

# AXA FRAMLINGTON UK SMALLER COMPANIES FUND



Issued by  
AXA Investment Managers UK Ltd  
authorised and regulated by the  
Financial Services Authority

Interim Long Report and Unaudited Accounts  
For the Six Months Ended 31 October 2012

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## Fund Objective

Capital growth through investment principally in smaller UK quoted companies.

The AXA Framlington UK Smaller Companies Fund is an authorised unit trust scheme under section 243 of the Financial Services and Markets Act 2000. The Fund is a UCITS scheme and is subject to the Financial Services Authority's Collective Investment Schemes Sourcebook (COLL).

## Results

Unit Class	Unit Type	Price at 30/04/2012 (p)	Price at 31/10/2012 (p)	Unit Class Performance	Comparative Benchmark
R	Acc*	110.0	116.8	+6.18%	+7.65%^
Z#	Acc*	99.81	106.5	+6.70%	+7.65%^
R	Inc**	106.4	112.6	+5.83%	+5.70%^

\* Acc units (incl. comparative benchmark) include net income reinvested, total return. \*\* Inc units (incl. comparative benchmark) do not include net income reinvested, capital return dividends excluded. ^ FTSE SmallCap (Ex IC) (Total Return), ^^ FTSE SmallCap (Ex IC) (capital change). # Unit class launched on 16 April 2012. Source of all performance data: AXA Investment Managers and Lipper, bid to bid, to 31 October 2012.

## Retail Distribution Review (RDR) changes

Please note, with effect from the 16 April 2012, the Retail unit class has been renamed as R unit class and there is a newly created unit class named Z.

## Review

Investors have had to contend with another volatile and mixed period of news flow during the six months in review, and in 2012 generally.

Over the six month period to 31 October, the Fund performed well in absolute terms, returning +6.18% and placing it in the second quartile, relative to its peer group. Over the same period, the FTSE SmallCap Ex IC Index rose by +7.65%, outperforming the broader UK equity market indices. The strong performance of the index continues to be driven by companies that typically have high levels of financial gearing, structurally-challenged business models and little pricing power. We avoid investing in companies that exhibit these characteristics.

Macroeconomic policy continues to dominate the headlines, with expectations around global monetary and fiscal stimuli, bank solvency and liquidity and euro sustainability, leading to huge uncertainty in markets.

Weak global GDP numbers and, in particular, the slowdown in the Chinese economy, have contributed to an acute period of corporate earnings downgrades, particularly in the industrial sector, where a material proportion of revenues are now derived from Asia. Indeed, companies such as General Motors and Caterpillar now sell more vehicles in China than they do in the US.

One of the key questions that we are constantly asking ourselves, however, is how much of the current situation is cyclical and how much is structural? In the case of some recent UK high street retail insolvencies, such as Clinton Cards, Game Group and HMV, it was clear to us that their issues were structural. The high fixed costs of their high street presence were simply uncompetitive in a world that is increasingly online and digital. Furthermore, the consumption of media has structurally shifted, with the physical format being increasingly replaced by the digital format. Robert Wells, President of Global Digital Business at Universal Music, has stated that he believes that the 'inflection point' - when global digital revenues overtake physical revenues - is set to occur in 2013, after the number of downloads overtook CD sales volumes in the US in 2011 (Financial Times 24 January 2012).

Some of the Fund's most successful investments have come from companies that have traditionally, or historically, exhibited cyclical characteristics, but through either, new management, innovation or a changing business mix, have executed a transition towards more secular growth characteristics.

Porvair, the world leader in filtration and separation technologies, is an example of such a holding in the Fund. Porvair now embodies many of the qualities we look for in companies. Its filtration products are often bespoke to customers and are designed into their customers' systems. This, together with the accreditation of filters used in niche areas, for example, in inerting gas systems on commercial aircraft to eliminate flammable fuel vapours, is a substantial barrier to entry for potential competitors. Furthermore, regulation requires that by 2018, all US commercial jets with capacity of 30 passengers or more must have an inerting system installed. Porvair has a long-term contract to supply Parker Hannifin with filters and Parker Hannifin is the sole supplier to Boeing and Airbus for the inerting systems. Porvair's filters are also consumable items and are therefore regularly replaced. This represents an attractive, visible, recurring revenue stream. With 30% of the company's revenue now derived

