Short Report

AXA Framlington

An AXA Investment Managers Expertise

AXA Framlington Emerging Markets Fund

For the six months ended 31 May 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 £51.9 billion (as at 31 May 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 31.05.13 (p)	Price at 30.11.12 (p)	Fund Performance	Comparative Benchmark
R	Acc*	209.6	191.2	9.62%	7.08%^
Z	Acc*	104.2	94.69	10.04%	7.08%^
R	Inc**	195.2	179.6	8.69%	5.90%^^
Z	Inc**	101.9	94.04	8.36%	5.90%^^

* 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 31 May 2013.

Review

The MSCI Emerging Markets Index rose slightly in US dollar terms over the six months to the end of May 2013, while sterling's depreciation against the dollar meant the Index was firmly higher in sterling terms. In comparison, the Fund outperformed the Index over the review period. However, emerging markets underperformed relative to developed markets, reflecting the fact that emerging markets are at a very different stage of the economic cycle. While the US economy appears to be recovering, as the housing market stabilises and consumer spending picks up, emerging markets have entered a period of lower growth as the credit cycle slows. China is perhaps the most notable example of this trend. Following the 2008 financial crisis, Chinese banks massively expanded lending to infrastructure projects and local governments to replace the lost momentum in the export sector. However, China has now reached the limits of its banking capacity, with total debt to gross domestic product (GDP) around 250%, and the new administration is apparently determined to move to a lower growth trajectory, one where social reform and the quality of growth is more important than the level of growth. This reflects the fact that the leadership no longer has to worry about unemployment, given that China now has a shrinking workforce and labour is in short supply. However, moving to a lower level of growth is likely to have implications for asset quality in the banking sector, which is already under pressure from its exposure to low-return infrastructure projects. It does seem likely though that the authorities will be able to engineer an orderly slowdown and avoid a banking crisis; central government has a debt to GDP level of 15% of GDP and can therefore afford to take on some of the banking sector's liabilities. However, the effect of such massive credit expansion in previous years has been to create overcapacity in many industries just as the cost of capital begins to rise. Industrial profits are under severe pressure which explains why the A share market has been very weak of late.

The impact of China's slowdown has been felt well beyond China, particularly in commodity markets. The price of iron ore has fallen from US$160 per ton at its peak in January to around US$115 at the time of writing (June 2013). Likewise, the price of coal has declined sharply, as has the price of copper

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and other industrial metals. Consequently, commodity producing countries such as Brazil and Indonesia have seen a decline in their external balances and a reduction in investment in the mining sector. Brazil was flat over the period, while Colombia, a major coal producer, fell by 10%. The Peruvian market was the worst performer over the six months. The Indonesian market performed surprisingly well, recording a 13% gain, despite a clear slowdown in the mining sector. However, Indonesia's credit cycle remains strong, reflecting a very low level of consumer credit to GDP. Other South East Asian markets also performed strongly, particularly Philippines and Thailand, which also have very buoyant domestic credit demand.

The Fund outperformed the comparative Index over the period by maintaining relatively low exposure to the mining sector and avoiding commodity sectors such as energy. Instead, the Fund's focus has been on domestic consumer stocks in markets where growth in domestic credit remains favourable to consumption. On these grounds, the Fund favours Thailand, Indonesia but particularly Mexico. The latter is benefitting from the recovery in the US economy and has gained significantly in competitiveness relative to China, where labour costs per hour are now similar to Mexico following a period of wage appreciation over the last ten years or so. At the same time, Mexico's new administration is embarking on an ambitious reform programme targeting infrastructure spending and investment in the energy sector, combined with broadening the tax base to diversify government revenues away from oil. There appears to be a political consensus in favour of such reforms which will be very positive for growth. Elsewhere, the outlook is less rosy in Brazil but we continue to find interesting opportunities in the mid-cap space and have no exposure to either the energy or banking sectors, both areas that have been under pressure recently. While the Fund has significant exposure to China, there is no exposure to heavy industry, where the bulk of the slowdown is being felt. Again, we prefer to invest in domestic consumption which is supported by rising real wages and a social reform programme that is likely to decrease the savings rate. However, even this segment of the market has sold off recently and now looks attractive value. Indeed, the main negative contribution, in terms of stock selection over the period, was Belle International, a shoe retailer with 12,000 outlets across China. Same store sales have slowed from close to 20% to mid-single digit, but remains healthy and the company has an extremely strong balance sheet. The best performing stock over the last six months was Bank of Georgia, which rose by 67% in dollar terms. This is one of the Fund's largest positions and was by far the most important contributor to performance. Other key positions such as the Mexican stock exchange (Bolsa Mexicana) and Copa Holdings (the Panamanian airline), also performed well. Coca-Cola Icecek, a Turkish bottler, and Bank Negara in Indonesia, also contributed significantly.

