Short Report

AXA Framlington
An AXA Investment Managers Expertise

AXA Framlington Emerging Markets Fund

For the year ended 30 November 2013

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).

Investment objective and policy

Capital growth through investment in companies which are incorporated, have their headquarters, or have their principal operations, in countries which are, in the Manager's opinion, developing countries.

Results

Unit Class	Unit Type	Price at 30.11.13 (p)	Price at 30.11.12 (p)	Fund Performance	Comparative Benchmark
R	Acc*	193.4	191.2	1.15%	1.77%^
Z	Acc*	96.48	94.69	1.89%	1.77%^
R	Inc**	180.2	179.6	0.33%	-1.07%^^
Z	Inc**	94.36	94.04	0.34%	-1.07%^^

* includes net income reinvested, total return ** does not include net income reinvested, capital return dividends excluded. ^ MSCI Emerging Markets Index (net return), please note that the comparative benchmark changed from Total Return to Net Return to allow better comparison of the Fund's performance against the rest of the industry. ^^MSCI Emerging Markets Index (capital return). Past performance is not a guide to future returns. Source of all performance data: AXA Investment Managers and Lipper to 30 November 2013.

Review

The MSCI Emerging Markets Index rose by +4.0% in US dollar terms in the year ending 30 November 2013. Returns for sterling investors were slightly lower at +1.8%, reflecting the strength of sterling, relative to the US dollar. The AXA Framlington Emerging Markets Fund performed in line with the Index during this period.

Emerging markets underperformed developed markets during the year in review, the latter being boosted by a potent combination of loose monetary policy and a mild recovery in economic growth. Conditions in emerging markets have been rather different. Growth has generally slowed in the face of tighter domestic monetary policy, lower consumer confidence and weak currencies. The latter is, to a large extent, a function of capital outflows, in anticipation of less accommodative monetary policy in the US and an early end to the US Federal Reserve's bond purchase programme. The worst affected currencies during the period were the Indonesian rupiah (-19.6% vs. the US dollar), the Indian rupee (-13%) and the South African rand (-12.4%). The Brazilian real and the Turkish lira also lost a significant amount of value, relative to the dollar. The best performing currencies were those supported by structural trade surpluses and strong fiscal positions, notably the South Korean won and the Chinese renminbi. Generally, this was not a good environment for equity investment in emerging markets, though country returns diverged significantly. While Poland, China and Korea all showed good gains over the year, weak currencies dragged down equity returns in Indonesia (-23%), Chile (-19%) and Turkey (-10%). Brazil was also weak, partly reflecting the market's exposure to commodity prices, particularly iron ore, but also a function of weak growth, tighter monetary policy and persistently high inflation.

At the sector level, the year was marked by significant dispersion in returns between sectors. While the information technology sector rose by +13.4% over the year, the materials sector lost 13% of its value. The latter mostly reflects the slowdown in demand from China, while the information technology sector has benefitted from the adoption of smartphones by consumers globally, as well as the successful take-

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up of tablets as a separate category from laptops. In general, countries and sectors with high exposure to the recovery in developed markets performed well, while those exposed to commodity prices or weaker domestic demand, underperformed. Looking forward, we expect this trend to continue in the near term, but stronger external demand should feed through into higher export growth and improved domestic sentiment, especially as currencies have weakened significantly. However, any pick-up in growth is likely to be gradual, as will any improvement in company earnings. Nevertheless, stocks now look relatively cheap. The MSCI Emerging Markets Index trades on a price/earnings ratio of 12 times, which is certainly at the low end of the historical range for the asset class.

Of course, there is some concern that capital will continue to flow out of emerging markets, back to the dollar, especially as the US Federal Reserve has recently confirmed that it is ready to reduce its bond purchase programme in the face of an improving US labour market. However, money market rates are likely to stay lower for longer, giving emerging economies more time to get their house in order before monetary policy normalises. At the country level, performance is likely to be determined by the quality of response to a more difficult environment for capital markets. While some regimes have started to make the adjustment by raising interest rates, tightening monetary policy and reducing domestic demand, others have yet to bite the bullet. The countries which have made most progress include India and Indonesia but others, such as South Africa, Brazil and Turkey, have a number of structural problems which governments are doing little to address.

