

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 Strategic Bond Fund

For the Six Months Ended 31 December 2013

Investment objective and policy

The aim of the Fund is to generate returns by gaining exposure generally to the sterling denominated bond market. 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 holding, 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	128.7	128.9	-0.16%	-0.03%
Z net	Acc	118.4	118.7	-0.25%	-0.03%
R net	Acc	103.8	104.5	-0.67%	-0.03%
R net	Inc	82.20	83.36	-0.66%	-0.03%
R gross	Acc	109.8	110.3	-0.45%	-0.03%
R gross	Inc	82.47	83.65	-0.49%	-0.03%
H gross	Acc	119.6	119.5	0.08%	-0.03%
H net	Acc	112.4	112.6	-0.17%	-0.03%

Past performance is not a guide to future returns. Source of all performance data: AXA Investment Managers and Lipper up to 31 December 2013. *Comparative benchmark: Bank of America Merrill Lynch (BoA ML) Sterling Broad Market Index (gross).

Review and outlook

Sterling bond markets delivered mixed performance over the six months in review, with UK government bonds providing negative total returns, while sterling corporate bonds finished the period in positive territory.

Having sold off sharply in quarter two, after the US Federal Reserve (the Fed) suggested that it might soon begin withdrawing its liquidity stimulus (quantitative easing), bond markets began the review period more confidently, with gilt yields easing and credit spreads tightening. Corporate bonds, in particular, found good support from investors looking for additional yield, who were, in turn, encouraged by healthy company fundamentals. In August however, newly appointed governor of the Bank of England, Mark Carney, announced the introduction of a new 'forward guidance' policy, giving notice that interest rates were unlikely to rise from the current 0.5% until unemployment fell below 7%. Aimed at reassuring investors, it failed to have the desired effect as scepticism about how strictly the rule would be applied, saw market volatility, and gilt yields, rising once more.

Meanwhile, the prospect of the Fed beginning to withdraw or 'taper' quantitative easing remained an ongoing source of uncertainty throughout the six-month review period. In September, for example, a surprise announcement from the Fed, stating that it would not yet begin reducing its quantitative easing programme, led to a strong rally in government bonds and a tightening of credit spreads.

AXA Sterling Strategic Bond Fund

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Credit markets generally continued to find support into the year end, faltering on occasion, as investors took profits from the rally. Gilts were more volatile, rallying across the spectrum early in the final quarter of 2013, in response to the demand for safe assets caused by the US government shut down and subsequent delay in economic data being available. However, as the quarter progressed, so too did gilt yields begin to rise, as economic data in both the UK and the US showed a clearly strengthening trend, the latter adding to expectations of a withdrawal of US quantitative easing. This also impacted credit markets negatively as, despite spreads continuing to tighten through quarter four, it was not enough to offset the rise in gilt yields, meaning corporate bonds delivered negative total returns over the final quarter of 2013. When, in December, the Fed finally announced the commencement of tapering, the impact was relatively subdued, with markets having largely priced in the impact already. At the close of the year, benchmark 10-year gilts were yielding in excess of 3%.

At the start of the review period, we increased the Fund's duration to an overweight position, on the view that sterling bonds would outperform. As the period progressed, within credit, we reduced our exposure to senior bank debt and replaced it with more subordinated financial debt offering a higher yield. We also reduced our exposure to the telecommunication and the consumer sectors. From around August, we began progressively reducing the Fund duration, as an improving economy and the threat of US tapering meant a risk of rising government yields. We also reduced our overweight position in insurance sector credit, locking in gains after spreads tightening. Meanwhile, political instability in Italy caused uncertainty on bond markets, as it looked increasingly likely that new elections would have to be called. We therefore reduced our exposure to Italian corporate debt as fears over further volatility increased. Towards the end of the review period, we began to increase our long-held short duration stance once more, as yields reached the upper end of our short-term yield expectations.

During six-month review period, the AXA Sterling Strategic Bond Fund provided a total net return of -0.67% (R Acc) compared with a -0.03% return from the BofA ML Sterling Broad Index. Our long-held exposure to inflation-linked gilts was a key contributor to this underperformance as market inflation expectations were at odds with our own expectations on the ultimate effects of the period of extraordinary loose monetary policy.

Government bond yields have sold off significantly during 2013 as the global economy continues to improve after years of monetary stimulus. 2013 has been the year of 'forward guidance' as central banks have talked about their commitment to keeping official interest rates lower as economic activity improves. To date, this has had the encouraging effect of higher prices in riskier assets and higher yields in government bonds. This 'normalisation' of government bond yields has been relatively orderly in developed markets and credit continues to outperform a still weak government bond market. The outlook for 2014 is for a similar trend although all eyes will be on the strength of the economic recovery given there have been a few false starts since the global financial crisis.

