Inc / Acc	1.08% / 1.10%
Z Inc / Acc	1.73% / 1.75%
ZI Inc / Acc	1.83% / 1.85%
Unit type	Inc/Acc
Number of stocks	67
Initial charge	R: 5.25% / Z: 0.00% ZI: 0.00%
Annual management charge	R: 1.50% / Z: 0.85% ZI: 0.75%
Ongoing charges	
R Inc / Acc	1.57% / 1.57%
Z Inc / Acc *	0.92% / 0.93%
ZI Inc / Acc *	0.83% / 0.83%
Accounting dates (interim)	15 Mar
Accounting dates (annual)	15 Sep
Distribution dates (interim)	15 May
Distribution dates (annual)	15 Nov

*All data, source: AXA Investment Managers as at 15 September 2013. * Launched 16 April 2012*

Top five purchases

For the year ended 15 September 2013
HSBC
Dixons Retail
Wolseley
BSkyB
GlaxoSmithKline

Top five sales

For the year ended 15 September 2013
Pearson
BP
Diageo
Mitie
Vodafone

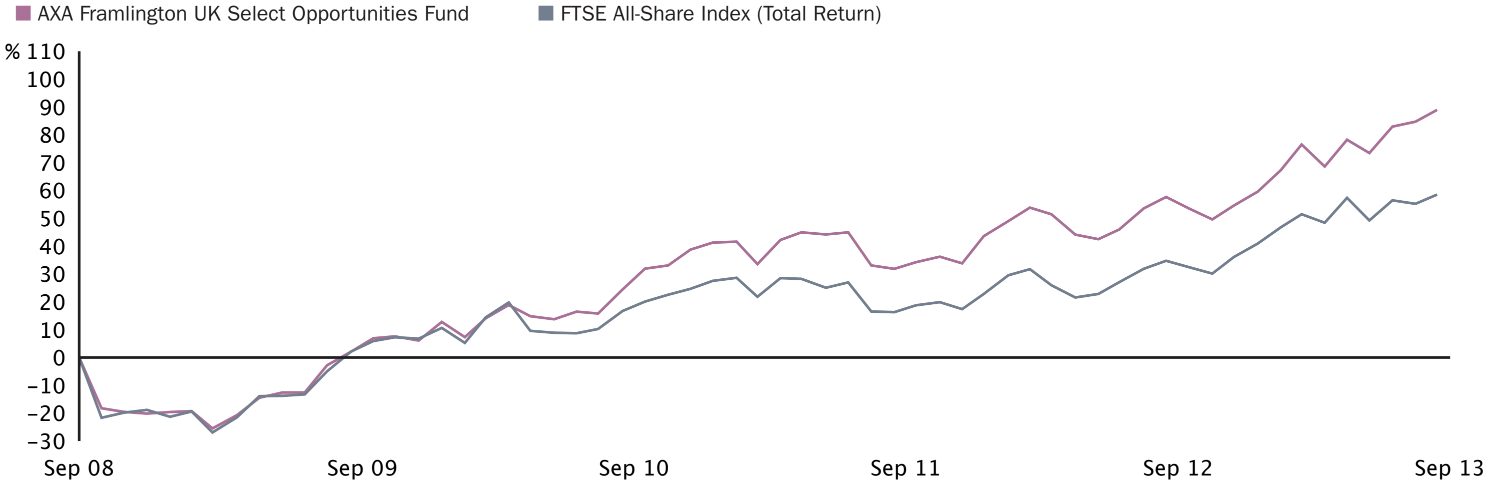
Five year discrete annual performance %

Sept 08 to Sept 09	Sept 09 to Sept 10	Sept 10 to Sept 11	Sept 11 to Sept 12	Sept 12 to Sept 13
2.06%	21.95%	5.92%	19.59%	19.84%

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

Cumulative fund performance versus comparative benchmark

as at 15 September 2013



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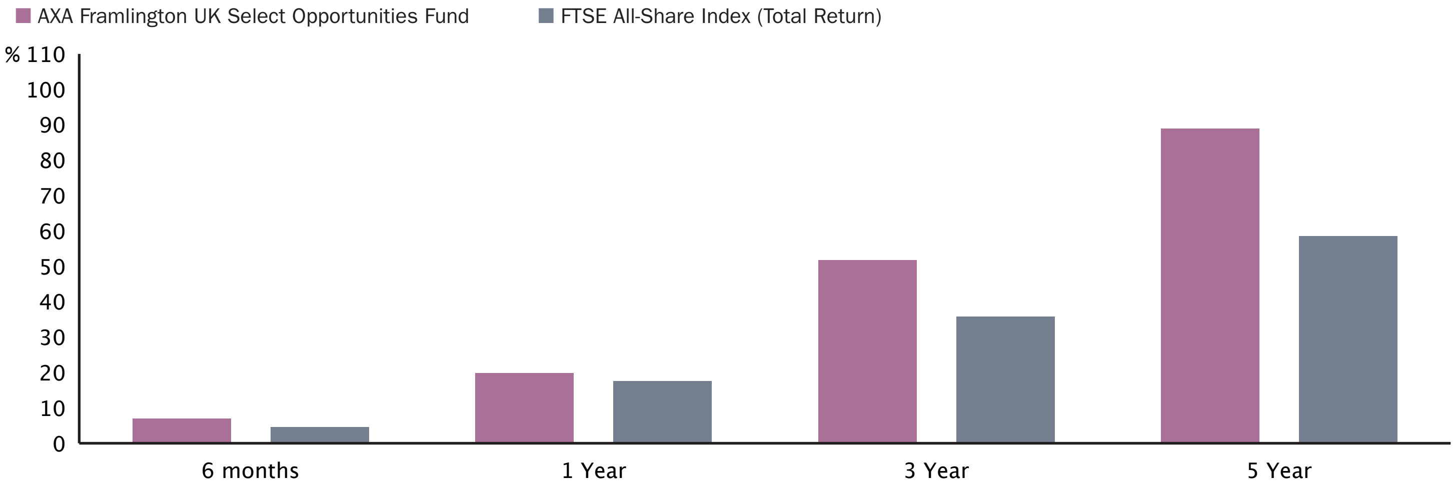
as at 15 September 2013