The Fund is significantly underweight in Brazil and has reduced exposure further over the course of the last year. The Central Bank has raised overnight interest rates from 7.5% to 10% during the last six months, but inflation remains stubbornly high at close to 6%. The Central Bank's target is 4%, plus or minus 2%. In other words, 6% is the top end of the range and its credibility would be severely compromised if inflation were to stay above that level for any length of time. Meanwhile, the government's fiscal position continues to deteriorate on the back of lower growth and higher expenditure. A debt downgrade appears likely in the near future. There are thus very few levers for the government to pull in order to stimulate growth. Elections are due in October 2014 so it is very unlikely that we will see fiscal tightening before then and the currency is thus likely to remain under pressure. Our exposure to this market is highly selective.

Likewise, the Fund has relatively low exposure to Turkey and South Africa. These countries also face elections in 2014 and politics appears to be getting in the way of sound policy. With both countries facing significant current account deficits and hence reliant on external capital, this is a dangerous game to play. In Turkey, we prefer to invest in companies likely to benefit from lira weakness, while in South Africa our exposure is limited to high quality, defensive stocks.

Our preferred country of exposure is Mexico. The Fund has around 11% of its assets invested in this country, which is closely linked in to the US manufacturing cycle by virtue of the fact that 85% of its exports go to the US, particularly to its auto manufacturing sector. Following recent wage inflation in China, Mexico's labour costs per hour now compare very favourably with China, while its proximity to the US makes for a much leaner supply chain. Mexico continues to attract a significant amount of foreign direct investment, particularly in the auto sector. Audi recently announced that it is going to invest US$1.3bn in a new plant in central Mexico which will be the global platform for production of the new Q5 from 2016. It will even export back to Germany, reflecting the expected quality of production. In addition, Mexico is embarking on an ambitious reform programme, particularly in the energy sector, which should attract significant investment. Although growth this year has been weak and the Central Bank has actually cut interest rates in response, we should nevertheless see a good pick-up next year as the manufacturing sector recovers (it tends to lag the US by around six months) and government spending returns to more normal levels. While we also like the economic outlook for Taiwan and Korea, both of which have high exposure to demand in the developed world, we see few good quality opportunities at the stock level, meaning these two countries remain our biggest underweight positions. We continue to have little exposure to the energy sector, reflecting the poor fundamentals of companies operating in this area, as well as being underweight in materials. We remain cautious on the outlook for Chinese fixed asset investment, which represents a significant drag on demand for the sector. Our preferred sectors are consumer staples and consumer discretionary. While the credit environment is tightening in most areas, there are still pockets of growth in these sectors or companies operating with a business model that can outstrip overall growth. The Fund also has an overweight position in information technology.

Outlook

The outlook for emerging market economies remains mixed. However, the Fund continues to focus on quality companies with good returns on capital, operating in a sustainable economic environment. We are able to find companies with these characteristics outside the traditional universe of countries – for instance, the Fund has a significant holding in Bank of Georgia, the country's largest bank which is listed on the London stock exchange. The Bank is very well capitalised, has a 20% return on equity, yet trades on a price/earnings ratio of eight times. The Fund also has a position in Copa Holdings, a South American regional airline based in Panama. This is a highly profitable airline with little direct competition, strong demand from business travellers and which also trades on a single-digit multiple. Thus, despite a weak overall environment in emerging markets, a fundamental approach can still unearth exciting opportunities across a range of markets.

Emerging markets now appear to offer good value for investors and we continue to find good investment opportunities in the domestic consumer and banking sectors, as well as in certain industrial sectors with a domestic focus.

Julian Thompson

18 December 2013

All performance data source: AXA Investment Managers and Lipper to 30 November 2013.

