

**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).

## AXA Pan European High Yield Bond Fund

### For the six months ended 30 June 2013

#### Investment objective and policy

To generate a high level of income, payable monthly into a UK Bank or building society account, by investing primarily in the AXA World Funds European High Yield Bonds (the Master Fund). The Master Fund may also invest in cash and near cash and may use derivatives only for the purposes of hedging. The objective of the Master Fund is to achieve a high income by investing in fixed and floating rate securities. The Investment Manager will seek to achieve the objective of the Master Fund by investing mainly in a broadly diversified portfolio of fixed income transferable debt securities issued by public or private companies including bonds denominated in a European currency and rated sub-investment grade (i.e. rated lower than BBB- by Standard & Poor's or lower than Baa3 by Moody's). The Master Fund will invest not more than 10% of its net assets in units of UCITS and/or other UCIs. For efficient portfolio management purposes, the Master Fund may also expose itself to such assets through the use of derivative instruments within the limits set forth in the section "Investment Restrictions" of the Master Fund's prospectus. The Reference Currency of the Master Fund is EUR.

#### Results

Unit Class	Unit Type	Price at 31.12.12 (p)	Price at 30.06.13 (p)	Fund Performance	Comparative Benchmark <sup>^</sup>
R	Acc (net)	81.00	82.18	1.46%	2.14%
R	Inc (net)	31.94	31.56	1.47%	2.14%
R	Acc (gross)	117.6	120.2	2.21%	2.14%
R	Inc (gross)	105.5	104.3	2.13%	2.14%
Z	Acc (net)	113.9	115.7	1.58%	2.14%
Z	Inc (net)	109.8	108.7	1.73%	2.14%
Z	Acc (gross)	115.2	117.9	2.34%	2.14%
Z	Inc (gross)	109.8	108.8	2.40%	2.14%

Past performance is not a guide to future returns. Source of all performance data: AXA Investment Managers, Lipper and Datastream. <sup>^</sup> Bank of America Merrill Lynch (BoA ML) European High Yield BB-B Hedged GBP Total Return (TR).

#### Review

Despite a sharp rise in volatility towards the end, the European high yield bond market proved generally robust over the six month review period, delivering positive total return performance for investors.

A slowly improving global economy, combined with constructive policy action in Europe, including financial sector support and a bond purchasing programme for any countries in need, saw investor sentiment greatly encouraged. As the threat of a possible Euro break-up receded, investors seemed increasingly comfortable taking on risk, with high yield bonds a key area of focus. Encouraged by the generally sound nature of company balance sheets – progressively strengthened in the four years since the financial crisis – higher-yielding bonds were in demand for much of the review period, as investors searched for yield in an environment of ultra-low government bond yields. Indeed, strong money flows into the high yield credit sector, particularly during the first half of the review period, ensured that demand notably outstripped supply, creating a positive technical environment that was supportive of

# AXA Pan European High Yield Bond Fund

## For the six months ended 30 June 2013

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rising prices and positive returns for investors.

However, late May and June proved an altogether more uncertain period for high yield credit and, indeed, global bond markets in general. After a positive start to May, with yields tightening from end of April levels and a record level of new bonds being issued during the first three weeks, volatility surged late in the month as investors reacted negatively to comments from the Federal Reserve suggesting that it would likely begin 'tapering' US quantitative easing earlier-than-expected. With investors struggling to comprehend a world without such massive central bank stimulus support, government bonds sold off, sending yields sharply higher. High-yield bonds are typically less sensitive to interest-rate movements than other fixed income assets, so fared better than many other bond sectors amid an environment of sharply rising government yields. However, high yield was subject to some selling pressure amid the general 'de-risking' of portfolios that took place late in the review period. Similarly, the new issues market, so robust for most of the review period, slowed considerably in late May and into June, in line with a backdrop of heightened uncertainty.

