

**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 £454 billion. (Source: AXA IM as at 31 December 2013).

# AXA Sterling Index-Linked Bond Fund

## For the Six Months Ended 31 December 2013

### Investment objective and policy

The aim of this Fund is to generate returns by gaining exposure to sterling denominated index-linked securities. The Fund may also invest at the Investment Manager's discretion 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 applicable Financial Conduct Authority rules.

### Results

Share Class	Share Type	Price at 31.12.13 (p)	Price at 30.06.13 (p)	Fund Performance	Comparative Benchmark *
Z gross	Acc	181.8	185.0	-1.73%	-0.41%
Z net	Acc	176.2	179.4	-1.78%	-0.41%
R net	Acc	156.5	159.6	-1.94%	-0.41%
R gross	Acc	157.1	160.2	-1.94%	-0.41%
H gross	Acc	163.2	165.8	-1.57%	-0.41%
H net	Acc	160.6	163.2	-1.59%	-0.41%

Past performance is not a guide to future returns. Source of all performance data: AXA Investment Managers and Lipper to 31 December 2013. \*Comparative benchmark: FTSE Actuaries Govt Securities UK Index-Linked 5+ Years Index (FTA Index-Linked 5+ Years Index).

### Review and outlook

Sterling bond markets delivered mixed returns during the six months in review. While corporate bonds delivered positive total returns, government bonds fared less well in an environment of rising government yields. Inflation-linked gilts outperformed nominal gilts, while the short-dated end of inflation-linked (<5yrs) was the best performing, providing positive total return performance during the six-months in review.

The review period started well with index-linked gilts staging a modest rally as investors became more comfortable with the view that US monetary policy will evolve in the months to come, but that rates are likely to remain at low levels for some time. This hiatus was however followed by a further falls in August, although index-linked did suffer less than nominal bonds as rising oil prices saw demand for inflation protection. The key macro event over the quarter was the surprise decision by the US Federal Reserve (the Fed) not to commence tapering its asset purchase programme (quantitative easing) in September. This, together with the generally improving domestic economy, stemmed the rising trend in in UK yields, while index-linked generally continued to outperform nominal gilts.

Although the rest of the review period was generally characterised by rising UK real yields, the fourth quarter started with them falling, as uncertainty associated with the US debt ceiling and delays in the release of economic data due to the US government shutdown kept activity muted. Stronger-than-expected UK inflation data, and announcements of higher-than-expected increases in energy prices, led to index-linked bonds outperforming at this time, particularly shorter-dated maturities. Before long, however, yields started to rise as both UK and US economic data pointed towards stronger economic growth.

# AXA Sterling Index-Linked Bond Fund

## For the Six Months Ended 31 December 2013

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This strength led to the US Federal Reserve (the Fed) starting to reduce its asset purchase programme in late December, as well as to speculation of an earlier rise in UK interest rates. Index-linked continued to outperform conventional bonds despite UK inflation falling close to the Bank of England's (BoE) targeted 2% rate.

Real yields rose over the six-month review period from -0.46% to -0.32% on the 10-year bond and from +0.04% to +0.08% on the 30-year. Breakeven inflation rates rose from +2.90% to +3.12% for 10-years, but fell from 3.45% to 3.44% for 30-years.

With bond markets rallying at the start of the quarter, we moved the Fund to a long duration position (a measure of the sensitivity of the price of a fixed-income investment to a change in interest rates), although we moved neutral, and then shorter, as quarter three progressed. A new 55-year index-linked gilt was issued in September and we took the opportunity to invest as it came to market at we saw as a relatively cheap level. Following the relative strength of the German inflation-market, we took profits on the Fund's exposure here and later switched into the higher yielding, short-dated end of the Italian market. Allocations to US inflation, as well as the UK non-government index-linked market, were maintained throughout the review period. Moving into the final quarter, the Fund's duration was initially kept short, before being lengthened as the market reached lower levels in anticipation of a stronger economy. We later moved to a neutral stance and ended the year as such. At the end of the review period, the performance of the Fund was aided by the Italian and credit holdings, while the duration exposure had a mixed effect and the US exposure was a negative contributor.