During the period under review, we increased the Fund's exposure to Mexico significantly with the purchase of Kimberly Clark de Mexico, a toilet tissue and diaper producer. The company has a very strong market share and benefits from currency appreciation as its costs are mostly denominated in US$. It also has a very attractive yield. We have also raised our Indian exposure significantly. While growth has slowed in common with many other emerging economies, the Indian government appears to be getting its fiscal balance in order which will allow the central bank to reduce interest rates further. We favour banks in India with exposure to wholesale funding, particularly mortgage providers such as LIC Housing and HDFC. We also purchased ITC, a tobacco producer, during the period. On the other hand, the Fund has reduced exposure to Chile, which is highly exposed to a weaker copper price, and have lowered exposure to Turkey, which has been a big beneficiary of lower global interest rates. That process now appears to have come to an end. While most emerging markets appear well funded and able to cope with a rise in interest rates, Turkey still has a very large external capital requirement and is likely to have to pay significantly more for its funding in future.

Outlook

We remain optimistic on emerging markets for the longer term. While we now appear to be entering a different phase of the cycle as US interest rates normalise, emerging markets are unlikely to suffer significant credit issues as their own rates increase. There is little sign of excess leverage in the banking sector. However, it is clear that growth has slowed and that, in general, there is little that central banks can do to stimulate the economy. The pressure is thus on governments to respond with appropriate fiscal measures or to undertake fiscal reform to allow such a response. We favour those economies where governments have the capacity to respond, or have already taken action, such as Mexico, India and Thailand. On the other hand, we have relatively low exposure to economies which have already exhausted their fiscal capacity (such as China) or which appear to lack the political intelligence to do so, as in Brazil. In this sense, the recent demonstrations in Brazil and Turkey are a wake-up call to politicians to take action. Hopefully, this may elicit a positive response, at least in the case of Brazil. We have, however, reduced exposure since the end of the period.

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

28 June 2013

All performance data source: AXA Investment Managers and Lipper to 31 May 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.

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 31 May 2013	£157m
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	0.73%
R Acc	0.72%
Z Inc	1.41%
Z Acc	1.39%
Unit type	Inc/Acc
Number of stocks	71
Initial charge	R: 5.25% / Z: 0.00%
Annual charge	R: 1.50% / Z: 0.75%
Ongoing charges	
R Inc	1.66%
R Acc	1.66%
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 31 May 2013.

Top five purchases

For the period ended 31 May 2013
Kimberly-Clark de Mexico
Cia de Bebidas das Americas
Vale
CP ALL
BB Seguridade Participacoes

Top five sales

For the period ended 31 May 2013
Lenovo Group
Rio Tinto
Bolsa Mexicana de Valores
Itau Unibanco
Wal-Mart de Mexico