In terms of performance, European high yield bonds delivered a +2.14% total return (BoA ML European High Yield ex BB/B TR Index, GBP hedged, net) during the six months ending 30 June 2013. In comparison, the AXA Pan European High Yield Bond Fund (R Inc Class, net) underperformed the Index, delivering a +1.47% total return. Stock selection helped the Fund's relative performance during the period. However, at a sector level, our more conservative portfolio positioning – maintaining an underweight exposure to peripheral bonds and a 20% cap of financials – worked against relative fund performance as high yield markets rallied. Late on, as market volatility increased sharply, the Fund recaptured some of this relative performance.

Amid a busy and active high yield market for most of the review period, both primary and secondary, we remained highly selective in terms of portfolio activity. Early on we participated in some new issues in the services sector, and took profits on our holding in Heidelberger Druckmaschinen following a rally of around 6%. Later in the period, we reduced our exposure to Kerling bonds after positive news regarding a joint venture project caused the bonds to rally over 10 points. We also took profits on select holdings in the healthcare and services sectors, following stock-specific rallies. Late on, as market activity began to slow, we participated in a refinancing issue from Interxion (telecom services) and invested

continuing cash inflows across preferred sectors. At the close of the review period, we remain prudent on the European outlook, maintaining our underweight exposure to peripheral bonds, a neutral position in industrials and also retain a cap of 20% exposure to financial sector bonds.

Having adjusted in dramatic fashion to the prospect of the US Federal Reserve winding down its quantitative easing stimulus, there were signs that markets were stabilising at higher yield levels by the end of the review period. Indeed, it seems that investors are getting more comfortable with the view that US monetary policy will evolve in the months to come, but that official interest rates are likely to remain at their historical low levels for some time. Importantly, the more positive US economic position is leading to discussions about policy tightening. However, given the still weak nature of recovery in Europe, this policy mismatch has potentially negative ramifications for Europe. Tightening in the US may lead to pro-cyclical increases in borrowing costs within the Euro area, which would be unhelpful to an already weak growth outlook. Indeed, the more the Fed tightens policy, the more European authorities will be forced to offset this with stimulus measures.

This said, at a broad level, the European high yield market still looks attractive versus US high yield – higher spreads and better average credit quality in Europe are countered by a weaker macro economic environment and greater headline risk than the US. While strong, the supply/demand environment in Europe also has the potential to be more fragile than the US where the positive technical situation looks well underpinned. For these reasons, we continue to refrain from adding risk to the portfolio until we see more attractive entry levels.

### Outlook

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As our core strategy, we retain our overweight yield, versus the comparative benchmark. We continue to keep volatility below benchmark levels using stock selection and by retaining a barbell approach whereby we allocate a portion of the portfolio to our short duration, lower volatility strategy, to balance an overweight in higher yielding bonds. Finally, given the continued macro economic challenges, we are content to keep the average credit quality of the Fund similar to that of the comparative benchmark.

**James Gledhill**

**22 July 2013**

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# AXA Pan European High Yield Bond Fund

## For the six months ended 30 June 2013

### Risk and reward profile

The Fund invests in shares of the AXA World Funds European High Yield Bonds (the "Master Fund") to gain exposure to a broadly diversified portfolio of predominantly European 'sub-investment grade' bonds. As the Master Fund invests in overseas securities it may hold currencies other than sterling, however it hedges its foreign currency exposure back into sterling. Fixed interest securities are affected by trends in interest rates. If interest rates go up, the value of capital may fall and vice versa. 'Sub-investment grade' bond performance however is more directly affected by individual issuer credit worthiness. A 'sub-investment grade' bond has a Standard & Poor's credit rating below BBB- or equivalent. There is a greater degree of risk from investing in 'sub-investment grade' bonds as there is more risk of the issuer defaulting. The price of these bonds will also fluctuate according to the financial markets' appetite for credit risk in general. Where the Manager invests in a bond, corporate or otherwise, the credit worthiness of the issuer is taken into account so as to determine the risk of default. The management fee is charged to capital, and while this will increase the distributable revenue, this may accordingly erode capital growth.