<b>Top Ten Holdings as at 31 October 2012</b>	<b>%</b>
<b>RPC</b> <i>Industrials</i>	2.48
<b>CLS</b> <i>Financials</i>	2.43
<b>NCC</b> <i>Technology</i>	2.43
<b>Oxford Instruments</b> <i>Industrials</i>	2.24
<b>Devro</b> <i>Consumer Goods</i>	2.24
<b>Dechra Pharmaceuticals</b> <i>Health Care</i>	2.14
<b>Booker</b> <i>Consumer Services</i>	2.00
<b>Keller</b> <i>Industrials</i>	1.98
<b>Dunelm</b> <i>Consumer Services</i>	1.97
<b>Entertainment One</b> <i>Consumer Services</i>	1.90

from patented or new products, Porvair has repositioned its business towards secular growth within regulated markets such as aerospace, nuclear and energy.

Over the last few years, many equity investors have fled the smaller company universe in favour of larger, and more liquid, investments. This has created some interesting opportunities for the remaining investors in our sector in that it is possible to find good companies that are undervalued primarily due to their size and not their quality. In assessing the relative merits of such smaller companies, however, we seek to find those companies that we believe can grow into large companies and that we believe will become more highly rated over time.

One example this year has been GB, the software company that provides identity authentication services and customer data management and analysis. GB provide an online service and through their access to over 70 different databases, enable companies to perform ID and anti-money laundering checks (among others) on their customers. The market for electronic checking is growing rapidly and is replacing manual checks, which have higher administration costs and are more susceptible to fraud. GB is the number two player to Experian in the UK market and over 75% of its revenues are substantially recurring. Strategically, however, the business is building an international capability to perform ID checks, thereby facilitating cross-border trade and social networking activities. The market value of this company is still only c. £100m, despite having almost doubled since we first took a stake in January 2012, and it is forecast to grow its earnings at over 20% per annum. Meanwhile, Experian recently bought '192Business', another competitor in this space, on a valuation multiple that, if applied to GB, would represent a substantial premium to the current GB share price, highlighting the value on offer.

We seek to invest in businesses with the ability to innovate, adapt, compete and prosper, in an increasingly global and dynamic economy. Clayton Christensen has written extensively in his seminal book, 'The Innovator's Dilemma' on the ability of disruptive innovations to change entire markets. What he has sought to illustrate is that while incumbent firms are usually aware of innovations, their business models do not usually allow them to pursue such innovations when they arise. This is particularly evident in the case of Dialight, a holding in the Fund. Dialight are the leading supplier of LED systems to the industrial and obstruction lighting markets. LEDs produce more lumens per watt than traditional incandescent light bulbs, have longer lives and do not create heat. This latter characteristic is important for use in the petrochemical sector, for example. A typical project pays back the investment in LED lighting in less than one and a half years, so the economics for customers that adopt the technology are compelling. Dialight focus on niche, regulated markets where the company is benefitting from a 'first mover advantage'; indeed it is the only firm qualified by the Federal Aviation Administration to fit LED systems on top of telecom and broadcast towers. Dialight has seen its lighting and obstruction businesses grow at over 100% and 50% respectively, as the market adopts LED technology. The incumbent competition, such as Philips, have an installed base of incandescent light bulbs and are therefore unwilling to 'cannibalise' their existing business model, which has an attractive recurring maintenance element (due to shorter bulb life), to focus on LEDs. Furthermore, it is challenging for competitors to now enter Dialight's niche markets, where they are already market leaders with their unrelenting focus on product innovation.

## MARKET OUTLOOK

Smaller companies remain an attractive area of the market in which to find undervalued stocks. Not only is it a large investment universe, numbering over 1,500 companies, but it is also an area that is under researched by analysts/investors. Indeed, the lack of research in the smaller company space has intensified as investment banks have reduced the resources and capital they allocate towards analysing the smaller end of the market. Lower trading volumes mean that the production of research for the lower end of the small cap market is often not commercial for these banks. Cost rationalisation has also been exaggerated by the consolidation of investment banks. The result is that many listed small cap companies may only have one or two analysts writing research and publishing forecasts on their company.