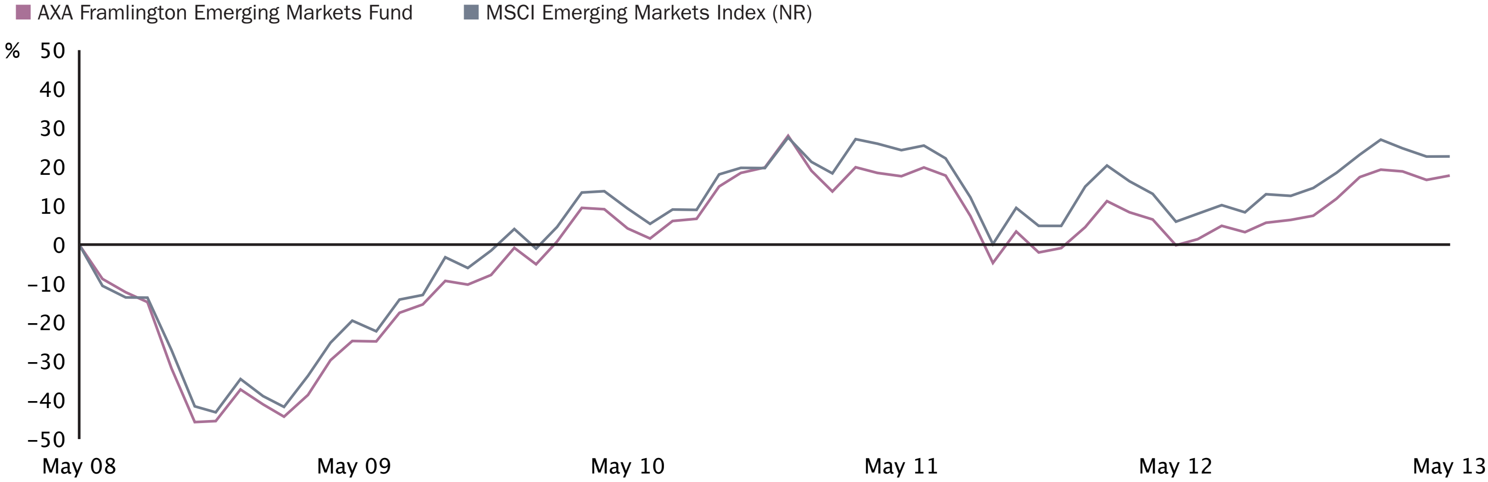
Five year discrete annual performance %

May 08 to May 09	May 09 to May 10	May 10 to May 11	May 11 to May 12	May 12 to May 13
-24.78%	38.46%	12.89%	-15.10%	17.95%

Past performance is not a guide to future returns. Sources: AXA Investment Managers and Lipper as at 31 May 2013. Basis: Bid to bid, with net income reinvested, net of fees in GBP. Performance is representative of R Acc class.

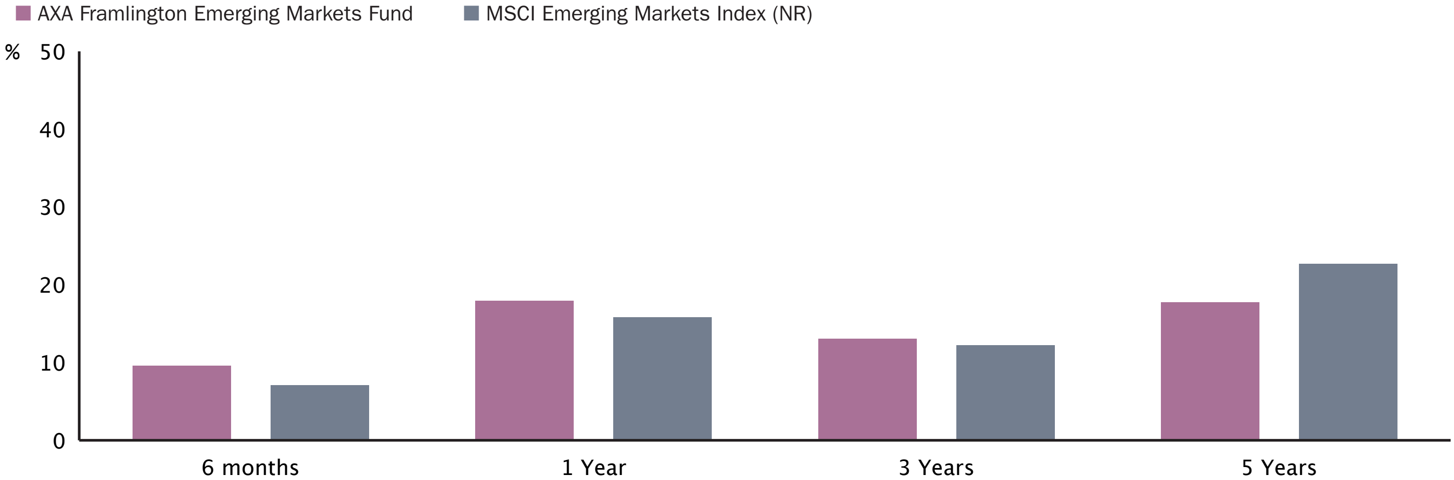
Cumulative fund performance versus comparative benchmark

