Short Report

AXA Fixed Income
An AXA Investment Managers Expertise

AXA US Short Duration High Yield Fund
For the Year Ended 30 June 2013

AXA Investment Managers (AXA IM) is a dedicated investment manager within the AXA Group, a world leader in financial protection and wealth management. Our aim is to develop close relationships with our customers and to provide them with outstanding investment solutions backed up with exceptional customer service.

As a 'multi-expert' investment manager, we aim to offer investment expertise across a broad range of asset classes that few of our competitors can match, but we focus on specific areas within each asset class where we can add real value for our clients. Our total funds under management now exceed £487 billion. (Source: AXA IM as at 30 June 2013).

Investment objective and policy

The aim of this Fund is to provide high yield returns. The Fund aims to deliver a high level of income by investing generally in sub-investment grade, corporate debt securities, with a bias towards shorter maturities, issued by companies with their predominant place of business in the US. The Fund may also invest in transferable securities, derivatives, cash, deposits, units in collective investment schemes and money market instruments. Use may be made of stocklending, borrowing, cash holdings, hedging and other investment techniques permitted in the applicable Financial Conduct Authority Rules.

Results

Share Class	Share Type	Price at 30.06.13 (p)	Price at 30.06.12 (p)	Fund Performance	Comparative Benchmark
Z net	Inc	101.6	103.2	3.00%	N/A
Z net	Acc	113.9	110.9	2.98%	N/A
Z gross	Inc	102.8	103.8	4.00%	N/A
Z gross	Acc	118.4	113.4	3.97%	N/A
ZI net	Inc	101.7	103.3	3.34%	N/A
ZI net	Acc	114.7	111.3	3.41%	N/A
ZI gross	Inc	102.9	103.8	4.32%	N/A
ZI gross	Acc	119.5	114.1	4.29%	N/A

Past performance is not a guide to future returns. Source of all performance data: AXA Investment Managers and Lipper up to 30 June 2013. Please note, the AXA US Short Duration High Yield Fund has no official benchmark.

Review and outlook

Over the twelve months ending 30 June 2013, the AXA US Short Duration High Yield Fund returned +2.98% (Source: Lipper Hindsight, Z Acc net share class). Please note however, past performance is not a guide to future returns. The value of investments and the income from them is not guaranteed and can go down as well as up.

After a suboptimal performance in the second quarter (of 2012), forecasters favoured a bounce much closer to trend during quarter three. Unemployment would decline, incomes would rise, contributing to stronger personal consumption expenditures, and a continued improvement in the nation's residential housing market. Then again, concerns over the impending fiscal cliff at year end, continued uncertainty over fiscal and monetary policies in Europe and China's downshift in economic activity, all factored to scale back planned activity. As such, there was little improvement in overall employment, leading Federal Reserve policy makers to maintain their commitment to exceptionally low interest rates well into 2015, while concurrently announcing intentions to grow their balance sheet, each month, until some future point when comfortable that they are fulfilling one of their two mandates; fostering full employment – therefore letting concerns over inflation take a back seat. By quarter's end, the combination of July and August data, along with September's coincident indicators, suggested that economic activity did indeed exceed the 1.3% annualised growth in the second quarter.

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For some, fourth quarter economic data suggested an economy poised to slip once more into recession. Others, however, positioned that the effects of Hurricane Sandy, an uncertain outcome to the national elections and subsequent policy changes, were shifting, not eliminating, economic growth. Retail sales, industrial production and weekly unemployment claims clearly showed the off/on effect from the hurricane's landfall on the eastern seaboard of the US. On the other hand, reports gauging the pace of recovery in residential housing and the auto industry continued to be encouraging. That said, surveys capturing the mood in regional manufacturing centres showed signs of concern over the future direction of US fiscal policy and that global growth might linger well into the new year. Perhaps in response to such uncertainty, the Federal Reserve clearly re-stated its goal as achieving an acceptable level of unemployment, without reference to time. Nevertheless, when viewed in aggregate, the quarter's data depicts economic growth well below that of the previous quarter.