In such an environment, we continue to see compelling investment opportunities. Small cap valuations look attractive, relative to their expected growth, and we look for companies that are, on the whole, experiencing economic tailwinds, rather than headwinds. Balance sheets are generally strong and company cash flow is sufficient not only to fund expansionary capital expenditure and merger and acquisition activity, but also to increase cash returns to shareholders via dividend payments and share buybacks.

We continue to focus on those companies experiencing structural growth, with strong market positions and pricing power. The quality of management and their ability to drive change within an organisation is paramount to success and a central aspect of the decision to invest.

Henry Lawson  
23 November 2012

## Portfolio Changes

For the six months ended 31 October 2012

<b>Major purchases</b>	<b>Cost (£)</b>	<b>Major sales</b>	<b>Proceeds (£)</b>
KCOM	573,198	Nautical Petroleum	1,393,047
Brammer	525,858	Titan Europe	731,880
Idox	521,908	Headlam	596,932
Anite	491,250	Concurrent Technologies	521,955
Smiths News	455,134	Quindell Portfolio	514,738
John Menzies	441,422	Kofax	500,979
Utilitywise	416,911	Cranswick	500,255
Lavendon	400,059	Domino Printing Sciences	492,253
Dechra Pharmaceuticals	387,763	KBC Advanced Technologies	464,560
Regeneris	336,691	Umeco	411,610
Other purchases	3,316,485	Other sales	6,213,833
<b>Total purchases for the period</b>	<b>7,866,679</b>	<b>Total sales for the period</b>	<b>12,342,042</b>

## Managing Risks

The Fund is managed in accordance with the objective set out on page 3. By investing in financial markets there are associated risks and the following explains the Manager's approach to managing those risks.

### RISK PROFILE

The Fund invests predominantly in UK listed smaller capitalisation companies. Such companies' stocks have the possibility of higher returns than larger capitalisation company stocks but their value can fluctuate more in value and as a result involve a higher degree of risk.. Investors should consider carefully whether this investment risk is suitable for them. The value of investments and the revenue from them is not guaranteed and can go down as well as up.

### MARKET RISK

Future prices of investments within the Fund can go down as well as up and will affect the unit price accordingly. The Fund's exposure to stock specific price risk is reduced by diversification. Adherence to investment guidelines and to Investment and Borrowing Powers set out in the Trust Deed, the Prospectus and the rules of the Collective Investment Schemes Sourcebook limits the risk of excessive exposure to any particular security or issuer. Further information on the investment portfolio is set out in the Investment Review and Portfolio Statement within this document. No derivatives were used during this accounting period. Derivatives may be used for Efficient Portfolio Management in accordance with the techniques set out in the Collective Investment Schemes Sourcebook and Prospectus.

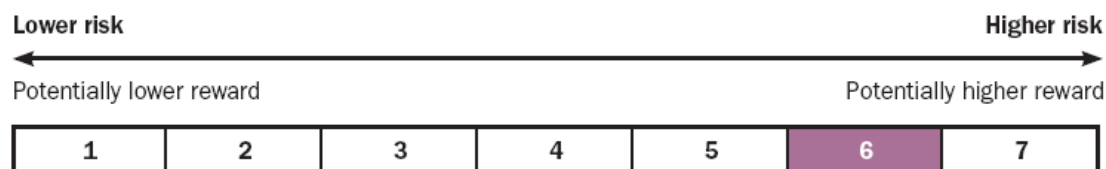
### LIQUIDITY RISK

The liquidity of the Fund is a function of the liquidity of the underlying investments. The Fund's assets mainly consist of readily realisable securities but investors should note that liquidity within the smaller companies is generally less than in larger companies. This risk is managed by maintaining a well diversified portfolio of investments. This should enable the payment of the Fund's liabilities and any investor's redemption of units.

### COUNTERPARTY RISK

Transactions in securities that the Fund may enter into expose it to the risk that the counterparty will not deliver the investment for a purchase or cash for a sale after the Fund has contracted to fulfil its responsibilities. This is minimised by the practice in the majority of markets of delivery versus payment and short settlement periods.

### RISK AND REWARD PROFILE



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.

## Fund Information

### FIVE YEAR PERFORMANCE

In the five years to 31 October 2012, the price of R Acc units with net income reinvested, increased by +6.47% (bid to bid) from 109.7p to 116.8p. The FTSE SmallCap ex IC Index (total return) decreased by -11.64% over the same time period. During the same period, the price of R Inc units with no net income reinvested, increased by +4.36% (bid to bid) from 107.9p to 112.6p (source: AXA Investment Managers and Lipper).