1	2	3	4	5	6	7
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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 that the Fund may face difficulties purchasing or selling its assets.

**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.

\*The top 5 purchases and sales are of the Master Fund, to provide you with further information on your investment.

### FUND FACTS

Lead Fund manager	James Gledhill
Sector	IMA Global Bond
Comparative Benchmark	BoA ML European High Yield BB-B Hedged GBP TR
Launch date	22 Feb 1999
Fund size at 30 Jun 2013	£23m
Fund size at 31 Dec 2012	£29m
Minimum investments (Lump sum)	R: £1,000 Z: £100,000
Minimum subscription	R: £100 / Z: £5,000
Net Yield	
R Inc/Acc (net)	5.42% / 5.26%
R Inc/Acc (gross)	6.79% / 6.46%
Z Inc/Acc (net)	5.44% / 5.32%
Z Inc/Acc (gross)	6.75% / 6.55%
Share types	Inc/Acc
Number of stocks	1
Initial charge	R: 5.25% / Z: 0.00%
Annual charge	R: 1.00% / Z: 0.50%
Ongoing charges	
R Inc/Acc (net)	1.20% / 1.18%
R Inc/Acc (gross)	1.14% / 1.19%
Z Inc/Acc (net)	0.60% / 0.61%
Z Inc/Acc (gross)	0.65% / 0.63%
Accounting dates (interim)	30 Jun
Accounting dates (annual)	31 Dec
Distribution dates	last working day of each month

All data, source: AXA IM as at 30 June 2013.

### Top five purchases\*

#### For the six months ended 30 June 2013

La Financiere Atalian 7.25% 15/01/20

Stork Technical 11% 15/08/17

Ineos 6.5% 15/08/18

Boparan 9.875% 30/04/18

Eircom Finance 9.25% 15/05/20

### Top five sales\*

#### For the six months ended 30 June 2013

Enterprise 6.5% 06/12/18

William Hill 7.125% 11/11/16

Bite Finance FRN 1% 15 MAR 2014

Eureko 5.125% Perpetual

BNP Paribas Perpetual

# AXA Pan European High Yield Bond Fund

## For the six months ended 30 June 2013

### Five year discrete annual performance

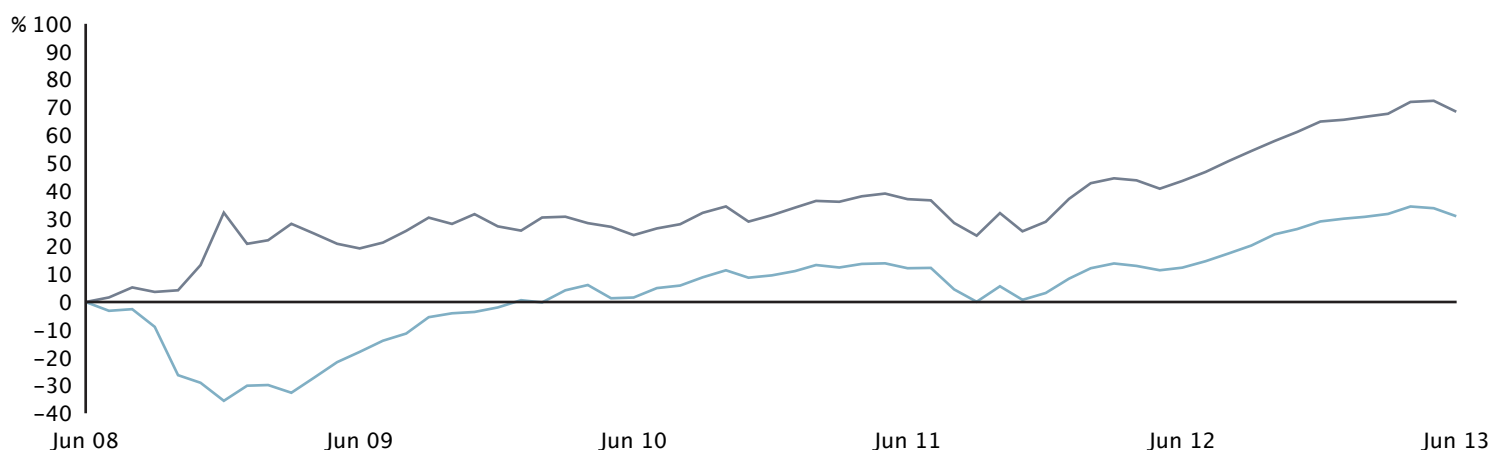
Jun 08 to Jun 09	Jun 09 to Jun 10	Jun 10 to Jun 11	Jun 11 to Jun 12	Jun 12 to Jun 13
-17.94%	23.83%	10.37%	0.18%	16.45%