The pace of economic activity in the first quarter of 2013 arguably bore little resemblance to the sub-1% annualised rate recorded in the fourth quarter of 2012. Freed (although not entirely) from the prospect of draconian fiscal policy shifts (taxes) caused consumers and business to take heart. While employment gains continued, business inventory and capital expenditures resumed. Auto sales remained elevated and construction spending improved. All of which, helped drive the Dow Jones and S&P 500 to new highs, and also seemed to improve the consumer's willingness to spend, thus pushing retail sales to new record levels. That said, the litany of macroeconomic concerns, from tax increases to mandated federal spending cuts remained ever-present. And as such, policy makers at the Federal Reserve gave little public acknowledgement that the economy might be robust enough to scale back on their open market operations.

Suggesting that the US economy is achieving the Fed's 'substantial' level of improvement seems at present to be some way off. Yes, the positive trends in employment, housing and consumption remained evident over the course of the quarter. Unfortunately, so were the reductions in federal expenditures as mandated by the Budget Control Act of 2011 – the so-called sequestration. Thus, as data released during the quarter revealed, growth in the private sector remained close to trend, while that in the public sector either stagnated or receded. Furthermore, most popular gauges of inflation remained well below policy makers' targets. Therefore, the abrupt announcement of a possible, sooner-than-expected 'tapering' of the Fed's monetary stimulus, a seemed ill-founded at best and unnerving at worst. Thereby leaving an open question as to whether the rapid rise in intermediate and longer term rates will work to slow the economy in the quarter ahead.

A healthy risk appetite, extremely low default rates, an accommodative Federal Reserve, and strong market technicals drove robust performance for the High Yield market over the last twelve months, as the BoA Merrill Lynch Master II High Yield Index returned a total of +9.56% during the fiscal year ended June 30, 2013. Most notably, all but two months, May (-0.53%) and June (-2.64%), had positive monthly total returns. During May and June, fears of the Federal Reserve tapering quantitative easing, and rising interest rates, drove a sharp sell-off of rate-sensitive asset classes, adversely affecting the performance of both the US High Yield and US Corporate asset classes. As a result, despite consistent strength for the majority of the last year, High Yield market technicals appear mixed overall: net inflows into High Yield mutual funds from July 2012 to May 2013 totalled $13bn, only to be entirely reversed by June's massive $13.5bn outflow. Meanwhile, strength in the High Yield primary market was relatively consistent, averaging $35bn in monthly issuance. Over the last twelve months, a whopping $415bn was issued on the High Yield primary market – nearly double the comparable twelve month period ending June 30, 2012. Default activity remained relatively modest over the last twelve months, as a total of $20.2bn in High Yield bonds and institutional loans defaulted, down from $30.0bn during the comparable year-ago period, resulting is an exceptionally low, par-weighted high-yield default rate of 1.09%.

For the twelve month period ended June 30, 2013, risk assets outperformed overall, led by US equities while, among fixed income asset classes, High Yield outperformed better-quality US Corporates and US Treasuries. Within the US High Yield asset class, riskier bonds outperformed overall, as CCC-and-lower rated credits performed best, followed by B-rated and BB-rated, respectively. All sectors within US High Yield produced positive returns during the twelve months ended June 30, 2013, led by the insurance, banking and telecommunications sectors. Overall, option adjusted spreads on the High Yield Index tightened by 123 basis points (bps) since the end of June 2012, to 521bps as of June 30, 2013. However, this level is nearly 100bps wider than the period's tightest level, reached on May 9, 2013. Similarly, the Index yield (to-worst) tightened by 74bps over the last twelve months to 6.64%, but widened 165bps since reaching its tightest level of 4.99% on May 8, 2013.