### FIVE YEAR DISCRETE PERFORMANCE (DISCRETE YEARS TO LATEST REPORTING DATE)

31/10/2007 - 31/10/2008 = -51.03%

31/10/2008 - 31/10/2009 = +41.86%

31/10/2009 - 31/10/2010 = +17.50%

31/10/2010 - 31/10/2011 = +10.76%

31/10/2011 - 31/10/2012 = +17.76%

All performance data source: AXA Investment Managers and Lipper. Basis: bid to bid, with net revenue reinvested, net of fees in GBP. Past performance is not a guide to future returns.

### YIELD

R Inc 0.32%

R Acc 0.17%

Z Acc\* 0.92%

### CHARGES

R Units 5.25% initial charge  
1.50% annual management fee

Z Units 0.00% initial charge  
0.75% annual management fee

(All charges are included in the unit price. Maximum charges permitted under the terms of the trust deed are 6% and 2% respectively).

### ONGOING CHARGES

R Inc 1.60%

R Acc 1.60%

Z Acc\* 0.75%

\*Launched on 16 April 2012

### UNIT TRUST INDIVIDUAL SAVINGS ACCOUNTS

The AXA Framlington UK Smaller Companies Fund is available as a Stocks and Shares ISA through the AXA Framlington Stocks and Shares ISA.

## Fund Facts

### THREE YEAR RECORD

#### R Class Units

As at	Units in issue		Net asset value of Fund		
	Income units	Accumulation units	Total (£)	Income Units (p)	Accumulation Units (p)
30/04/10	13,249,231	65,787,035	62,822,635	77.78	79.83
30/04/11	11,939,773	44,720,587	60,178,479	103.6	106.9
30/04/12	9,930,912	38,817,501	53,323,210	106.0	109.9
31/10/12	9,577,752	34,601,137	51,315,459	112.9	117.1

#### Z Class Units\*

As at	Units in issue		Net asset value of Fund	
	Accumulation units		Total (£)	Accumulation Units (p)
30/04/12	5,010		5,000	99.80
31/10/12	10,500		11,179	106.5

\*Launched on 16 April 2012

## Portfolio Statement

The AXA Framlington UK Smaller Companies Fund portfolio as at 31 October 2012 consisted of the following investments, which are ordinary shares unless otherwise stated.

Holding		Market value (£)	Total net assets (%)
<b>UNITED KINGDOM: 99.89%</b> <b>(30/04/2012: 99.34%)</b>			
<b>OIL &amp; GAS: 4.27%</b> <b>(30/04/2012: 6.86%)</b>			
<b>Oil &amp; Gas Producers: 3.09%</b> <b>(30/04/2012: 3.61%)</b>			
400,000	Faroe Petroleum	618,000	1.20
525,000	Iofina	379,312	0.74
250,000	Ithaca Energy	286,250	0.56
50,000	Providence Resources	305,000	0.59
		<b>1,588,562</b>	<b>3.09</b>
<b>Oil Equipment, Services &amp; Distribution: 1.18%</b> <b>(30/04/2012: 3.25%)</b>			
150,000	Kentz	605,850	1.18
		<b>605,850</b>	<b>1.18</b>
<b>BASIC MATERIALS: 4.61%</b> <b>(30/04/2012: 5.79%)</b>			
<b>Chemicals: 4.61%</b> <b>(30/04/2012: 4.58%)</b>			
170,000	Carclo	613,700	1.20
765,026	Dyson	-	-
450,000	Elementis	924,300	1.80
335,337	Porvair	459,412	0.89
570,000	Scapa	370,500	0.72
		<b>2,367,912</b>	<b>4.61</b>
<b>Mining: Nil</b> <b>(30/04/2012: 1.21%)</b>			
449,025	Archipelago Metals <sup>2</sup>	-	-
		-	-
<b>INDUSTRIALS: 29.04%</b> <b>(30/04/2012: 30.04%)</b>			
<b>Aerospace &amp; Defense: Nil</b> <b>(30/04/2012: 0.81%)</b>			
250,000	Aero Inventory <sup>2</sup>	-	-
		-	-