During the six-months ending 31 Dec 2013, the AXA Sterling Index-Linked Bond Fund provided a total net return of -1.94% (R Acc), compared with the FTA UK Govt Index-Linked 5 Years+ Index return of -0.41%.

We expect higher yields on government bonds as a result of the improving macroeconomic environment as well as because their valuation is expensive. However, the pace of the rise in yields will depend on the economic data as the Fed has made it clear that the future path of their tapering of quantitative easing is data dependent. In the UK, although unemployment has closed in on the 7% threshold level, the Bank of England is unlikely to start raising interest rates in our view, until they are certain that this will not derail the economy. Sentiment towards inflation protection has become less

supportive for index-linked bonds, but this does mean that valuation levels now look more attractive.

**David Dyer**

**31 December 2013**

# AXA Sterling Index-Linked Bond Fund

## For the Six Months Ended 31 December 2013

### Risk and reward profile

By investing in a fund which invests primarily in indexed-linked fixed interest stocks you are likely to be looking for an investment which will generate a steady and predictable income whilst providing some protection against inflation. You are willing to accept that your investment will fall and rise in value and that you could get back less than you invest. Typically, you would prefer an investment with less risk than that of a fund which invests significantly in equities or overseas and 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
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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.

**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	David Dyer
Sector	IMA UK Index-Linked
Comparative Benchmark	FTSE Actuaries Govt Securities UK Index-Linked 5+ Years Index
Launch date	24 Sep 2004
Fund size at 31 December 2013	£134m
Fund size at 30 June 2013	£189m
Minimum investments (Lump sum)	R: £1,000 Z: £100,000 H: £20,000,000
Minimum per month	R: £50/ Z&H: N/A
Yield H Acc net/gross	0.60%
Yield R Acc net/gross	0.00%
Yield Z Acc net/gross	0.30%
Share types	Acc
Number of stocks	37
Initial charge	R: 4% / Z: Nil/ H: 5%
Annual charge	R: 0.75%/ Z: 0.30%/ H: Nil
Ongoing charges	
H Acc net/gross	0.03%
R Acc net/gross	0.78%
Z Acc net/gross	0.33%
Accounting dates (int/ann)	31 Dec / 30 Dec
Distribution dates (income)	28 Feb*, 31 May, 31 Aug, 30 Nov

All data, source: AXA IM as at 31 December 2013. \*or last day in Feb.

### Top five purchases

#### For the six months ended 31 Dec 2013

UK Treasury 0.125% IL 22/11/19
UK Treasury 0.125% IL 22/03/24
UK Treasury 0.125% IL 22/03/44
UK Treasury 0.75% IL 22/03/34
UK Treasury 1.875% IL 22/11/22

### Top five sales

#### For the six months ended 31 Dec 2013

UK Treasury 0.75% IL 22/03/34
UK Treasury 1.125% IL 22/11/37
UK Treasury 1.25% IL 22/11/32
UK Treasury 1.25% IL 22/11/55
UK Treasury 1.875% IL 22/11/22