Past performance is not a guide to future returns. Sources: AXA Investment Managers, Lipper and Datastream as at 30 June 2013. Basis: bid to bid, with net income reinvested, net of fees in GBP. Performance based on R Acc class.

### Cumulative Fund performance versus comparative benchmark

as at 30 June 2013

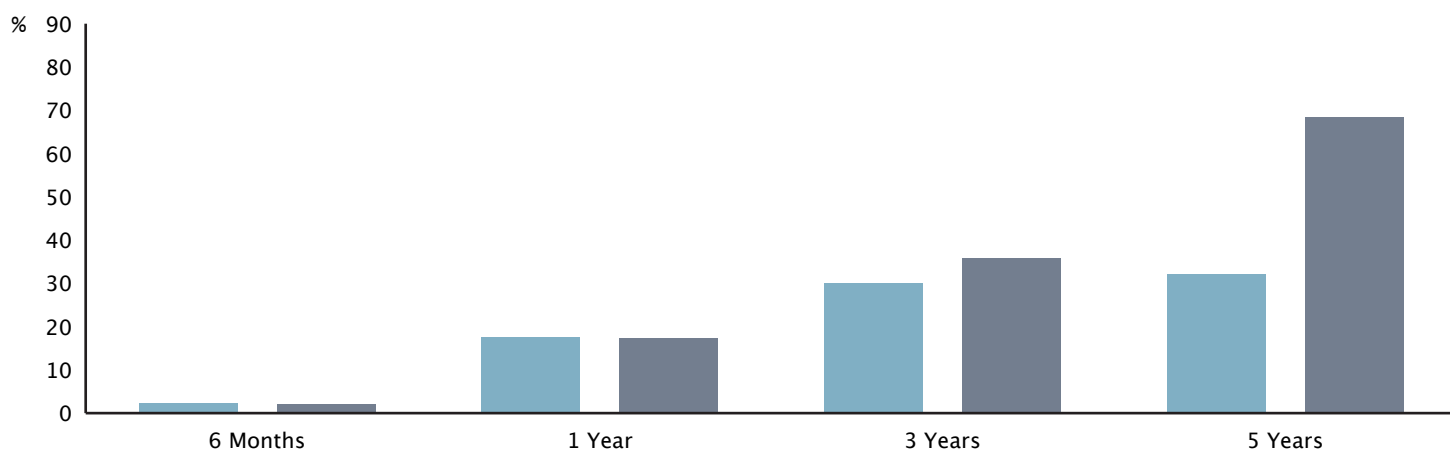
■ AXA Pan European High Yield Bond Fund ■ Composite Index



Past performance is not a guide to future returns. Sources: AXA Investment Managers, Lipper and Datastream as at 30 June 2013. Basis: bid to bid, with net income reinvested, net of fees in GBP. Composite Index: JP Morgan European GBI TR until 6 August 2010 and then BoA ML European High Yield BB-B Hedged GBP TR. Performance based on R Acc class.

as at 30 June 2013

■ AXA Pan European High Yield Bond Fund ■ Composite Index



Past performance is not a guide to future returns. Sources: AXA Investment Managers, Lipper and Datastream as at 30 June 2013. Basis: bid to bid, with net income reinvested, net of fees in GBP. Composite Index: JP Morgan European GBI TR until 6 August 2010 and then BoA ML European High Yield BB-B Hedged GBP TR. Performance based on R Acc class.