Holding		Market value (£)	Total net assets (%)
<b>Construction &amp; Materials: 5.15%</b> <b>(30/04/2012: 4.49%)</b>			
165,000	Keller	1,014,750	1.98
1,303	Latium <sup>1</sup>	-	-
1,250,000	Low & Bonar	665,625	1.30
564,239	Lupus Capital	959,206	1.87
		<b>2,639,581</b>	<b>5.15</b>
<b>Electronic &amp; Electrical Equipment: 4.39%</b> <b>(30/04/2012: 7.81%)</b>			
120,000	Andor Technology	518,400	1.01
85,000	Oxford Instruments	1,148,350	2.24
450,000	TT Electronics	583,875	1.14
		<b>2,250,625</b>	<b>4.39</b>
<b>General Industrials: 4.07%</b> <b>(30/04/2012: 2.45%)</b>			
73,000	Dialight	816,870	1.59
300,000	RPC	1,271,100	2.48
		<b>2,087,970</b>	<b>4.07</b>
<b>Industrial Engineering: 3.34%</b> <b>(30/04/2012: 5.64%)</b>			
250,000	Fenner	903,750	1.76
75,000	Hill & Smith	279,000	0.54
75,000	Vitec Group	534,750	1.04
		<b>1,717,500</b>	<b>3.34</b>
<b>Industrial Transportation: 0.09%</b> <b>(30/04/2012: Nil)</b>			
5,800	James Fisher & Sons	44,747	0.09
		<b>44,747</b>	<b>0.09</b>
<b>Support Services: 12.00%</b> <b>(30/04/2012: 8.84%)</b>			
200,000	Brammer	477,000	0.93
435,000	Digital Barriers	591,600	1.15
200,000	Hyder Consulting	794,000	1.55
75,000	John Menzies	454,875	0.89
60,000	Latchways	600,000	1.17
300,000	Lavendon	428,250	0.83
375,000	Office2Office	480,000	0.94
170,000	RWS	971,550	1.89
300,000	Smiths News	457,500	0.89
150,000	Sthree	450,750	0.88
550,000	Utilitywise	451,000	0.88
		<b>6,156,525</b>	<b>12.00</b>

Holding		Market value (£)	Total net assets (%)
<b>CONSUMER GOODS: 2.84%</b> <b>(30/04/2012: 4.98%)</b>			
<b>Food Producers: 2.24%</b> <b>(30/04/2012: 3.31%)</b>			
350,000	Devro	1,147,300	2.24
		<b>1,147,300</b>	<b>2.24</b>
<b>Household Goods &amp; Home Construction: Nil</b> <b>(30/04/2012: 1.11%)</b>			
<b>Leisure Goods: 0.60%</b> <b>(30/04/2012: 0.56%)</b>			
290,059	Zattikka	310,363	0.60
		<b>310,363</b>	<b>0.60</b>
<b>HEALTH CARE: 10.31%</b> <b>(30/04/2012: 7.77%)</b>			
<b>Health Care Equipment &amp; Services: 5.12%</b> <b>(30/04/2012: 4.64%)</b>			
875,000	Advanced Medical Solutions	647,500	1.26
1,650,000	EKF Diagnostics	503,250	0.98
2,450,000	LiDCO	355,250	0.69
6,000,000	Surgical Innovations	420,000	0.82
76,150	Synergy Health	700,961	1.37
		<b>2,626,961</b>	<b>5.12</b>
<b>Pharmaceuticals &amp; Biotechnology: 5.19%</b> <b>(30/04/2012: 3.13%)</b>			
200,400	Clinigen	384,768	0.75
180,000	Dechra Pharmaceuticals	1,097,100	2.14
2,300,000	Sinclair IS Pharma	655,500	1.28
600,000	Vectura	525,000	1.02
		<b>2,662,368</b>	<b>5.19</b>
<b>CONSUMER SERVICES: 11.50%</b> <b>(30/04/2012: 11.39%)</b>			
<b>Food &amp; Drug Retailers: 2.00%</b> <b>(30/04/2012: Nil)</b>			
1,000,000	Booker	1,024,000	2.00
		<b>1,024,000</b>	<b>2.00</b>
<b>General Retailers: 2.92%</b> <b>(30/04/2012: 5.18%)</b>			
150,000	Dunelm	1,011,000	1.97
1,750,000	Pendragon	253,750	0.49
500,000	Topps Tiles	236,250	0.46
		<b>1,501,000</b>	<b>2.92</b>