Past performance is not a guide to future returns. Sources: AXA Investment Managers and Lipper as at 15 September 2013. Basis: Bid to bid, with net revenue 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)
2008	R	Inc	1,121	626.5	12.394
2008	R	Acc	1,830	1,033	20.205
2009	R	Inc	1,024	622.5	15.667
2009	R	Acc	1,721	1,027	25.919
2010	R	Inc	1,290	921.8	9.647
2010	R	Acc	2,187	1,549	16.235
2011	R	Inc	1,377	1,042	11.146
2011	R	Acc	2,336	1,784	18.840
2012	R	Inc	1,433	1,184	15.049
2012	R	Acc	2,455	2,028	25.855
2012#	Z	Inc	105.6	91.51	1.183
2012#	Z	Acc	105.5	91.51	1.171
2012#	ZI	Inc	105.8	91.57	1.247
2012#	ZI	Acc	105.7	91.61	1.244
2013*+	R	Inc	1,700	1,329	15.046
2013*+	R	Acc	2,945	2,302	26.129
2013*+	Z	Inc	125.5	103.2	1.901
2013*+	Z	Acc	127.4	104.3	1.913
2013*+	ZI	Inc	125.7	103.4	2.007
2013*+	ZI	Acc	127.6	104.6	2.049

*Highest offer and lowest bid price quoted at any time in the calendar year and * to 15 September 2013. + Distribution to 15 November 2013. # Unit class launched 16 April 2012.*

Net asset value record

Unit class	Unit type	Net asset value per unit as at 15 Sept 2013 (pence)	Net asset value per unit as at 15 Sept 2012 (pence)
R	Inc	1,587	1,335
R	Acc	2,772	2,312
Z #	Inc	122.7	103.2
Z #	Acc	126.0	104.3
ZI #	Inc	122.9	103.4
ZI #	Acc	126.4	104.5

 # Launched 16 April 2012. Please note, that the NAV prices shown above are different from the results prices as at 15 September 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 Select Opportunities 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 Select Opportunities 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 September 2013

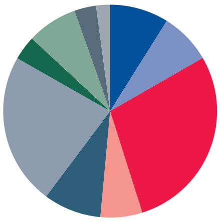
Company	Sector	%
ITV	Media	5.61
GlaxoSmithKline	Pharmaceuticals & Biotechnology	3.68
Wolseley	Support Services	3.46
Weir Group	Industrial Engineeering	3.24
GKN	Automobiles & Parts	3.20
Essentra	Support Services	2.95
HSBC	Banks	2.94
WPP	Media	2.85
Next	General Retailers	2.84
Travis Perkins	Support Services	2.72

Top ten holdings as at 15 September 2012

Company	Sector	%
Weir Group	Industrial Engineeering	3.95
Imagination Technologies	Technology Hardware & Equipment	3.74
GlaxoSmithKline	Pharmaceuticals & Biotechnology	3.15
Diageo	Beverages	2.99
Royal Dutch Shell 'B'	Oil & Gas Producers	2.97
ITV	Media	2.94
Hunting	Oil Equipment Services & Distribution	2.85
BG	Oil & Gas Producers	2.81
Experian	Support Services	2.76
Rotork	Industrial Engineeering	2.76

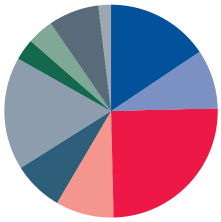
Portfolio breakdown

as at 15 September 2013



Sector	%
Oil & Gas	8.90
Basic Materials	7.77
Industrials	28.46
Consumer Goods	6.34
Health Care	8.74
Consumer Services	23.06
Telecommunications	3.67
Financials	7.65
Technology	3.30
Net Current Assets	2.11

as at 15 September 2012



Sector	%
Oil & Gas	15.58
Basic Materials	9.03
Industrials	25.01
Consumer Goods	8.82
Health Care	7.60
Consumer Services	17.17
Telecommunications	3.22
Financials	4.02
Technology	7.64
Net Current Assets	1.91

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

Important information

Authorised Fund Manager and Investment Manager
AXA Investment Managers UK Limited
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London EC1A 7NX
Authorised and regulated by the Financial Conduct Authority (formerly the Financial Services Authority).

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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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