During the twelve month period ending 30 June 2013, AXA IM's US Short Duration High Yield Fund performed in-line with historical averages, however could not keep pace with the strong overall market return. Our higher quality positioning and the shorter duration nature of our holdings limited the total upside during the strong market rally, resulting in the Fund capturing roughly 45% of the overall market's return. Due to the recent sell-off during May and June 2013, the yield (to-worst) of the portfolio (exclusive of cash) finished the fiscal year 52bps wider at 5.02%, while the spread of the Fund widened by 27bps to 437bps as the 3-year Treasury widened by 25bps to 0.65%. The portfolio duration (using a calculation of modified duration-to-worst) increased from 1.4 to 2.0, while the market duration increased from 3.9 to 4.1.

The number of holdings increased to 291 and the Fund remains well diversified. We believe that diversification of portfolio holdings is important for the Fund and helps to manage credit risk. Our top holding, a 1.0% position, was Transdigm, Inc. At fiscal year-end, approximately 73% of the portfolio was invested in securities in excess of three years, but which we expect to be redeemed early. This is up roughly 17% since the end of June 2012 and continues to express our overall positive view of the High Yield market, and the short duration portion of the market, in particular. We continue to believe that the yield-to-call portion of short duration offers better relative value, however we are constantly evaluating whether recent volatility changes this relative value landscape. Despite a record pace of new issuance for most of the year, recent activity has slowed dramatically due to market volatility, and fund flows have turned decidedly negative. Consequently, market technicals are significantly weaker than in previous months, however once conditions stabilise, we continue to expect companies to proactively address debt maturing in excess of three years. Despite the recent market sell-off, High Yield fundamentals remain strong and default expectations remain benign. As a result, and especially now that yields have widened rather dramatically, we believe the asset class is even more attractive and view the recent pull-back as a buying opportunity.

Carl Whitbeck

30 June 2013

Risk and reward profile

By investing in a fund which invests primarily in fixed interest stocks you are likely to be looking for an investment which will generate an income but had less potential for capital return than is the case with funds which invest primarily in equities. You are willing to accept that your investment will fall and rise in value and that you could get back less than you invest. You are aware that investing in a fund which has a US remit can increase risk because of currency movements in return for greater potential reward. You are also aware that investing in sub investment grade bonds may increase the potential income but also increases risk to your investment. Typically you would be investing for a period of at least five years.

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
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.

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.

Counterparty Risk: risk of bankruptcy, insolvency, or payment or delivery failure of any of the Fund's counterparties, leading to a payment or delivery default.

Impact of any techniques such as derivatives: certain management strategies involve specific risks, such as liquidity risk, credit risk, counterparty risk, legal risk, valuation risk, operational risk and risks related to the underlying assets.

The use of such strategies may also involve leverage, which may increase the effect of market movements on the Fund and may result in significant risk of losses.

FUND FACTS

Lead Fund manager	Carl Whitbeck
Sector	IMA Global Bonds
Comparative Benchmark	No official benchmark
Launch date	30 Apr 2010
Fund size at 30 June 2013	£646m
Fund size at 30 June 2012	£572m
Minimum investments (Lump sum)	Z: £1,000,000 ZI: £30,000,000
Minimum per month	Z: N/A/ ZI: N/A
Yield Z Acc net/gross	5.00%
Yield Z Inc net/gross	5.00%
Yield ZI Acc net/gross	5.30%
Yield ZI Inc net/gross	5.30%
Share types	Inc/Acc
Number of stocks	291
Initial charge	Z: 5% / ZI: 5%
Annual charge (I Class)	Z: 0.75% / ZI: 0.45%
Ongoing charges	
Z Acc net/gross	0.75% / 0.75%
Z Inc net/gross	0.76% / 0.76%
ZI Acc net/gross	0.48% / 0.47%
ZI Inc net/gross	0.46% / 0.46%
Accounting dates (int/ann)	31 Dec/ 30 Jun
Distribution dates (income)	28 Feb*, 31 Aug