Holding		Market value (£)	Total net assets (%)
<b>Media: 3.60%</b> <b>(30/04/2012: 2.92%)</b>			
569,500	Entertainment One	973,845	1.90
315,000	ITE	620,865	1.21
1,086,000	TLA Worldwide	249,780	0.49
		<b>1,844,490</b>	<b>3.60</b>
<b>Travel &amp; Leisure: 2.98%</b> <b>(30/04/2012: 3.29%)</b>			
1,750,000	Excapsa Software <sup>3</sup>	-	-
225,000	Restaurant Group	841,500	1.64
1,130,000	Spirit Pub	686,475	1.34
		<b>1,527,975</b>	<b>2.98</b>
<b>FINANCIALS: 11.31%</b> <b>(30/04/2012: 10.97%)</b>			
<b>Financial Services: Nil</b> <b>(30/04/2012: 1.08%)</b>			
<b>General Financials: 3.15%</b> <b>(30/04/2012: 2.48%)</b>			
510,000	Oakley Capital Investments	683,400	1.33
350,000	Paragon	879,200	1.71
1,000,000	Sigma Capital	55,000	0.11
		<b>1,617,600</b>	<b>3.15</b>
<b>Nonlife Insurance: 2.99%</b> <b>(30/04/2012: 2.92%)</b>			
500,000	Beazley	882,000	1.72
175,000	Novae	651,875	1.27
		<b>1,533,875</b>	<b>2.99</b>
<b>Real Estate Investment &amp; Services: 3.98%</b> <b>(30/04/2012: 3.36%)</b>			
172,200	CLS	1,248,450	2.43
400,000	St Modwen Properties	793,200	1.55
		<b>2,041,650</b>	<b>3.98</b>
<b>Real Estate Investment Trusts: 1.19%</b> <b>(30/04/2012: 1.13%)</b>			
820,000	Hansteen	611,720	1.19
		<b>611,720</b>	<b>1.19</b>

Holding		Market value (£)	Total net assets (%)
<b>TECHNOLOGY: 24.81%</b> <b>(30/04/2012: 21.54%)</b>			
<b>Software &amp; Computer Services: 19.92%</b> <b>(30/04/2012: 16.64%)</b>			
400,000	Anite	561,600	1.09
45,000	Aveva	899,100	1.75
550,000	Brady	550,000	1.07
100,000	Craneware	426,000	0.83
1,800,000	Earthport	288,000	0.56
45,000	EMIS	398,250	0.78
215,000	Endace	591,250	1.15
32,200	Fidessa	427,294	0.83
700,000	GB	658,000	1.28
1,500,000	Idox	570,000	1.11
3,417,876	Innovation	751,933	1.46
275,000	iomart	547,250	1.07
170,000	Lo-Q	593,300	1.16
140,000	NCC	1,246,000	2.43
300,000	Optimal Payments	336,000	0.65
5,750,000	Quindell Portfolio	776,250	1.51
115,000	SDL	609,500	1.19
		<b>10,229,727</b>	<b>19.92</b>
<b>Technology Hardware &amp; Equipment: 4.89%</b> <b>(30/04/2012: 4.90%)</b>			
150,000	CML Microsystems	585,000	1.14
1,750,000	IQE	560,000	1.09
400,000	Nanoco	264,000	0.51
305,000	Regeneris	398,025	0.78
325,000	Ubisense	705,250	1.37
		<b>2,512,275</b>	<b>4.89</b>
<b>TELECOMMUNICATIONS: 1.20%</b> <b>(30/04/2012: Nil)</b>			
<b>Fixed Line Telecommunications: 1.20%</b> <b>(30/04/2012: Nil)</b>			
800,000	KCOM	617,600	1.20
		<b>617,600</b>	<b>1.20</b>
<b>TOTAL UNITED KINGDOM</b>		<b>51,268,176</b>	<b>99.89</b>
Investments as shown in the balance sheet		51,268,176	99.89
Net current assets		58,462	0.11
<b>Total net assets</b>		<b>51,326,638</b>	<b>100.00</b>



**SUMMARY OF FUND ASSETS**

The following type of securities were held by the Fund at the period end:

	Total net assets (%)
Listed	99.89
- eligible markets	
- ineligible markets <sup>1</sup>	-
- suspended <sup>2</sup>	-
Under liquidation <sup>3</sup>	-
Net current assets	0.11
<b>Total net assets</b>	<b>100.00</b>

<sup>1,2,3</sup> Not approved securities within the meaning of the Collective Investment Schemes Sourcebook. The regulations permit a maximum of 10% of the Fund to be invested in unapproved securities. Securities classed as unapproved are those which are not admitted to an official listing in a member state or traded on under the rules of an eligible securities market, as laid down in the Prospectus.