# AXA Pan European High Yield Bond Fund

## For the six months ended 30 June 2013

### Summary of historic prices and distributions

Year	Unit class	Unit type	Highest unit price (pence)	Lowest unit price (pence)	Distribution per unit (pence)
2008	R	Inc	39.70	20.84	2.315
2008	R	Acc	71.76	40.50	4.286
2009	R	Inc	31.19	20.09	1.946
2009	R	Acc	65.52	39.21	3.900
2010	R	Inc	33.56	28.89	1.956
2010	R	Acc	74.44	60.71	4.210
2011	R	Inc (net)	33.57	26.17	1.940
2011	R	Acc (net)	76.50	61.63	4.450
2011	R	Inc (gross)	107.2	85.93	3.086
2011	R	Acc (gross)	107.2	87.86	3.092
2012	R	Inc (net)	31.95	27.20	2.088
2012	R	Acc (net)	81.00	65.02	5.126
2012	R	Inc (gross)	105.6	89.39	8.455
2012	R	Acc (gross)	117.6	93.03	9.134
2012	Z	Inc (net)	104.6	96.85	4.453
2012	Z	Acc (net)	113.9	97.67	4.493
2012	Z	Inc (gross)	109.9	96.86	5.560
2012	Z	Acc (gross)	115.2	97.88	5.699
2013**	R	Inc (net)	32.89	31.33	0.754
2013**	R	Acc (net)	84.82	81.22	2.036
2013**	R	Inc (gross)	108.0	103.5	3.247
2013**	R	Acc (gross)	123.8	117.9	3.728
2013**	Z	Inc (net)	112.6	107.9	2.758
2013**	Z	Acc (net)	119.4	114.2	2.904
2013**	Z	Inc (gross)	112.6	108.0	3.431
2013**	Z	Acc (gross)	121.4	115.5	3.673

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

### Net asset value record

Unit class	Unit type	Net asset value per unit as at 30 June 2013 (pence)	Net asset value per unit as at 31 December 2012 (pence)
R	Acc (net)	31.46	31.78
R	Inc (net)	82.18	81.00
R	Acc (gross)	103.9	104.9
R	Inc (gross)	120.2	117.7
Z	Acc (net)	108.3	109.3
Z	Inc (net)	115.8	113.9
Z	Acc (gross)	108.4	109.2
Z	Inc (gross)	118.0	115.2

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 (for example, moving the portfolio from bid to mid). Basis: bid to bid.

# AXA Pan European High Yield Bond Fund

For the six months ended 30 June 2013

## Top ten Master Fund holdings as at 30 June 2013

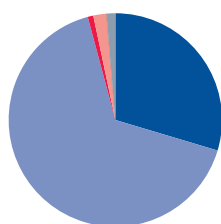
Company	Sector	%
Virgin Media 8.875% 15/10/19	Sterling denominated bonds	1.60
Telenet Finance III 6.625% 15/02/21	Euro denominated bonds	1.51
ITV FRN 05/01/17	Sterling denominated bonds	1.49
Natexis Banques Populaires Perpetual	Euro denominated bonds	1.44
Scottish Widows 5.125% Perpetual	Sterling denominated bonds	1.43
Matalan 8.875% 29/04/16	Sterling denominated bonds	1.37
Heidelbergcement 8.5% 31/10/19	Euro denominated bonds	1.34
Ladbroke Finance 7.625% 05/03/17	Sterling denominated bonds	1.29
Picard 9% 01/10/18	Euro denominated bonds	1.27
Sunrise Communications 7% 31/12/17	Swiss franc denominated bonds	1.27