Risk and reward profile

The Fund invests in companies that in the opinion of the manager are principally exposed to developing countries. Such investments may involve a higher degree of risk than investing in established markets due to heightened geopolitical risk in such countries (see below) and potential large currency volatility. Investors should consider carefully whether this investment risk is suitable for them. The Fund will not only be impacted by market risk associated with equities from emerging markets but also by exchange rate fluctuations between those currencies and sterling in which the fund is based. 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 applicable to such investments, changes in exchange control regulations or price volatility.

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.

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	Julian Thompson
Sector	(IMA) Global Emerging Markets
Comparative benchmark	MSCI Emerging Markets Index (NR)
Launch date	21 Dec 1992
Fund size at 30 Nov 2013	£147m
Fund size at 30 Nov 2012	£147m
Minimum investments	
Lump sum	R: £1,000 Z: £100,000
Per deposit	R: £100 / Z: £5,000
Net yield	
R Inc	0.65%
R Acc	0.65%
Z Inc	1.43%
Z Acc	1.44%
Unit type	Inc/Acc
Number of stocks	64
Initial charge	R: 5.25% / Z: 0.00%
Annual charge	R: 1.50% / Z: 0.75%
Ongoing charges	
R Inc	1.64%
R Acc	1.64%
Z Inc	0.89%
Z Acc	0.89%
Accounting dates (interim)	31 May
Accounting dates (annual)	30 Nov
Distribution dates (final)	31 Jan

All data, source: AXA Investment Managers as at 30 November 2013.

Top five purchases

For the year ended 30 November 2013
Kimberly-Clark de Mexico
Itau Unibanco
Globaltrans
Grupo Televisa
Woolworths Holdings

Top five sales

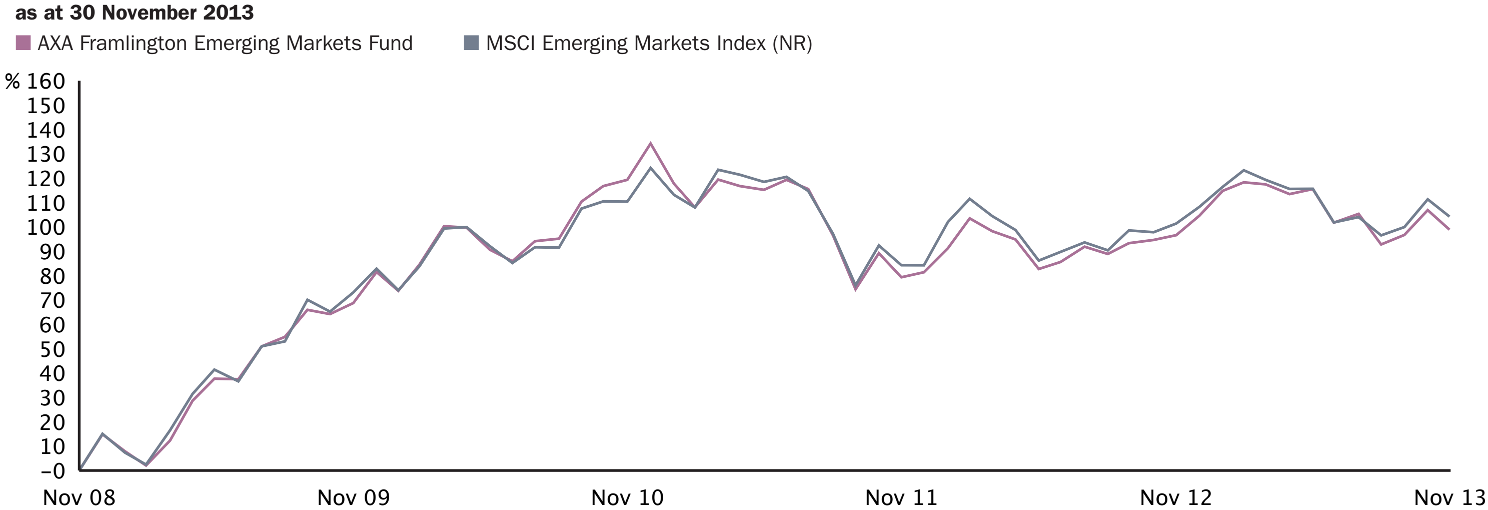
For the year ended 30 November 2013
Itau Unibanco
China Mobile
Mexichem
Lenovo Group
Rio Tinto