Nick Hayes

31 December 2013

AXA Sterling Strategic Bond Fund

For the Six Months Ended 31 December 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 has 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. Typically, you would prefer an investment with less risk than that of a fund which invests significantly in equities. You are aware that investing a proportion of your money in sub investment grade bonds increases 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
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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	Nick Hayes
Sector	IMA Sterling Strategic Bond
Comparative Benchmark	BoA Merrill Lynch Sterling Broad Market Index
Launch date	24 Sep 2004
Fund size at 31 December 2013	£363m
Fund size at 30 June 2013	£136m
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	3.10%
Yield R Inc net/gross	1.90%
Yield R Acc net/gross	1.90%
Yield Z Acc net/gross	2.70%
Share types	Inc & Acc
Number of stocks	207
Initial charge	R: 4%/ Z: Nil/ H: 5%
Annual charge	R: 1.25%/ Z: 0.50%/ H: Nil
Ongoing charges	
H Acc net/gross	0.11%
R Inc net/gross	1.27%
R Acc net/gross	1.27%
Z Acc net/gross	0.57%
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 3.25% 22/01/44
UK Treasury 4.25% 07/03/36
UK Treasury 4.25% 07/06/32
UK Treasury 5% 07/03/25
UK Treasury 6% 07/12/28

Top five sales

For the six months ended 31 Dec 2013

UK Treasury 4.25% 07/06/32
UK Treasury 4.75% 07/12/30
UK Treasury 4.75% 07/12/38
UK Treasury 5% 07/03/18
UK Treasury 6% 07/12/28

AXA Sterling Strategic Bond Fund

For the Six Months Ended 31 December 2013

Five year discrete annual performance

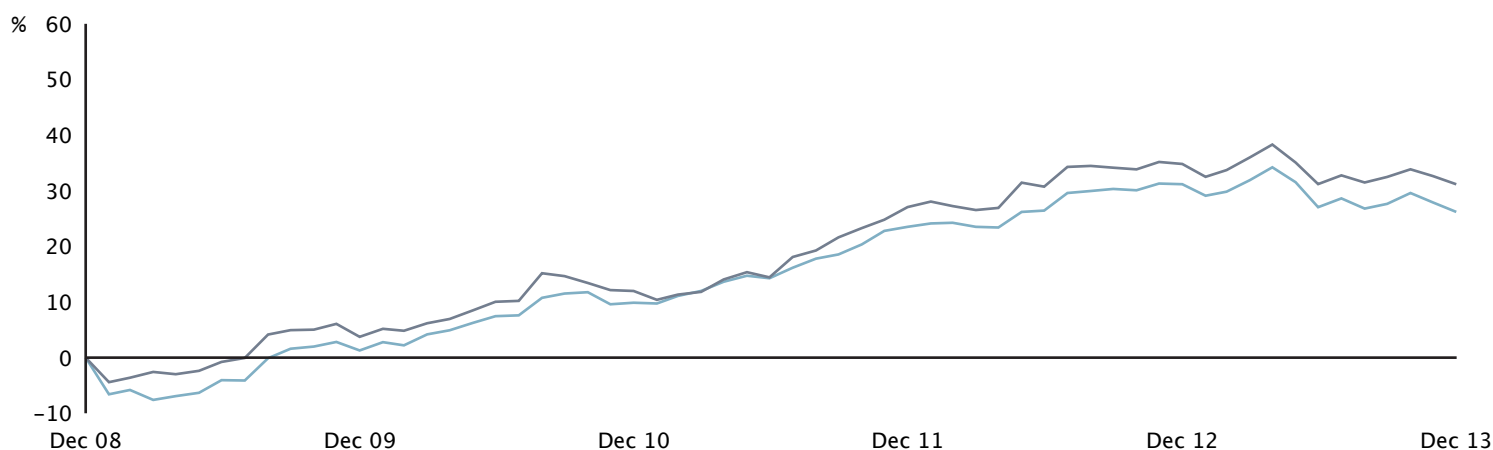
Dec 08 to Dec 09	Dec 09 to Dec 10	Dec 10 to Dec 11	Dec 11 to Dec 12	Dec 12 to Dec 13
+1.29%	+8.47%	+12.41%	+6.20%	-3.80%

Past performance is not a guide to future returns. Source: AXA IM & Lipper Hindsight as at 31 December 2013. Basis: mid to mid, with net income reinvested, net of fees in GBP.