# AXA Sterling Index-Linked Bond Fund

## For the Six Months Ended 31 December 2013

### Five year discrete annual performance

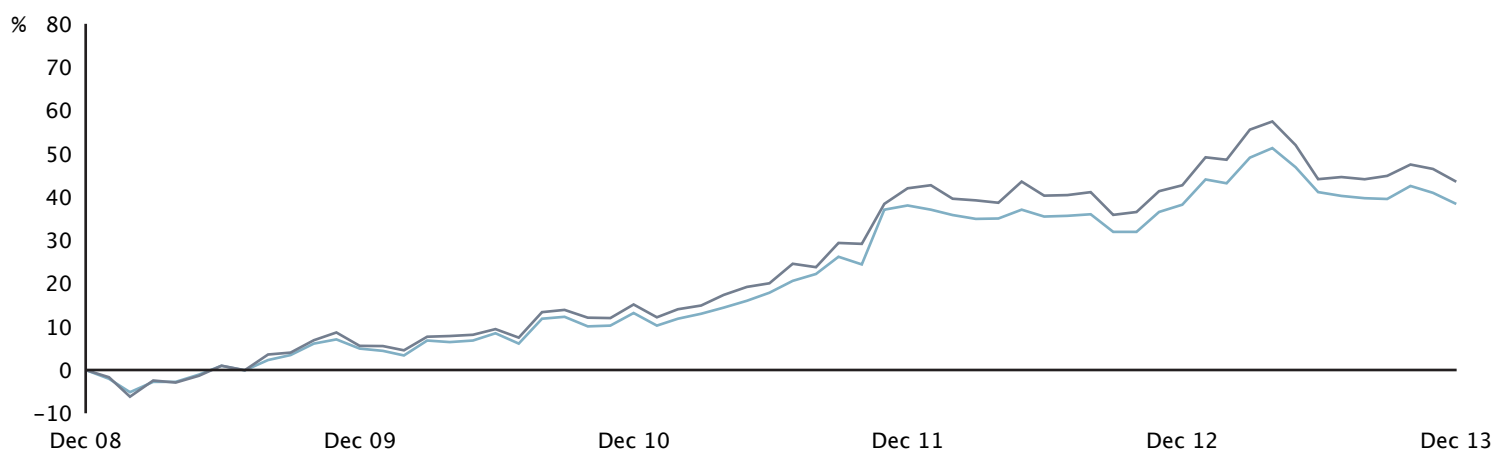
Dec 08 to Dec 09	Dec 09 to Dec 10	Dec10 to Dec 11	Dec 11 to Dec 12	Dec 12 to Dec 13
+4.95%	+7.83%	+21.95%	+0.13%	+0.13%

Past performance is not a guide to future performance. Source: AXA IM & Lipper Hindsight. Mid to mid and assume income is reinvested, in sterling terms to 31 December 2013. Performance refers to AXA Sterling Index-Linked Bond Fund Net R share class.

### Cumulative Fund performance versus comparative benchmark

as at 31 December 2013

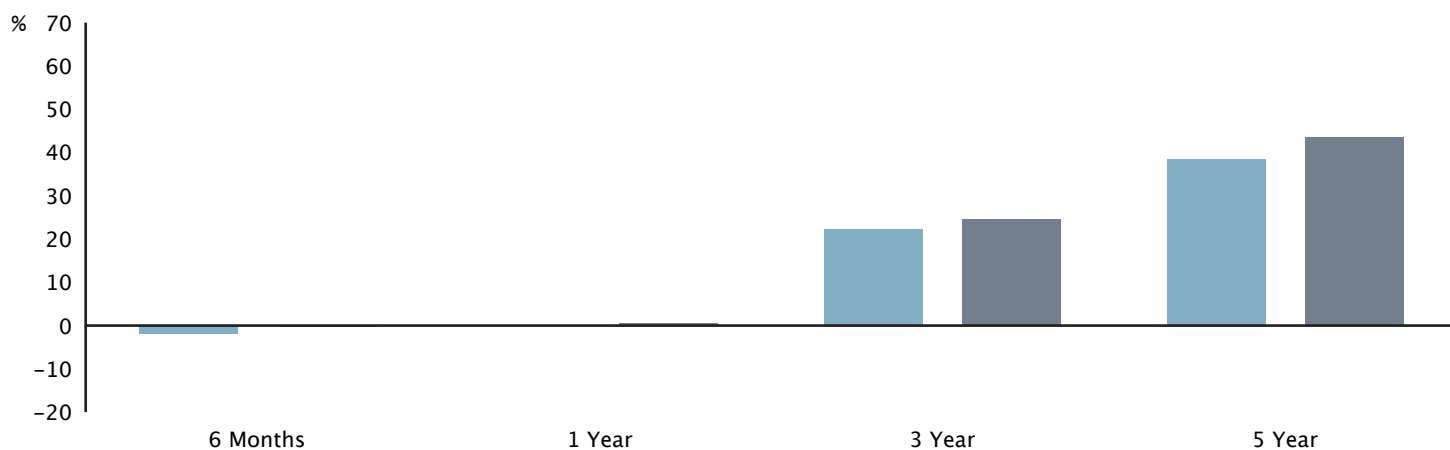
■ AXA Sterling Index-Linked Bond Fund ■ FTA Index-Linked 5+ Years Index