as at 31 May 2013



Past performance is not a guide to future returns. Sources: AXA Investment Managers and Lipper as at 31 May 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.

as at 31 May 2013



Past performance is not a guide to future returns. Sources: AXA Investment Managers and Lipper as at 31 May 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.

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)
2007	R	Income	188.3	116.3	0.312
2007	R	Accumulation	195.5	120.7	0.323
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	210.0	173.6	1.506
2012+	Z	Income	99.21	84.99	1.429
2012+	Z	Accumulation	100.7	85.53	1.437
2013*	R	Income	217.6	176.4	Nil
2013*	R	Accumulation	233.6	189.3	Nil
2013*	Z	Income	108.3	92.04	Nil
2013*	Z	Accumulation	110.7	94.11	Nil

*Highest offer and lowest bid price quoted at any time in the calendar year and * to 31 May 2013. +Distribution paid on 31 July 2013. # 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 31 May 2013 (pence)	Net asset value per unit as at 30 Nov 2012 (pence)
R	Income	195.9	178.7
R	Accumulation	210.2	191.8
Z #	Income	101.8	92.56
Z #	Accumulation	104.1	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 31 May 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. For a copy of this, please contact our dedicated customer services team on 0845 777 5511.

European Savings Directive

The AXA Framlington Emerging Markets 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 Framlington Emerging Markets Fund does not meet the HM Revenue & Customs debt investment reporting thresholds. This means that no details of income distributions will be reported to HM Revenue & Customs.

Top ten holdings as at 31 May 2013

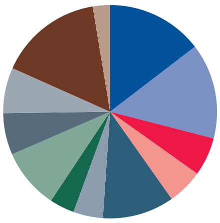
Company	Country	%
Samsung Electronics	South Korea Equities	6.24
Taiwan Semiconducter Manufacturing	Taiwan Equities	3.99
Bank of Georgia	Georgia Equities	3.53
Sberbank	Russia Equities	3.06
CP ALL	Thailand Equities	2.51
Mexichem	Mexico Equities	2.36
Baidu	China (incl. Hong Kong) Equities	2.28
Kimberly-Clark de Mexico	Mexico Equities	2.23
Arca Continental	Mexico Equities	2.12
Belle International	China (incl. Hong Kong) Equities	2.04

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

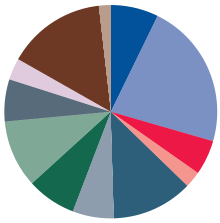
Portfolio breakdown

as at 31 May 2013



Country	%
Brazil Equities	14.58
China (incl. Hong Kong) Equities	14.45
India Warrants	5.83
Indonesia Equities	5.38
Mexico Equities	10.84
Russia Equities	4.49
South Africa Equities	3.75
South Korea Equities	9.14
Taiwan Equities	6.32
Thailand Equities	6.91
Others	15.69
Net current assets (inc. cash)	2.62

as at 30 November 2012



Country	%
Brazil Equities	7.24
China (incl. Hong Kong) Equities	22.22
India Warrants	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 / Investment Manager
AXA Investment Managers UK Ltd
7 Newgate Street
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Authorised and regulated by the Financial Conduct Authority (formerly the Financial Services Authority). Member of the IMA.

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Authorised and regulated by the Financial Conduct Authority (formerly the Financial Services Authority).

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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