Five year discrete annual performance %

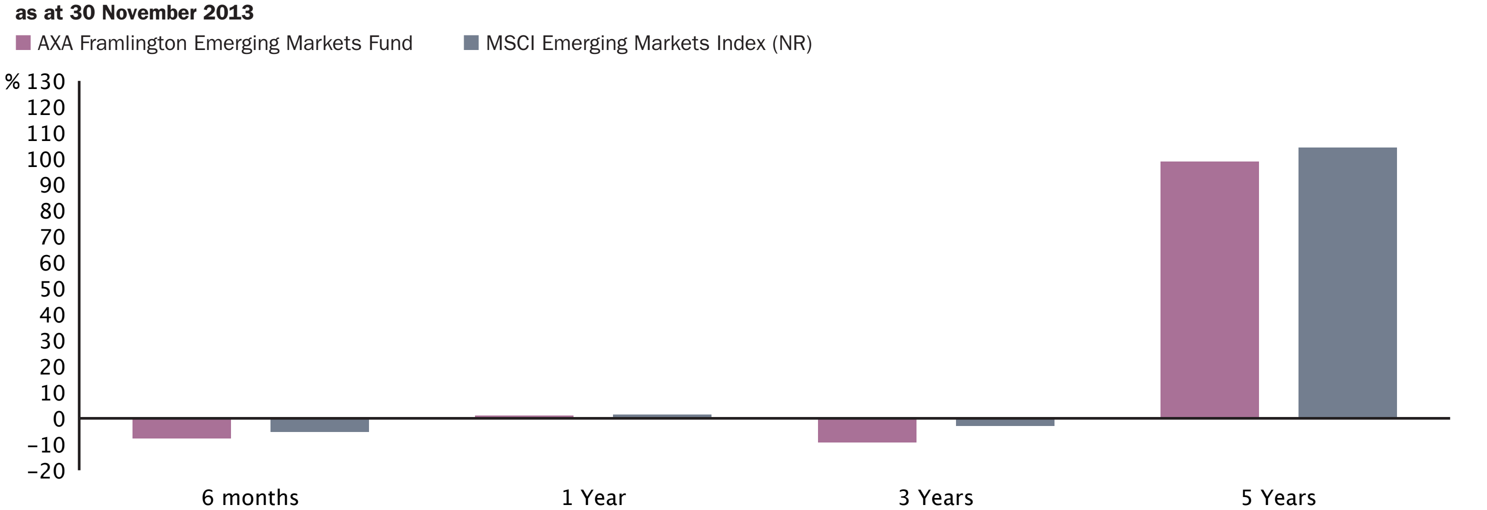
Nov 08 to Nov 09	Nov 09 to Nov 10	Nov 10 to Nov 11	Nov 11 to Nov 12	Nov 12 to Nov 13
68.74%	29.98%	-18.24%	9.63%	1.15%

Past performance is not a guide to future returns. Sources: AXA Investment Managers and Lipper as at 30 November 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



Past performance is not a guide to future returns. Sources: AXA Investment Managers and Lipper as at 30 November 2013. Basis: Bid to bid, with net income reinvested, net of fees in GBP. Performance is representative of R Acc class. Please note that the comparative benchmark changed from Total Return to Net Return to allow better comparison of the Fund's performance against the rest of the industry.