Cumulative Fund performance versus comparative benchmark

as at 31 December 2013

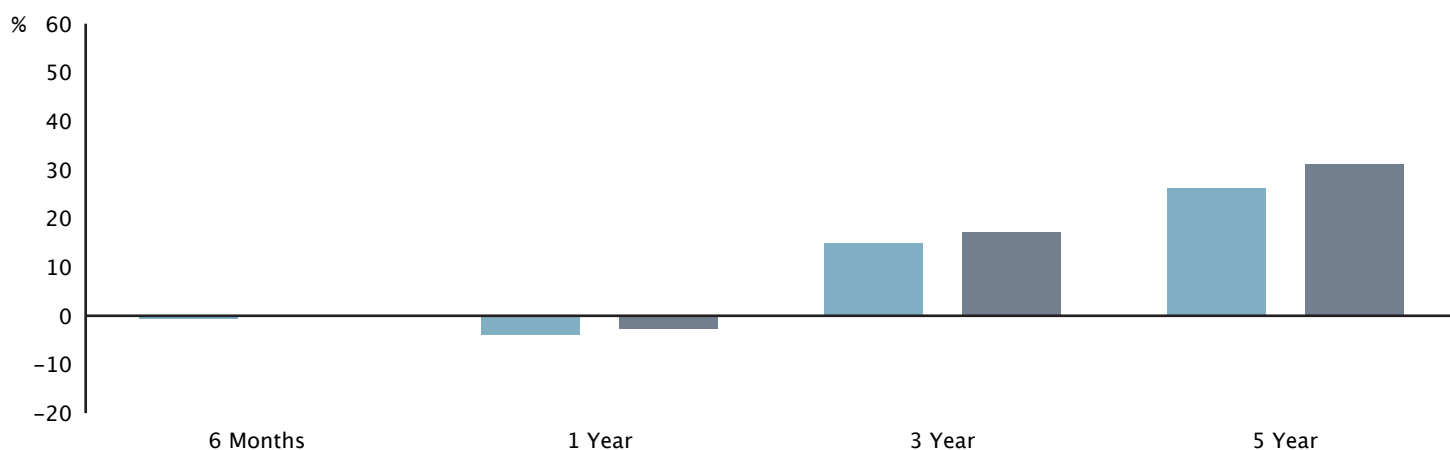
■ AXA Sterling Strategic Bond Fund ■ BoA ML Sterling Broad Market Index



Past performance is not a guide to future performance. Source: AXA IM & Lipper Hindsight, mid to mid, net of fees income reinvested to 31 December 2013. Performance refers to AXA Sterling Strategic Bond Fund Net (tax and fees) R Acc net share class. Benchmark: BoA ML Sterling Broad Market Index. Please note the comparative benchmark is stated without any deduction for the impact of tax and management fees.

as at 31 December 2013

■ AXA Sterling Strategic Bond Fund ■ BoA ML Sterling Broad Market Index



Past performance is not a guide to future performance. Source: AXA IM & Lipper Hindsight, mid to mid, net of fees income reinvested to 31 December 2013. Performance refers to AXA Sterling Strategic Bond Fund Net (tax and fees) R Acc net share class. Benchmark: BoA ML Sterling Broad Market Index. Please note the comparative benchmark is stated without any deduction for the impact of tax and management fees.