Past performance is not a guide to future performance. Source: AXA IM & Lipper Hindsight. Mid to mid, and assume income is reinvested, in sterling terms to 31 December 2013. Performance refers to AXA Sterling Index-Linked Bond Fund Net R share class.

as at 31 December 2013

■ AXA Sterling Index-Linked Bond Fund ■ FTA Index-Linked 5+ Years Index



Past performance is not a guide to future performance. Source: AXA IM & Lipper Hindsight. Mid to mid, and assume income is reinvested, in sterling terms to 31 December 2013. Performance refers to AXA Sterling Index-Linked Bond Fund Net R share class.

# AXA Sterling Index-Linked Bond Fund

## For the Six Months Ended 31 December 2013

### 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*+	H	Acc (net)	178.3	154.1	0.389	Acc (gross)	181.2	156.5	0.484
2013*+	R	Acc (net)	174.7	151.2	0.052	Acc (gross)	175.4	151.8	0.065
2013*+	Z	Acc (net)	196.3	169.8	0.215	Acc (gross)	202.4	174.9	0.275
2012	H	Acc (net)	160.5	149.7	1.163	Acc (gross)	162.8	152.0	1.305
2012	R	Acc (net)	158.5	147.1	0.205	Acc (gross)	159.1	147.6	0.280
2012	Z	Acc (net)	177.4	165.1	1.010	Acc (gross)	182.5	170.0	1.099
2011	H	Acc (net)	158.7	124.1	1.356	Acc (gross)	160.9	125.5	1.627
2011	R	Acc (net)	156.7	123.2	0.497	Acc (gross)	157.3	123.5	0.594
2011	Z	Acc (net)	175.4	137.8	0.996	Acc (gross)	180.4	140.7	1.361
2010	H	Acc (net)	129.0	114.4	1.190	Acc (gross)	130.5	115.6	1.439
2010	R	Acc (net)	128.4	114.3	0.443	Acc (gross)	128.7	114.5	0.572
2010	Z	Acc (net)	143.4	127.4	1.005	Acc (gross)	146.4	129.8	1.273
2009	H	Acc (net)	121.9	103.7	0.969	Acc (gross)	123.1	104.5	1.173
2009	R	Acc (net)	121.9	104.1	0.509	Acc (gross)	122.1	104.2	0.676
2009	Z	Acc (net)	135.8	115.7	0.841	Acc (gross)	138.3	117.6	1.116

Highest offer and lowest bid price quoted at anytime in the calendar year and \* to 31 December 2013. + Distribution paid 28 February 2014.

### Net asset value record

Share class	Share type	Net asset value per share as at 31 December 2013 (pence)	Net asset value per share as at 30 June 2013 (pence)	Share type	Net asset value per share as at 31 December 2013 (pence)	Net asset value per share as at 30 June 2013 (pence)
H	Acc (net)	160.7	161.3	Acc (gross)	163.3	163.9
R	Acc (net)	156.6	157.8	Acc (gross)	157.2	158.4
Z	Acc (net)	176.3	177.3	Acc (gross)	182.0	182.9

Please note, that the NAV prices shown above are different from the results prices as at 31.12.13. 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.

# AXA Sterling Index-Linked Bond Fund

## For the Six Months Ended 31 December 2013

### Top ten holdings as at 31 December 2013

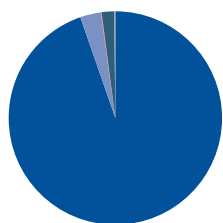
Company	Sector	%
UK Treasury 1.875% IL 22/11/22	Government Index-Linked Bonds	6.65
UK Treasury 1.25% IL 22/11/27	Government Index-Linked Bonds	6.60
UK Treasury 0.75% IL 22/03/34	Government Index-Linked Bonds	6.53
UK Treasury 1.25% IL 22/11/32	Government Index-Linked Bonds	6.45
UK Treasury 1.25% IL 22/11/55	Government Index-Linked Bonds	5.82
UK Treasury 2.5% IL 17/07/24	Government Index-Linked Bonds	5.74
UK Treasury 0.375% IL 22/03/62	Government Index-Linked Bonds	5.62
UK Treasury 0.5% IL 22/03/50	Government Index-Linked Bonds	4.90
UK Treasury 0.625% IL 22/11/42	Government Index-Linked Bonds	4.85
UK Treasury 0.75% IL 22/11/47	Government Index-Linked Bonds	4.69

### Top ten holdings as at 30 June 2013

Company	Sector	%
UK Treasury 1.25% IL 22/11/32	Government Index-Linked Bonds	8.50
UK Treasury 1.125% IL 22/11/37	Government Index-Linked Bonds	7.11
UK Treasury 1.25% IL 22/11/55	Government Index-Linked Bonds	6.43
UK Treasury 1.25% IL 22/11/27	Government Index-Linked Bonds	6.30
UK Treasury 2.5% IL 17/07/24	Government Index-Linked Bonds	5.79
UK Treasury 1.875% IL 22/11/22	Government Index-Linked Bonds	5.63
UK Treasury 0.75% IL 22/03/34	Government Index-Linked Bonds	5.40
UK Treasury 0.75% IL 22/11/47	Government Index-Linked Bonds	5.24
UK Treasury 0.625% IL 22/11/42	Government Index-Linked Bonds	5.16
UK Treasury 0.375% IL 22/03/62	Government Index-Linked Bonds	4.89

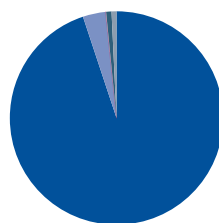
### Portfolio breakdown

#### As at 31 December 2013



Sector	%
Government Index-Linked Bonds	94.67
Index-Linked Corporate Bonds	3.13
Forward currency contracts	0.05
Futures	0.08
Cash	1.90
Other	0.17

#### As at 30 June 2013



Sector	%
Government Index-Linked Bonds	95.01
Index-Linked Corporate Bonds	3.51
Forward currency contracts	-0.11
Futures	0.03
Cash	0.81
Other	0.75

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

# AXA Sterling Index-Linked Bond Fund

## For the Six Months Ended 31 December 2013

### Authorised Corporate Director

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

*Authorised and regulated by the Financial Conduct Authority.*

### Dealing

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Administration office  
PO Box 10908  
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Telephone Enquiries / Dealing 0845 777 5511  
IFA Enquires 0845 766 0184

### Registrar

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### Investment advisers

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### Legal adviser

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### Depositary

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### Independent auditors

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London  
SE1 2RT

### Fund accounting administrator

State Street Bank and Trust Company  
20 Churchill Place  
London E14 5HJ

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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](http://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 (OEIC) authorised by the FCA, and has a UCITS certificate. The Company is managed in accordance with the FCA Collective Investment Schemes Sourcebook (COLL). Fund prices are available on the website [www.axa-im.co.uk](http://www.axa-im.co.uk) and by calling 0845 777 5511.

AXA Investment Managers UK Limited has made changes to the Prospectus and the Instrument of Incorporation of the OEICs to reflect the requirements of the Open-Ended Investment Companies (Amendment) Regulations 2011 and the FCA's COLL Rules for the AXA Fixed Interest Investment ICVC, in order to adopt protected cell status. This will have the effect of ensuring that the liabilities of each sub fund in the OEIC are protected from each other. This change was made on 31 December 2013 and has no effect on your investment in the Fund. This note is for your information only.

### 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.

**0845 777 5511**

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

The value of investments and the income from them can fluctuate and investors may not get back the amount originally invested. Past performance is not a guide to future performance. Issued by AXA Investment Managers UK Ltd registered in England No. 01431068. The registered office address is 7 Newgate Street, London EC1A 7NX. AXA Investment Managers UK Ltd (119368) is authorised and regulated by the Financial Conduct Authority under the account shown. A member of the IMA. Telephone calls may be recorded or monitored for quality assurance purposes.

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All data sources: AXA Investment Managers unless otherwise stated.