## Top ten Master Fund holdings as at 31 December 2012

Company	Sector	%
Virgin Media 8.875% 15/10/19	Sterling denominated bonds	1.63
ITV FRN 05/01/17	Sterling denominated bonds	1.49
Telenet Finance III 6.625% 15/02/21	Euro denominated bonds	1.47
Enterprise Inns 6.5% 06/12/18	Sterling denominated bonds	1.40
William Hill 7.125% 11/11/16	Sterling denominated bonds	1.36
Spirit Issuer 5.86% 28/12/21	Sterling denominated bonds	1.35
Lafarge 8.75% 30/05/17	Sterling denominated bonds	1.32
Scottish Widows 5.125% Perpetual	Sterling denominated bonds	1.29
Ladbroke Finance 7.625% 05/03/17	Sterling denominated bonds	1.28
Ineos 7.8575% 15/02/16	Euro denominated bonds	1.27

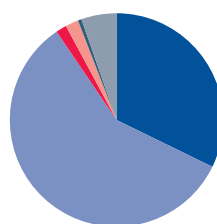
## Portfolio breakdown

### As at 30 June 2013



Sector	%
Sterling denominated bonds	29.83
Euro denominated bonds	66.67
US Dollar denominated bonds	0.85
Swiss Franc denominated bonds	2.02
Forward currency contracts	-0.70
Net current assets (incl. cash)	1.33

### As at 31 December 2012



Sector	%
Sterling denominated bonds	32.23
Euro denominated bonds	58.28
US Dollar denominated bonds	1.63
Swiss Franc denominated bonds	1.98
Forward currency contracts	0.54
Net current assets (incl. cash)	5.34

# AXA Pan European High Yield Bond Fund

## For the six months ended 30 June 2013

### Important information

#### Authorised Fund Manager / Investment Adviser

AXA Investment Managers UK Ltd  
7 Newgate Street  
London EC1A 7NX

*Authorised and regulated by the Financial Conduct Authority. Member of the IMA*

#### Trustee

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

#### Independent auditor

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SE1 2RT

#### Registrar

AXA Investment Managers UK Ltd  
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London EC1A 7NX

*Authorised and regulated by the Financial Conduct Authority.*

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

### ADDITIONAL INFORMATION

#### Report and accounts

The purpose of sending this Short Report for the Fund is to present you with a summary of how the Fund has performed during the accounting period in accordance with the Financial Conduct Authority (FCA) rules. If you wish to request further information it is available by requesting a copy of the more detailed long form accounts for the Fund. For a copy please write to the administration office: PO Box 10908, Chelmsford, CM99 2UT or telephone customer services on 0845 777 5511. Copies of the annual and half yearly Report and Accounts are available free of charge on request to our customer services team who can be contacted on 0845 777 5511. Alternatively, this report can be downloaded from our website [www.axa-im.co.uk](http://www.axa-im.co.uk).

#### European Savings Directive

The AXA Pan European High Yield Bond 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 Pan European High Yield Bond Fund falls within the 25% debt investment reporting threshold. This means that details of all revenue 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.

#### AXA Fund prices in the Financial Times

Please note that our fund prices are no longer available in the Financial Times newspaper. You can, however, still find our fund prices on FT.com ([www.ft.com](http://www.ft.com)). Historically it was expected that prices were published in the FT newspaper but as times have moved on, and with the advent of the internet, it is now increasingly popular for investors to find fund prices online. Acknowledging this development the decision was taken to remove the price publication from the FT newspaper and retain them online, in line with current industry practice. You can also visit our website at <http://retail.axa-im.co.uk/prices>. Alternatively, you can find our fund prices on financial websites, such as Morningstar ([www.morningstar.co.uk](http://www.morningstar.co.uk)), and you can also request a fund price by telephoning our Call Centre on 0845 777 5511.

**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.