AXA Sterling Strategic 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)	119.0	110.9	2.850	Acc (gross)	126.2	117.8	3.692
2013*+	R	Inc (net)	88.24	81.62	1.257	Inc (gross)	88.49	81.87	1.574
2013*+	R	Acc (net)	110.6	102.7	1.577	Acc (gross)	116.7	108.5	2.081
2013*+	Z	Acc (net)	125.6	116.9	2.505	Acc (gross)	136.2	127.0	3.411
2012	H	Acc (net)	115.9	106.5	2.982	Acc (gross)	122.6	112.2	3.839
2012	R	Inc (net)	87.10	81.53	1.457	Inc (gross)	87.36	81.84	1.853
2012	R	Acc (net)	108.3	100.1	1.811	Acc (gross)	114.0	105.2	2.415
2012	Z	Acc (net)	122.6	113.0	2.729	Acc (gross)	132.6	121.7	3.578
2011	H	Acc (net)	107.8	94.20	3.559	Acc (gross)	113.5	98.36	4.574
2011	R	Inc (net)	83.23	74.88	1.968	Inc (gross)	83.53	75.01	2.506
2011	R	Acc (net)	101.7	89.71	2.388	Acc (gross)	106.6	93.54	3.178
2011	Z	Acc (net)	114.6	100.4	3.352	Acc (gross)	123.2	107.2	4.427
2010	H	Acc (net)	96.88	86.52	3.804	Acc (gross)	100.9	89.55	4.940
2010	R	Inc (net)	77.83	71.50	2.494	Inc (gross)	78.10	71.79	3.002
2010	R	Acc (net)	92.47	83.09	2.809	Acc (gross)	96.26	86.06	3.610
2010	Z	Acc (net)	103.4	92.58	3.731	Acc (gross)	110.1	98.00	4.896
2009	H	Acc (net)	88.12	76.77	3.217	Acc (gross)	91.05	78.66	3.979
2009	R	Inc (net)	73.44	65.92	1.861	Inc (gross)	73.69	66.23	2.534
2009	R	Acc (net)	84.81	74.35	2.273	Acc (gross)	87.76	76.40	2.952
2009	Z	Acc (net)	94.36	82.41	3.088	Acc (gross)	99.76	86.40	3.970

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 as at 31 December 2013 (pence)	Net Asset Value as at 30 June 2013 (pence)	Share type	Net Asset Value as at 31 December 2013 (pence)	Net Asset Value as at 30 June 2013 (pence)
H	Acc (net)	112.3	112.1	Acc (gross)	119.6	119.0
R	Acc (net)	103.8	104.0	Inc (net)	81.82	82.64
R	Acc (gross)	109.7	109.8	Inc (gross)	82.02	82.84
Z	Acc (net)	118.3	118.6	Acc (gross)	128.6	128.3

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 Strategic Bond Fund

For the Six Months Ended 31 December 2013

Top ten holdings as at 31 December 2013

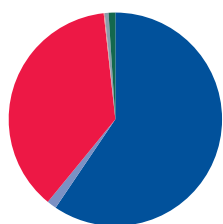
Company	Sector	%
UK Treasury 5% 07/03/25	UK Government Bonds	4.67
UK Treasury 6% 07/12/28	UK Government Bonds	4.09
UK Treasury 4.25% 07/06/32	UK Government Bonds	3.83
UK Treasury 4.25% 07/03/36	UK Government Bonds	3.82
UK Treasury 3.25% 22/01/44	UK Government Bonds	3.61
UK Treasury 4.25% 07/12/46	UK Government Bonds	3.58
UK Treasury 4% 07/09/16	UK Government Bonds	3.25
UK Treasury 4.25% 07/12/40	UK Government Bonds	2.63
UK Treasury 4% 07/03/22	UK Government Bonds	2.43
UK Treasury 3.75% 07/09/19	UK Government Bonds	2.35

Top ten holdings as at 30 June 2013

Company	Sector	%
UK Treasury 4% 07/09/16	UK Government Bonds	4.42
UK Treasury 4.25% 07/12/27	UK Government Bonds	4.05
UK Treasury 1.875% IL 22/11/22	Index-Linked Bonds	3.92
UK Treasury 4.75% 07/12/38	UK Government Bonds	2.86
UK Treasury 4.75% 07/12/30	UK Government Bonds	2.85
UK Treasury 4.5% 07/09/34	UK Government Bonds	2.77
US Treasury 0.125% 15/07/22	US Government Bonds	2.71
UK Treasury 4.25% 07/12/46	UK Government Bonds	2.70
UK Treasury 1% 07/09/17	UK Government Bonds	2.55
UK Treasury 4.25% 07/03/36	UK Government Bonds	2.28

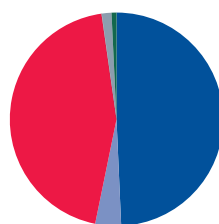
Portfolio breakdown

As at 31 December 2013



Sector	%
Government Bonds	59.46
Government Index-Linked Bonds	1.45
Corporate Bonds	37.34
Futures	0.13
Forwards	0.02
Cash	0.58
Other	1.02

As at 30 June 2013



Sector	%
Government Bonds	49.34
Government Index-Linked Bonds	3.92
Corporate Bonds	44.56
Futures	0.04
Forwards	-0.08
Cash	1.47
Other	0.75

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

AXA Sterling Strategic Bond Fund

For the Six Months Ended 31 December 2013

Authorised Corporate Director

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

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Fund accounting administrator

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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). 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

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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.