*All data, source: AXA IM as at 30 June 2013. *or last day in Feb.*

Top five purchases

For the year ended 30 June 2013
TransDigm 7.75% 15/12/18
US Treasury 0% 11/04/13
US Treasury 0% 18/04/13
US Treasury 0% 25/04/13
US Treasury 0% 02/05/13

Top five sales

For the year ended 30 June 2013
Aramark 8.5% 01/02/15
US Treasury 0% 11/04/13
US Treasury 0% 18/04/13
US Treasury 0% 25/04/13
US Treasury 0% 02/05/13

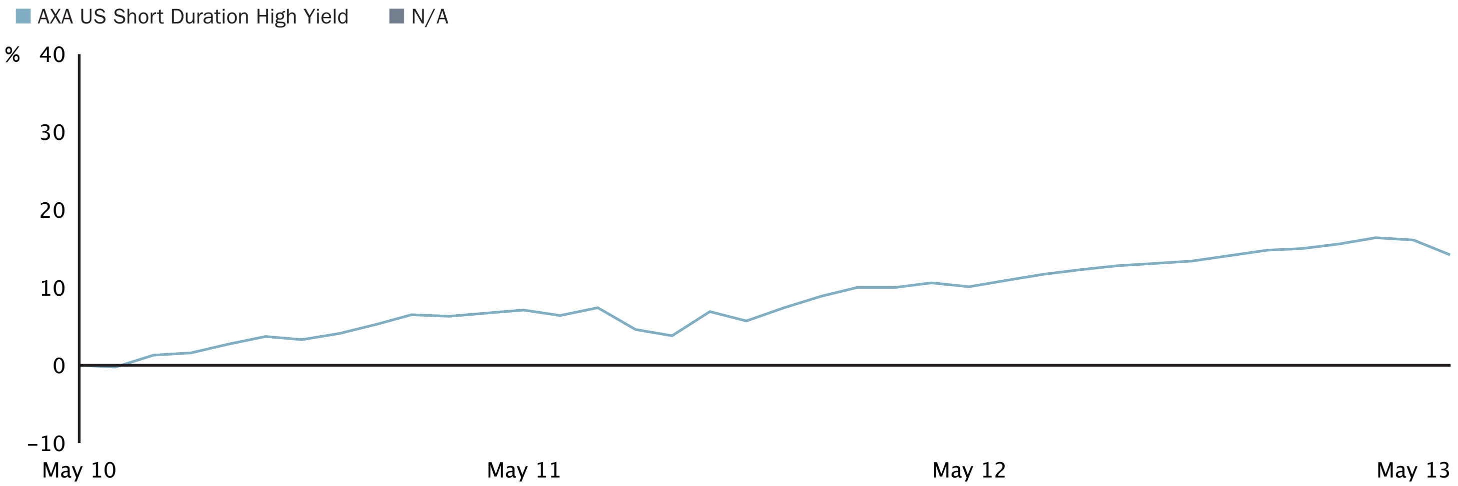
Five year discrete annual performance

June 08 to June 09	Jun 09 to Jun 10	Jun 10 to Jun 11	Jun 11 to Jun 12	Jun 12 to Jun 13
N/A	N/A	+6.63%	+4.23%	+2.98%

Past performance is not a guide to future performance. Source: AXA IM & Lipper Hindsight, mid to mid assume income reinvested in sterling terms to 30 June 2013, Z Acc net share class.

Cumulative Fund performance

as at 30 June 2013



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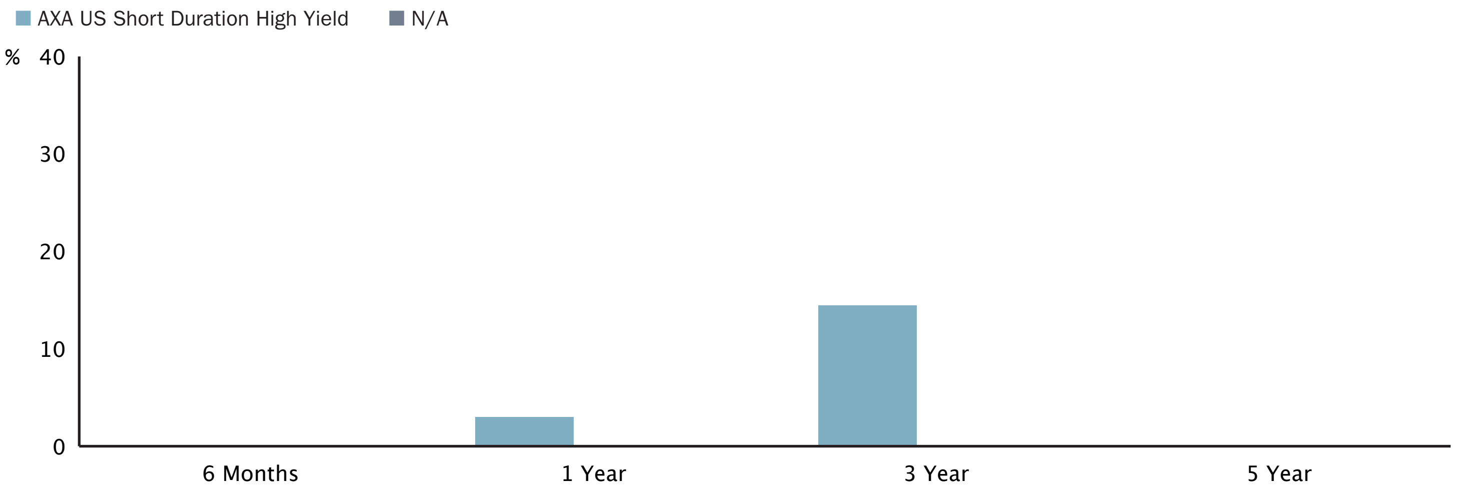
as at 30 June 2013



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Summary of historic prices and distributions

Year	Share class	Share type	Highest share price (pence)	Lowest share price (pence)	Distribution per share (pence)	Share type	Highest share price (pence)	Lowest share price (pence)	Distribution per share (pence)
2013*+	Z	Inc (net)	104.3	101.3	2.035	Inc (gross)	104.7	101.8	2.548
2013*+	Z	Acc (net)	116.9	113.5	2.281	Acc (gross)	120.5	117.2	2.934
2013*+	ZI	Inc (net)	104.4	101.5	2.159	Inc (gross)	104.7	101.7	2.702
2013*+	ZI	Acc (net)	117.7	114.4	2.434	Acc (gross)	121.6	118.2	3.143
2012*+	Z	Inc (net)	104.0	100.0	4.329	Inc (gross)	104.5	100.1	5.430
2012*+	Z	Acc (net)	114.1	107.5	4.732	Acc (gross)	117.2	109.3	6.041
2012*+	ZI	Inc (net)	104.1	100.0	4.575	Inc (gross)	104.5	100.0	5.741
2012*+	ZI	Acc (net)	114.8	107.7	4.938	Acc (gross)	118.2	109.9	6.381
2011	Z	Inc (net)	104.3	97.14	4.412	Inc (gross)	104.8	97.57	5.588
2011	Z	Acc (net)	107.4	102.0	4.702	Acc (gross)	109.2	103.7	5.790
2011	ZI	Inc (net)	104.5	97.26	4.719	Inc (gross)	104.9	97.59	5.874
2011	ZI	Acc (net)	107.7	102.3	4.806	Acc (gross)	109.8	104.1	6.164
2010	Z	Inc (net)	103.5	98.42	2.781	Inc (gross)	104.1	98.52	3.471
2010	Z	Acc (net)	104.1	98.42	2.753	Acc (gross)	104.9	98.51	3.501
2010	ZI	Inc (net)	103.7	98.44	2.881	Inc (gross)	104.0	98.52	3.230
2010	ZI	Acc (net)	104.3	98.45	2.914	Acc (gross)	105.0	98.52	3.649

*Highest offer and lowest bid price quoted at anytime in the calendar year and * to 30 June 2013. + Distribution paid 31 August 2013.*

Net asset value record

Share class	Share type	Net Asset Value as at 30 June 2013 (pence)	Net Asset Value as at 30 June 2012 (pence)	Share type	Net Asset Value as at 30 June 2013 (pence)	Net Asset Value as at 30 June 2012 (pence)
Z	Inc (net)	99.48	100.7	Inc (gross)	99.45	100.7
Z	Acc (net)	113.8	110.5	Acc (gross)	117.4	112.9
ZI	Inc (net)	99.52	100.7	Inc (gross)	99.33	100.6
ZI	Acc (net)	114.6	110.9	Acc (gross)	118.5	113.7

Please note, that the NAV prices shown above are different from the results prices as at 30.06.13. 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. Basis: mid to mid.

Top ten holdings as at 30 June 2013

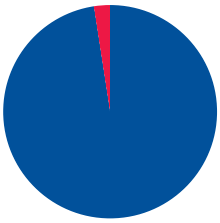
Company	Sector	%
TransDigm 7.75% 15/12/18	Corporate Bonds	1.06
Novelis 8.375% 15/12/17	Corporate Bonds	0.93
Intelsat Luxembourg 6.75% 01/06/18	Corporate Bonds	0.93
JBS Finance 11.625% 01/05/14	Corporate Bonds	0.93
Schaeffler Finance 7.75% 15/02/17	Corporate Bonds	0.88
Audex North America 6.75% 15/06/18	Corporate Bonds	0.87
Cablevision Systems 8.625% 15/09/17	Corporate Bonds	0.85
Sprint Nextel 6% 01/12/16	Corporate Bonds	0.85
Telesat Canada 6% 15/05/17	Corporate Bonds	0.84
Sequa 7% 15/12/17	Corporate Bonds	0.83

Top ten holdings as at 30 June 2012

Company	Sector	%
JBS Finance 11.625% 01/05/14	Corporate Bonds	1.09
Pinnacle Foods 9.25% 01/04/15	Corporate Bonds	0.91
West Corporation 11% 15/10/16	Corporate Bonds	0.89
NCL 11.75% 15/11/16	Corporate Bonds	0.88
Dish DBS 4.625% 15/07/17	Corporate Bonds	0.86
Chesapeake Energy 9.5% 15/02/15	Corporate Bonds	0.82
Case New Holland 7.75% 01/09/13	Corporate Bonds	0.82
Aramark 8.5% 01/02/15	Corporate Bonds	0.81
Reynolds 7.75% 15/10/16	Corporate Bonds	0.81
Gannett 8.75% 15/11/14	Corporate Bonds	0.80

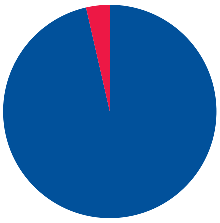
Portfolio breakdown

As at 30 June 2013



Sector	%
Corporate Bonds	98.63
Forward currency contracts	-1.09
Cash	2.46

As at 30 June 2012



Sector	%
Corporate Bonds	96.94
Forward currency contracts	-0.54
Cash	3.60

All data, source: AXA Investment Managers unless otherwise stated.

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For more information on any AXA IM Fund please contact us via our website or telephone number below.
Copies of the latest Report and Accounts (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

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.

Other information
The Fund is a sub-fund of the AXA Fixed Interest Investment Company ICVC which is an open ended investment company authorised by the FCA, and has a UCITS certificate. The Company is managed in accordance with the FCA Collective Investment Schemes Sourcebook (COLL).

European Savings Directive
Under the European Savings Directive, information is collected about the payment of savings income to non-UK residents. The Fund falls within the 25% debt investment reporting threshold. This means that details of all income distributions and redemption proceeds paid to non UK investors will be reported by AXA Investment Managers to HM Revenue & Customs to be exchanged with the relevant tax authorities.

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All data sources: AXA Investment Managers unless otherwise stated.

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