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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)
2008	R	Income	191.2	82.28	1.028
2008	R	Accumulation	198.9	85.56	1.068
2009	R	Income	180.3	90.77	0.642
2009	R	Accumulation	190.3	95.41	0.674
2010	R	Income	229.2	160.0	0.718
2010	R	Accumulation	242.8	168.9	0.757
2011	R	Income	232.2	152.5	0.971
2011	R	Accumulation	246.0	161.5	1.044
2011 #	Z	Income	108.2	79.22	0.560
2011 #	Z	Accumulation	108.2	79.22	0.560
2012	R	Income	199.8	163.0	1.420
2012	R	Accumulation	212.8	173.6	1.506
2012	Z	Income	100.7	85.53	1.429
2012	Z	Accumulation	99.21	84.99	1.437
2013*+	R	Income	217.6	171.0	1.210
2013*+	R	Accumulation	219.6	183.6	1.297
2013*+	Z	Income	110.7	91.39	1.352
2013*+	Z	Accumulation	108.3	89.38	1.394

*Highest offer and lowest bid price quoted at any time in the calendar year and * to 30 November 2013. +Distribution paid on 31 January 2014. # Launched 22 June 2011 and renamed to Z unit class on 16 April 2012.*

Net asset value record

Unit class	Unit type	Net asset value per unit as at 30 Nov 2013 (pence)	Net asset value per unit as at 30 Nov 2012 (pence)
R	Income	179.3	178.7
R	Accumulation	193.8	191.8
Z #	Income	92.91	92.56
Z #	Accumulation	96.44	94.66

 # Launched 22 June 2011 and renamed to Z unit class on 16 April 2012. Please note, that the NAV prices shown above are different from the Results prices as at 30 November 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 free of charge. For a copy of this, please contact our dedicated customer services team on 0845 777 5511.

Top ten holdings as at 30 November 2013

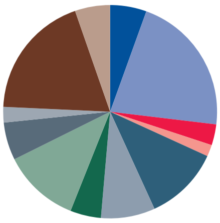
Company	Country	%
Samsung Electronics	South Korea Equities	5.87
Taiwan Semiconducter Manufacturing	Taiwan Equities	3.86
Sberbank	Russia Equities	3.07
Kimberly-Clark de Mexico	Mexico Equities	2.96
Industrial and Commercial Bank of China	China (incl. Hong Kong) Equities	2.74
Hyundai Motor	South Korea Equities	2.66
Bank of Georgia	Georgia Equities	2.51
Magnit OJSC GDR	Russia Equities	2.45
Bolsa Mexicana de Valores	Mexico Equities	2.26
Belle International	China (incl. Hong Kong) Equities	2.22

Top ten holdings as at 30 November 2012

Company	Country	%
Samsung Electronics	South Korea Equities	5.40
Bolsa Mexicana de Valores	Mexico Equities	3.90
Taiwan Semiconductor Manufacturing	Taiwan Equities	3.83
Mexichem	Mexico Equities	3.41
Belle International	China (incl. Hong Kong) Equities	2.73
Lenovo Group	China (incl. Hong Kong) Equities	2.41
Baidu	China (incl. Hong Kong) Equities	2.26
Sberbank	Russia Equities	2.22
Life Healthcare	South Africa Equities	2.19
Hyundai Motor	South Korea Equities	2.18

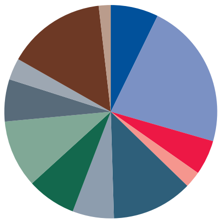
Portfolio breakdown

as at 30 November 2013



Country	%
Brazil Equities	5.50
China (incl. Hong Kong) Equities	21.40
India Equities	3.17
Indonesia Equities	1.76
Mexico Equities	11.36
Russia Equities	8.19
South Africa Equities	4.65
South Korea Equities	11.61
Taiwan Equities	5.73
Turkey Equities	2.36
Others	18.95
Net current assets (inc. cash)	5.32

as at 30 November 2012



Country	%
Brazil Equities	7.24
China (incl. Hong Kong) Equities	22.22
India Equities	5.27
Indonesia Equities	2.50
Mexico Equities	12.30
Russia Equities	6.29
South Africa Equities	7.45
South Korea Equities	10.25
Taiwan Equities	6.39
Turkey Equities	3.29
Others	14.98
Net current assets (inc. cash)	1.82

All data, source: AXA Investment Managers.

Important information

Authorised Fund Manager and Investment Adviser
AXA Investment Managers UK Ltd
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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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