## Statement of Total Return

For the six months ended 31 October

	2012	2011
£	£	£
Income		
Net capital gains/(losses) on investments during the period	2,771,604	(4,324,096)
Revenue	533,016	554,484
Expenses	(413,506)	(474,455)
Net revenue before taxation	119,510	80,029
Taxation	-	-
Net revenue after taxation	119,510	80,029
Total return for the period	2,891,114	(4,244,067)
<b>Change in net assets attributable to unitholders' funds from investment activities</b>	<b>2,891,114</b>	<b>(4,244,067)</b>

## Statement of Change in Net Assets Attributable to Unitholders

For the six months ended 31 October

	2012	2011
£	£	£
<b>Net assets at start of the period</b>	<b>53,328,210</b>	<b>60,178,479</b>
Movement due to sales and repurchases of units:		
Cash or value received on creation of units	1,077,294	12,643,237
Cash or value given on cancellation of units	(5,959,393)	(15,737,990)
Total movement	(4,882,099)	(3,094,753)
Change in net assets attributable to unitholders' funds from investment activities	2,891,114	(4,244,067)
Stamp duty reserve tax	(10,587)	(27,055)
<b>Net assets at end of the period</b>	<b>51,326,638</b>	<b>52,812,604</b>

## Balance Sheet

As at

	31 October 2012	30 April 2012
£	£	£
<b>ASSETS</b>		
Investment assets	51,268,176	52,975,104
Debtors	264,169	200,746
Cash and bank balances	711,362	462,744
Total current assets	975,531	663,490
<b>Total assets</b>	<b>52,243,707</b>	<b>53,638,594</b>
<b>LIABILITIES</b>		
Creditors	917,069	274,970
Distribution payable on income units	-	35,414
Total current liabilities	917,069	310,384
<b>Net assets attributable to unitholders</b>	<b>51,326,638</b>	<b>53,328,210</b>

## Notes to the Accounts

### Accounting policies

The financial statements have been prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by the IMA in October 2010, and in accordance with UK GAAP.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 April 2012 and are described in those annual financial statements.

All investments are valued at their fair value price as at noon on 31 October 2012, being the last business day of the accounting period. Investments in underlying funds have been valued as at the bid price at noon on the last business day of the accounting period. The fair value for non-derivative securities is bid price. Other investments have been stated at the Manager's valuation and this has been indicated in the portfolio statement.

### European Savings Directive

The AXA Framlington UK Smaller Companies 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 UK Smaller Companies 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.

### AXA Unit Trust Prices in 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.

## **Directors' approval**

In accordance with the requirements of the COLL, the contents of this report have been approved on behalf of AXA Investment Managers UK Limited by:

Mark Beveridge  
Director  
13 December 2012

Jim Stride  
Director  
13 December 2012

## Directory

### **Authorised Fund Manager and Investment Manager**

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

Authorised and regulated by the Financial Services Authority  
Registered in England and Wales No. 01431068.  
The company is a wholly owned subsidiary of AXA S.A. incorporated in France.  
Member of the Investment Management Association.

### **Trustee**

National Westminster Bank plc  
Trustee and Depositary Services  
Younger Building, 1st Floor,  
3 Redheughs Avenue  
Edinburgh EH12 9RH

Authorised and regulated by the Financial Services Authority.

### **Registrar**

AXA Investment Managers UK Limited  
Unit Trust Registrars  
7 Newgate Street  
London EC1A 7NX

Authorised and regulated by the Financial Services Authority.

### **Dealing and Correspondence**

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If you are calling from outside the UK, please call +44 1268 448667  
Our lines are open Monday to Friday between 9am and 5:30pm

### **Fund Accounting Administrator**

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

Authorised and regulated by the Financial Services Authority.

### **Independent Auditor**

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF