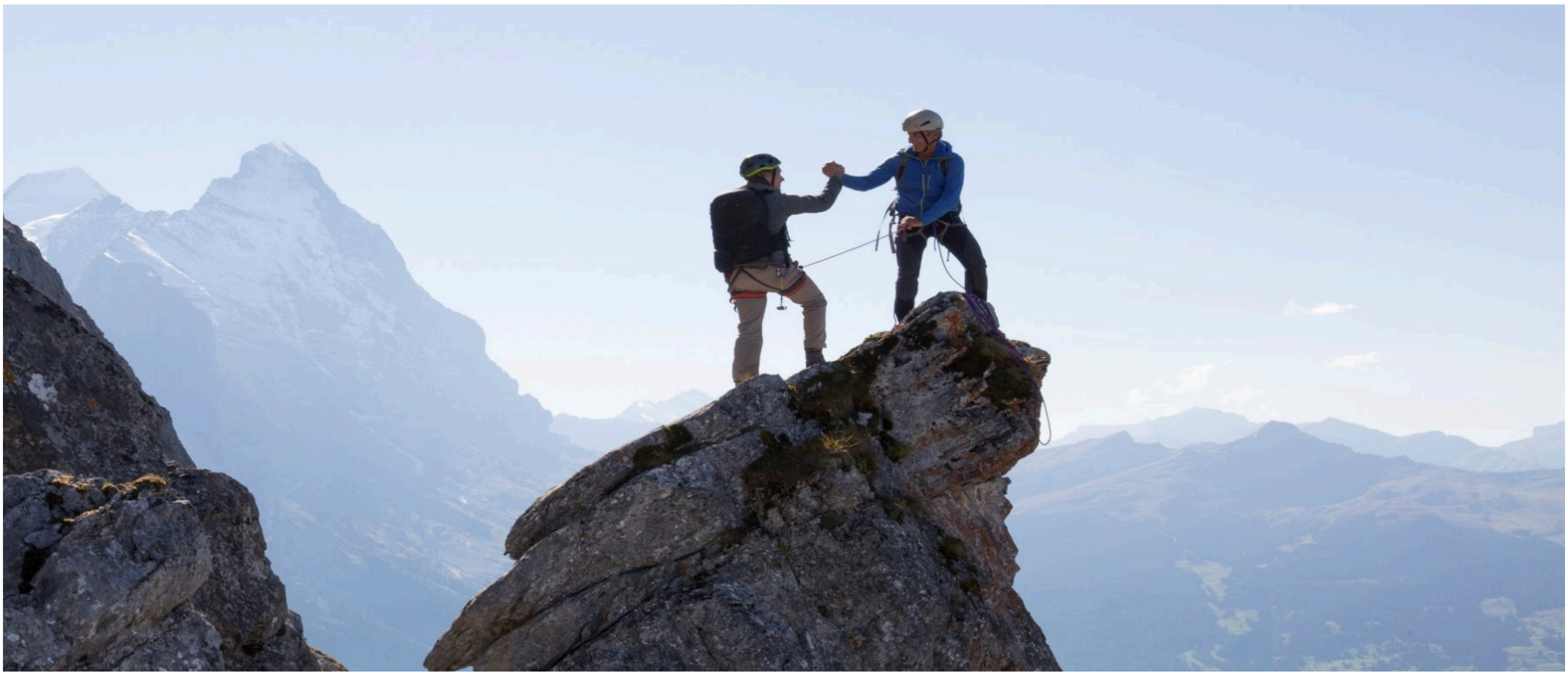
Interim Long Report and Unaudited Financial Statements
Six Months ended
31 March 2023

# AXA Framlington UK Mid Cap Fund



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

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* These collectively comprise the Authorised Fund Manager's ("the Manager's") Report for the Trust.

More detailed information about AXA Investment Managers' UK funds is available on the Fund Centre of our website where you can find the Prospectus, Key Investor Information Document (KIID), annual reports and monthly fund factsheets at https://retail.axa-im.co.uk/fund-centre.

# Fund Objective & Investment Policy

The aim of AXA Framlington UK Mid Cap Fund ("the Fund") is to provide long-term capital growth over a period of 5 years or more.

The Fund has at least 70% of its investments in shares of companies domiciled, incorporated or having significant business in the UK which the Manager believes will provide above-average returns. The Fund invests primarily (meaning at least 70% of its assets) in medium-sized companies. The Manager selects shares based upon analysis of a company's financial status, quality of its management, expected profitability and prospects for growth.

The Manager has full discretion to select investments for the Fund in line with the above investment policy and in doing so may take into consideration the FTSE 250 Ex Investment Companies index. The FTSE 250 Ex Investment Companies index is designed to measure the performance medium sized UK listed companies across a wide range of industry sectors. This index best represents a core component of the Managers' investment universe.

This Fund is actively managed in reference to the FTSE 250 Ex Investment Companies index, which may be used by investors to compare the Fund's performance.

# Investment Review

Over the reporting period, the Fund rose by 10.83% (Z class net of fees) versus a rise of 14.97% for the Fund's comparative Index (FTSE 250 Excluding Investment Trusts) in a period dominated by the effects of inflation, interest rate expectations, macro-economic data points and the path of conflict in Ukraine.

As we have stated in prior reports, the Fund's investment philosophy and process remains unaltered. We continue to meet numerous management teams (increasingly face to face) that are exhibiting an ability to grow and compound their profitability and cash flows, are well managed, and have sufficient balance sheet strength to support that growth.

Inflation and its primary route cause, COVID-19, have dominated the reporting period from a global capital flow, sentiment and share price perspective. The combination of societal lockdown, subsequent and instantaneous societal re-opening, combined with inexhaustible, zero-cost debt pushed the micro-economic supply curve to the left, the demand curve to the right and inflation took off. Many of the distortions to global trade have normalised, reducing these inflationary forces to some degree; for example, over the past year copper has fallen 14%, wheat 33%, cotton 41%, natural gas 61% and shipping costs reported by the Global Freight Rate Index are close to pre COVID-19 levels. In addition, the predictability of supply chains has improved with port congestion falling materially, reducing the need for companies to over-order and distort the real level of demand. It is worth noting that labour inflation remains stubborn in the UK in particular, however company management teams are highlighting reduced staff churn and expect wage inflation to reduce over the next year. The lead indicators suggest inflation will reduce from elevated levels, but a return to the 2% targeted by Western central banks continues to feel some way off.

| Top Ten Holdings as at 31 March 2023 | % |
|---|---|
| Spectris<br>*Industrials* | 3.25 |
| 4imprint<br>*Consumer Discretionary* | 2.89 |
| Hill & Smith<br>*Basic Materials* | 2.76 |
| Dunelm<br>*Consumer Discretionary* | 2.71 |
| Cranswick<br>*Consumer Staples* | 2.54 |
| Serco<br>*Industrials* | 2.46 |
| Ascential<br>*Technology* | 2.38 |
| Rathbone Brothers<br>*Financials* | 2.32 |
| Chemring<br>*Industrials* | 2.31 |
| Safestore<br>*Real Estate* | 2.19 |

"Inflation is like toothpaste. Once it's out, you can hardly get it back in again."-Karl Otto Pohl.

Central banks have responded, interest rates have risen and the days of a risk-free borrowing rate anchored at zero are over. The creative destruction heralded by Schumpeter can once again function, the economic bar will be raised and those businesses that are heavily indebted, have no pricing power and cannot grow organically, will languish, or disappear. The natural inclination of investors is to focus on demand, whereas encumbered and falling supply is likely to become a material contributor to competitive advantage. This fits with our thematic of the 'Strong Getting Stronger',where companies such as Dunelm, by virtue of their market position, funding structure and management ability, may continue to take additional market share.

An unanchored risk-free rate changes the game. Business models where equity returns are predicated on leverage are no longer fit for purpose. Property companies with high loan to value that have relied on falling yields, whilst adding no incremental value through development or improvement, will no longer experience the warmth of expanding capital values. In addition, ordinary businesses disguised as great ones via the addition of significant leverage, will experience a shift in the balance of power from equity to debt as refinancing of borrowings at higher interest rates absorb more of the cash profits that would ordinarily have accrued to growth capex, additional employees or equity holders. Also, loss making businesses which may conceivably never have a chance of making a profit, will find capital is less freely available to fund their ambition.

Societal behaviour is changing in response. Banks deposits held in current accounts by both individuals and businesses have earned little or no interest for many years. As interest rates have risen, banks have passed as little of this benefit on

# Investment Review (Continued)

to their customers as possible. Given the levels of liquidity in the global economy, there has been little need for banks to attract additional deposits by increasing savings rates. Businesses and individuals now realise that they can get superior returns by moving cash balances into money market funds, for example, and deposit balances at banks are falling rapidly as a result. In extremis, deposit withdrawals can gain dramatic momentum causing a liquidity crisis and potentially insolvency. Silicon Valley Bank (SVB), offering perfect liquidity to its creditors but holding long duration assets, recently saw a 'run on deposits' and was subsequently, and through necessity, bailed out by a fast-acting central bank and regulator. Technology is a great enabler but in the case of SVB, depositors were able to withdraw money electronically without having to queue to take physical cash from tellers (who would be under instruction to count the notes slowly and buy time). In 2008 Washington Mutual in the US suffered a catastrophic run on deposits with $16.7bn being withdrawn in two weeks. In 2023, SVB saw $42bn withdrawn in 48 hours! Technology and regulation are not synchronised. We remain underweight financials.

One person's asset is another person's liability. Increasing discount rates reduce both the net present value of assets and liabilities, and over the reporting period the pension fund buy-out market has thrived. Company defined benefit pension schemes, which have seen their liabilities rise as discount rates have fallen, have seen a part reversal of this, resulting in falling funding deficits and in many cases achieving surplus funding positions. This has benefitted our holding Just, which generates income from taking the assets and liabilities from corporate pension funds and running them to maturity. Given the significant improvement in funding position brought about by rising discount rates, the ability of life insurance companies to take on these pension funds has increased. Funding requirements incurred by the sponsoring companies will fall as a consequence of these transfers, leaving corporates with more free cash to invest in their business and return to shareholders.

Political change was also a feature of the reporting period. Liz Truss succeeded Boris Johnson in September 2022, serving only 45 days in office before her resignation and the appointment of Rishi Sunak. Chancellor Kwasi Kwarteng's subsequent mini-budget sent UK Sterling down and gilt yields up as an expansionary, tax-cutting budget was met with revulsion by international and domestic investors. Rishi Sunak hopefully brings some short-term stability; however, it is long term planning and consistency that the economy, investors and companies crave. Without a predictable, stable, and durable regulatory, tax and incentive framework in which to operate, the desired capital investment and labour productivity surge required to compete on a global basis and raise GDP and wealth will not happen.

From an investment perspective, the US is leading the way and British politicians on either side of 'The House' realise that the time to be bold and act is fast approaching. The Inflation Reduction Act (IRA) together with other stimulus programmes are providing a major boost to US onshore investment. Specifically, the IRA is providing $370bn of stimulus to incentivise investment in clean energy production and manufacturing, and the Infrastructure Investment and Jobs Act comprises $1.2 trillion in federal spending, with net additional funding of $550bn. Our holdings in Ashtead and Hill and Smith may benefit from this spend, which is forecast to last for many years.

We have continued to navigate this environment by focussing on those companies best equipped to deal with the world, namely companies with pricing power, a return on capital ahead of cost of capital, strong balance sheets and where the opportunity exists to increase the number of goods or services sold over time. For example, holdings such as Rentokil Initial, Dunelm, Rotork and Weir remain well positioned. As stock pickers, we are entrusted to allocate capital in an unconstrained way, and this gives unit holders exposure to a wide spread of companies exposed to multiple end markets and countries. At the time of writing, 47% of the revenue generated by the companies held in the Fund, by origination, were incurred in the UK, with 25% in the US and 9% in Asia Pacific.

Over the reporting period, stock market volatility was used to add to and reduce current holdings. Additionally, a number of holdings were sold, including Moonpig and TI Fluid Systems. Moonpig was sold following its acquisition of 'BuyaGift'. This acquisition, although increasing the 'gifting' offer for Moonpig customers, increased both the cyclicality and financial leverage of the listed entity resulting in a negative change to the equity risk. Also, as evidence grew that TI Fluid's car manufacturing clients were losing market share in the electric vehicle transition, our holding in this company was sold.

# Investment Review (Continued)

Several new holdings were taken over the reporting period, including DiscoverIE, Alpha and IMI. DiscoverIE is an international group of businesses that designs and assembles components for industrial applications. The company is well managed, has a clear capital allocation strategy and is focussed on renewable energy, transportation (vehicle electrification), medical and industrial automation and connectivity, each of which markets has secular growth drivers. IMI designs and assembles products that are used in fluid and motion control and is exposed to (amongst others), similar growing end markets. Alpha is a growing, global, cash generative business that offers financial services, including foreign exchange advice and execution to corporations and investment managers.

## OUTLOOK

Inflation, interest rate expectations, macro-economic data points and the path of conflict in Ukraine are likely to govern capital flow, volatility and short-term returns of both equites and debt.

Long term thematics remain entrenched despite the ongoing 'normalisation' in the cost of debt and companies within the fund may be well positioned to benefit. The digitisation of the global economy, the threat of cyber-attack, energy transition, near shoring, altering demographics and the enduring benefits of offering excellent service will continue to contribute to profitable growth, and we will continue to meet management teams directly to develop these themes and discover investment opportunities.

The UK equity market is currently trading at a 28% discount on a forward 12-month price to earnings (P/E) basis when compared to global equities (Excluding UK) and a much larger discount from a price to book perspective (source: Berenberg). The FTSE 250 (Ex-Investment Trusts) is trading at a circa 15% discount to its long run average of 14X P/E. Post adjusting for industry weightings, UK equities remain on a substantial discount to US equities – it is therefore cheaper to buy a stream of US cash flows on the UK stock market versus the US. Some of the explanation for this arbitrage opportunity resides in the effects of capital flow. UK equity allocations within UK pension funds have fallen from 29.3% in 2006 to 2.6% in 2020 (source: RBC) and since the Brexit referendum, UK equity outflows have averaged £1.6bn per month, providing a significant capital flow headwind. It is worth noting, that on 1 June 2016, shortly before the Brexit referendum, UK equities traded at a 2% premium to global equities (Ex UK). Perhaps the Windsor Agreement is the first step to a meaningful reversal.

Market volatility will remain in the near term as central bankers move into a new data dependant framework and investors will no doubt pay close attention to data releases and the output of central bank meetings. We will continue to focus on long term company fundamentals and take advantage of volatility caused by short term trading capital. Our approach remains centred on owning good quality businesses that can reinvest and compound their returns over time. Although relative performance has been disappointing, we continue to believe that understanding longer term structural trends and identifying responsible, reliable, and ultimately sustainable companies, in a targeted, focused, and active approach, remains the key to longer-term success.

Chris Stjohn

Source of all performance data: AXA Investment Managers, Morningstar to 31 March 2023.

Past performance is not a guide to future performance. All performance figures calculated as follows: Single Priced NAV (Net Asset Value) with net income reinvested, net of fees in GBP, gross of tax. Performance is representative of Z Acc Class.

# Portfolio Changes

## For the six months ended 31 March 2023

| Major Purchases | Cost (£'000) |
|---|---|
| Intermediate Capital | 7,377 |
| IMI | 6,595 |
| Derwent London | 6,408 |
| Rotork | 5,640 |
| Johnson Matthey | 5,295 |
| Indivior | 4,756 |
| DiscoverIE | 4,393 |
| Dechra Pharmaceuticals | 3,132 |
| Bellway | 2,438 |
| GB | 1,870 |
| Other purchases | 20,066 |
| Total purchases for the period | 67,970 |

| Major Sales | Proceeds (£'000) |
|---|---|
| Weir | 6,980 |
| TI Fluid Systems | 4,779 |
| John Wood | 4,188 |
| Bodycote | 3,712 |
| Beazley | 3,646 |
| Kainos | 3,481 |
| Coats | 3,469 |
| Smart Metering Systems | 3,191 |
| ConvaTec | 3,018 |
| Intermediate Capital | 2,870 |
| Other sales | 28,496 |
| Total sales for the period | 67,830 |

# Managing Risks

Past performance is not a guide to future performance. The price of units and the revenue from them can go down as well as up and investors may not get back the amount originally invested. An initial charge is usually made when you purchase units. Changes in exchange rates will affect the value of Fund investments overseas. Investment in smaller companies and newer markets offers the possibility of higher returns but may also involve a higher degree of risk.

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 principally in UK equities. The Fund may invest in smaller companies which offers the possibility of higher returns but may also involve a higher degree of risk. The value of investments and the revenue from them is not guaranteed and can go down as well as up.

## EQUITY RISK

The value of shares in which the Fund invests fluctuate pursuant to market expectations. The value of such shares will go up and down and equity markets have historically been more volatile than fixed interest markets. Should the price of shares in which the Fund has invested fall, the Net Asset Value of the Fund will also fall.

Funds investing in shares are generally more volatile than funds investing in bonds or a combination of shares and bonds, but may also achieve greater returns.

Internal investment guidelines are set, if necessary, to ensure equity risk is maintained within a range deemed suitable based on the Fund's investment objectives and investment policy.

## SMALLER COMPANIES RISK

Investments in smaller companies offers the possibility of higher return but also involve a higher degree of risk than investment in well established, larger companies. The shares of smaller companies can be more volatile which may lead to increased volatility in the price of the units of the Fund.

This is an inherent risk for funds invested within smaller companies. Investment guidelines (including diversification measures), scenario testing as well as other regular monitoring seek to ensure the level of risk is aligned the Fund's investment objectives and investment policy.

## STOCK LENDING RISK

The Fund may participate in a stock lending programme managed by an affiliate of the Manager (acting as stock lending agent) for the purpose of lending the Fund's securities via entering into a stock lending authorisation agreement. If the Fund engages in stock lending it will be exposed to counterparty credit risk in that the borrower may default on a loan, become insolvent or otherwise be unable to meet, or refuse to honour, its obligations to return loaned or equivalent securities. In this event, the relevant Fund could experience delays in recovering the loaned securities, may not be able to recover the loaned securities and may incur a capital loss which might result in a reduction in the net asset value of the relevant Fund. The Fund's exposure to its counterparty will be mitigated by the fact that the counterparty will be requested to post collateral, in the form of cash or debt or equity securities, as from time to time set out in the relevant stock lending agreement, and will forfeit its collateral if it defaults on the transaction. If a counterparty defaults and fails to return equivalent securities to those loaned, the Fund may suffer a loss equal to any shortfall between the value of the realised collateral and the market value of the replacement securities. Such collateral shortfall may arise as a result of inaccurate pricing of the collateral, unfavourable market movements in the value of the collateral, or a lack of liquidity in the market on which the collateral is traded. If the relevant transaction with a counterparty is not fully collateralised, then the Fund's credit exposure to the counterparty in such circumstances will be higher than if the transaction had been fully collateralised. When entering into stock lending the Fund may also be exposed to settlement risk (i.e. the possibility that one or more parties to the transactions will fail to deliver the assets at agreed-upon time) and legal risk, which is the risk of loss due to the unexpected application of a law or regulation, or because a court declares a contract not legally enforceable. In addition to the specific risks identified above stock lending carry other risks, as described in this Risk Factors section, notably (i) counterparty risk, ii) custody insolvency and iii) liquidity risk.

For Stock Lending the risks are partially mitigated by: (i) the lending agent seeking to lend only to counterparties who are considered to have a strong financial standing; (ii) the requirement to receive collateral of good quality and liquidity (the anticipated ability to sell the collateral if needed) covering the value of assets lent, and this amount being regularly reviewed to reflect any market movement in the value of assets lent and received; (iii) carrying out the transaction under legal documentation corresponding to recognised market standards; (iv) limiting the amount of lending to individual counterparties; (v) ensuring the terms of the loan allow it to be requested to be recalled at any time.

## RISK AND REWARD PROFILE

**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. There has been no change from prior year.

## 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

Liquidity risk: Under certain market conditions, it may be difficult to buy or sell investments for the Fund. For example, smaller company shares may trade infrequently and in small volumes and corporate and emerging market bonds may be affected by the demand in the market for such securities carrying credit risk, particularly in times of significant market stress. As a result, it may not be possible to buy or sell such investments at a preferred time, close to the last market price quoted or in the volume desired. The Manager may be forced to buy or sell such investments as a consequence of unitholders buying or selling units in the Fund. Depending on market conditions at the time, this could lead to a significant drop in the Fund's value.

Monthly monitoring is conducted, using an in-house liquidity tool, to ensure a high degree of confidence that Fund liquidity will meet the Fund's expected liquidity requirements. Any concerns indicated by the tool are analysed by the Manager's risk team who may also discuss the results with portfolio management staff, or other senior professionals within the firm, as needed, to ensure an appropriate scrutiny.

Based on the analysis, the Manager believes that the liquidity profile of the Fund is appropriate.

Further explanation of the risks associated with an investment in this Fund can be found in the prospectus.

# Fund Information

## FIVE YEAR PERFORMANCE

In the five years to 31 March 2023, the price of Z Accumulation units, with net income reinvested, rose by +6.97%. The FTSE 250 ex Inv Co Index (Total Return) increased by +6.05% over the same time period. During the same period, the price of Z Income units, with zero income reinvested, rose by +0.8%. (Source: AXA Investment Managers and Morningstar) (Prices in GBP).

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

| Date | AXA Framlington UK Mid Cap Z Acc | FTSE 250 Ex Inv Co Index |
|---|---|---|
| 31 Mar 2018 to 31 Mar 2019 | +1.08% | -0.86% |
| 31 Mar 2019 to 31 Mar 2020 | -12.56% | -21.23% |
| 31 Mar 2020 to 31 Mar 2021 | +40.98% | +47.54% |
| 31 Mar 2021 to 31 Mar 2022 | -0.10% | -0.55% |
| 31 Mar 2022 to 31 Mar 2023 | -14.07% | -7.45% |

Source: AXA Investment Managers & Morningstar. Basis: single price basis (NAV) with net income reinvested for Accumulation units, net of fees in GBP.

Past performance is not a guide to future performance.

## YIELD

| | |
|---|---|
| D Inc | 1.32% |
| D Acc | 1.32% |
| R Inc | 0.97% |
| R Acc | 0.97% |
| S Inc | 2.17% |
| S Acc | 2.16% |
| Z Inc | 1.76% |
| Z Acc | 1.75% |
| ZI Inc | 1.92% |
| ZI Acc | 1.91% |

## CHARGES

| | Initial Charge | Annual Management Charge |
|---|---|---|
| D | Nil | 1.10% |
| R | Nil | 1.50% |
| S* | Nil | 0.35% |
| Z | Nil | 0.75% |
| ZI* | Nil | 0.60% |

* Units in Class S and Class ZI are only available at the Manager’s discretion by contractual agreement.

## ONGOING CHARGES*

| | |
|---|---|
| D Inc | 1.17% |
| D Acc | 1.17% |
| R Inc | 1.57% |
| R Acc | 1.57% |
| S Inc | 0.42% |
| S Acc | 0.42% |
| Z Inc | 0.82% |
| Z Acc | 0.82% |
| ZI Inc | 0.67% |
| ZI Acc | 0.67% |

*For more information on AXA's fund charges and costs please use the following link https://retail.axa-im.co.uk/fund-charges-and-costs

## UNIT TRUST INDIVIDUAL SAVINGS ACCOUNTS

The AXA Framlington UK Mid Cap Fund is available as a Stocks and Shares ISA through the AXA Investment Managers Stocks and Shares ISA.

# Comparative Tables

| | D Inc~ | | D Acc~ | |
|---|---|---|---|---|
| | 31/03/2023 | 30/09/2022 | 31/03/2023 | 30/09/2022 |
| Closing net asset value per unit (p)† | 226.48 | 206.06 | 244.51 | 220.97 |
| Closing net asset value† (£'000) | 4 | 4 | 196 | 175 |
| Closing number of units | 1,950 | 1,950 | 80,383 | 79,155 |
| Operating charges^ | 1.17% | 1.17% | 1.17% | 1.17% |

| | R Inc | | | R Acc | | |
|---|---|---|---|---|---|---|
| | 31/03/2023 | 30/09/2022 | 30/09/2021 | 31/03/2023 | 30/09/2022 | 30/09/2021 |
| Closing net asset value per unit (p)† | 226.55 | 206.13 | 303.05 | 243.72 | 220.70 | 322.69 |
| Closing net asset value† (£'000) | 109 | 100 | 135 | 1,639 | 2,238 | 2,631 |
| Closing number of units | 47,928 | 48,519 | 44,445 | 672,677 | 1,013,781 | 815,321 |
| Operating charges^ | 1.57% | 1.57% | 1.59% | 1.57% | 1.57% | 1.59% |

| | S Inc | | | S Acc | | |
|---|---|---|---|---|---|---|
| | 31/03/2023 | 30/09/2022 | 30/09/2021 | 31/03/2023 | 30/09/2022 | 30/09/2021 |
| Closing net asset value per unit (p)† | 149.25 | 135.78 | 199.95 | 175.95 | 158.42 | 228.97 |
| Closing net asset value† (£'000) | 10,710 | 10,817 | 23,282 | 4,145 | 4,243 | 6,980 |
| Closing number of units | 7,175,693 | 7,966,423 | 11,643,903 | 2,355,779 | 2,678,598 | 3,048,399 |
| Operating charges^ | 0.42% | 0.42% | 0.44% | 0.42% | 0.42% | 0.44% |

| | Z Inc | | | Z Acc | | |
|---|---|---|---|---|---|---|
| | 31/03/2023 | 30/09/2022 | 30/09/2021 | 31/03/2023 | 30/09/2022 | 30/09/2021 |
| Closing net asset value per unit (p)† | 225.94 | 205.56 | 302.54 | 266.68 | 240.59 | 349.14 |
| Closing net asset value† (£'000) | 26,008 | 24,800 | 44,522 | 160,175 | 154,604 | 199,983 |
| Closing number of units | 11,510,822 | 12,064,377 | 14,715,767 | 60,062,252 | 64,260,762 | 57,278,294 |
| Operating charges^ | 0.82% | 0.82% | 0.84% | 0.82% | 0.82% | 0.84% |

| | ZI Inc | | | ZI Acc | | |
|---|---|---|---|---|---|---|
| | 31/03/2023 | 30/09/2022 | 30/09/2021 | 31/03/2023 | 30/09/2022 | 30/09/2021 |
| Closing net asset value per unit (p)† | 98.58 | 89.69 | 132.03 | 106.04 | 95.59 | 138.51 |
| Closing net asset value† (£'000) | 72,729 | 64,843 | 163,139 | 122,617 | 112,770 | 147,521 |
| Closing number of units | 73,773,211 | 72,294,793 | 123,558,653 | 115,638,155 | 117,972,635 | 106,505,725 |
| Operating charges^ | 0.67% | 0.67% | 0.69% | 0.67% | 0.67% | 0.69% |

† Valued at bid-market prices.

^ Operating charges include indirect costs incurred in the maintenance and running of the Fund, as disclosed in expenses within the Statement of Total Return. The figures used within the table have been calculated against the average Net Asset Value for the accounting period.

~ D unit class launched on 25 May 2022.

# Portfolio Statement

The AXA Framlington UK Mid Cap Fund portfolio as at 31 March 2023 consisted of the following investments, which are ordinary shares unless otherwise stated.

| Holding | | Market value £'000 | Total net assets (%) |
|---|---|---|---|
| | UNITED KINGDOM: 93.19% (30/09/2022: 90.83%) | | |
| | BASIC MATERIALS: 5.50% (30/09/2022: 3.72%*) | | |
| | Chemicals: 2.74% (30/09/2022: 1.87%) | | |
| 238,500 | Johnson Matthey | 4,690 | 1.18 |
| 389,429 | Victrex | 6,200 | 1.56 |
| | | 10,890 | 2.74 |
| | Industrial Metals & Mining: 2.76% (30/09/2022: 1.85%*) | | |
| 819,594 | Hill & Smith | 11,015 | 2.76 |
| | | 11,015 | 2.76 |
| | CONSUMER DISCRETIONARY: 17.05% (30/09/2022: 15.49%) | | |
| | Automobiles & Parts: 0.00% (30/09/2022: 1.26%) | | |
| | Household Goods & Home Construction: 1.96% (30/09/2022: 1.04%) | | |
| 350,000 | Bellway | 7,830 | 1.96 |
| | | 7,830 | 1.96 |
| | Media: 4.97% (30/09/2022: 4.79%) | | |
| 236,243 | 4imprint | 11,517 | 2.89 |
| 725,000 | Future | 8,294 | 2.08 |
| | | 19,811 | 4.97 |
| | Personal Goods: 1.71% (30/09/2022: 1.37%) | | |
| 845,000 | Watches of Switzerland | 6,815 | 1.71 |
| | | 6,815 | 1.71 |

# Portfolio Statement (Continued)

| Holding | | Market value £'000 | Total net assets (%) |
|---|---|---|---|
| | Retailers: 6.89% (30/09/2022: 5.99%) | | |
| 970,000 | Dunelm | 10,806 | 2.71 |
| 2,180,000 | Pets at Home | 8,014 | 2.01 |
| 575,000 | WH Smith | 8,625 | 2.17 |
| | | 27,445 | 6.89 |
| | Travel & Leisure: 1.52% (30/09/2022: 1.04%) | | |
| 2,465,000 | SSP | 6,074 | 1.52 |
| | | 6,074 | 1.52 |
| | CONSUMER STAPLES: 3.16% (30/09/2022: 2.92%) | | |
| | Beverages: 0.62% (30/09/2022: 0.52%) | | |
| 194,500 | Fevertree Drinks | 2,470 | 0.62 |
| | | 2,470 | 0.62 |
| | Food Producers: 2.54% (30/09/2022: 2.40%) | | |
| 333,000 | Cranswick | 10,103 | 2.54 |
| | | 10,103 | 2.54 |
| | ENERGY: 4.19% (30/09/2022: 7.64%) | | |
| | Oil, Gas & Coal: 4.19% (30/09/2022: 7.64%) | | |
| 4,023,441 | Diversified Energy | 3,772 | 0.95 |
| 618,102 | Energean | 8,035 | 2.02 |
| 2,230,000 | Serica Energy | 4,850 | 1.22 |
| | | 16,657 | 4.19 |
| | FINANCIALS: 9.97% (30/09/2022: 8.83%) | | |
| | Finance & Credit Services: 1.63% (30/09/2022: 2.14%) | | |
| 1,354,535 | OSB | 6,515 | 1.63 |
| | | 6,515 | 1.63 |

## Portfolio Statement (Continued)

| Holding | | Market value £'000 | Total net assets (%) |
|---|---|---|---|
| | Investment Banking & Brokerage: 5.45% (30/09/2022: 3.57%) | | |
| 2,000,000 | AJ Bell | 6,944 | 1.74 |
| 85,328 | Alpha | 1,621 | 0.41 |
| 325,000 | Intermediate Capital | 3,887 | 0.98 |
| 483,092 | Rathbone Brothers | 9,237 | 2.32 |
| | | 21,689 | 5.45 |
| | Life Insurance: 1.84% (30/09/2022: 1.38%) | | |
| 8,675,803 | Just | 7,331 | 1.84 |
| | | 7,331 | 1.84 |
| | Non-Life Insurance: 1.05% (30/09/2022: 1.74%) | | |
| 700,000 | Beazley | 4,197 | 1.05 |
| | | 4,197 | 1.05 |
| | HEALTH CARE: 4.60% (30/09/2022: 3.62%) | | |
| | Medical Equipment & Services: 1.81% (30/09/2022: 2.37%) | | |
| 2,762,500 | ConvaTec | 6,254 | 1.57 |
| 3,747,438 | Creo Medical | 937 | 0.24 |
| | | 7,191 | 1.81 |
| | Pharmaceuticals & Biotechnolgy: 2.79% (30/09/2022: 1.25%) | | |
| 296,878 | Dechra Pharmaceuticals | 7,778 | 1.95 |
| 243,000 | Indivior | 3,351 | 0.84 |
| | | 11,129 | 2.79 |
| | INDUSTRIALS: 27.66% (30/09/2022: 26.21%*) | | |
| | Aerospace & Defense: 2.31% (30/09/2022: 2.66%) | | |
| 3,340,000 | Chemring | 9,185 | 2.31 |
| | | 9,185 | 2.31 |
| | Construction & Materials: 1.17% (30/09/2022: 1.51%) | | |
| 1,500,000 | Marshalls | 4,644 | 1.17 |
| | | 4,644 | 1.17 |

# Portfolio Statement (Continued)

| Holding | | Market value £'000 | Total net assets (%) |
|---|---|---|---|
| | Electronic & Electrical Equipment: 9.41% (30/09/2022: 4.67%) | | |
| 500,000 | DiscoverIE | 3,815 | 0.96 |
| 460,000 | IMI | 7,070 | 1.77 |
| 2,835,000 | Morgan Advanced Materials | 8,066 | 2.02 |
| 1,783,665 | Rotork | 5,597 | 1.41 |
| 352,200 | Spectris | 12,926 | 3.25 |
| | | 37,474 | 9.41 |
| | General Industrials: 1.16% (30/09/2022: 1.57%) | | |
| 6,212,285 | Coats | 4,628 | 1.16 |
| | | 4,628 | 1.16 |
| | Industrial Engineering: 3.15% (30/09/2022: 4.49%*) | | |
| 607,822 | Bodycote | 3,942 | 0.99 |
| 466,901 | Weir | 8,603 | 2.16 |
| | | 12,545 | 3.15 |
| | Industrial Support Services: 9.18% (30/09/2022: 10.16%) | | |
| 460,418 | Electrocomponents | 4,185 | 1.05 |
| 2,915,212 | Essentra | 5,755 | 1.44 |
| 845,986 | FDM | 6,193 | 1.55 |
| 1,078,824 | Rentokil Initial | 6,343 | 1.59 |
| 6,310,000 | Serco | 9,781 | 2.46 |
| 577,000 | Smart Metering Systems | 4,339 | 1.09 |
| | | 36,596 | 9.18 |
| | Industrial Transportation: 1.28% (30/09/2022: 1.15%) | | |
| 104,200 | Ashtead | 5,093 | 1.28 |
| | | 5,093 | 1.28 |
| | REAL ESTATE: 8.07% (30/09/2022: 6.24%) | | |
| | Real Estate Investment & Services: 3.16% (30/09/2022: 3.28%) | | |
| 3,800,000 | CLS | 5,092 | 1.28 |
| 3,250,000 | Grainger | 7,482 | 1.88 |
| | | 12,574 | 3.16 |

# Portfolio Statement (Continued)

| Holding | | Market value £'000 | Total net assets (%) |
|---|---|---|---|
| | Real Estate Investment Trusts: 4.91% (30/09/2022: 2.96%) | | |
| 247,500 | Derwent London | 5,796 | 1.45 |
| 923,829 | Safestore | 8,726 | 2.19 |
| 4,429,920 | Shaftesbury Capital | 5,041 | 1.27 |
| | | 19,563 | 4.91 |
| | TECHNOLOGY: 11.22% (30/09/2022: 12.71%) | | |
| | Software & Computer Services: 11.22% (30/09/2022: 12.71%) | | |
| 4,000,000 | Ascential | 9,504 | 2.38 |
| 791,000 | Auction Technology | 4,793 | 1.20 |
| 930,508 | Auto Trader | 5,643 | 1.42 |
| 1,492,100 | Bytes Technology | 5,807 | 1.46 |
| 1,759,707 | Darktrace | 4,406 | 1.10 |
| 1,672,922 | GB | 5,009 | 1.26 |
| 256,500 | Kainos | 3,542 | 0.89 |
| 4,685,000 | Learning Technologies | 6,006 | 1.51 |
| | | 44,710 | 11.22 |
| | TELECOMMUNICATIONS: 1.77% (30/09/2022: 3.45%) | | |
| | Telecommunications Equipment: 1.77% (30/09/2022: 3.45%) | | |
| 4,009,314 | Spirent Communications | 7,064 | 1.77 |
| | | 7,064 | 1.77 |
| | EUROPE (excluding UK): 4.65% (30/09/2022: 3.14%) | | |
| | IRELAND: 2.10% (30/09/2022: 1.23%) | | |
| 940,000 | Grafton | 8,366 | 2.10 |
| | | 8,366 | 2.10 |

# Portfolio Statement (Continued)

| Holding | | Market value £'000 | Total net assets (%) |
|---|---|---|---|
| | JERSEY: 2.55% (30/09/2022: 1.91%) | | |
| 8,190,004 | Breedon | 6,249 | 1.57 |
| 555,429 | JTC | 3,888 | 0.98 |
| | | 10,137 | 2.55 |
| Investments as shown in the balance sheet | | 389,741 | 97.84 |
| Net current assets | | 8,591 | 2.16 |
| Total net assets | | 398,332 | 100.00 |

* Since the previous report industry classifications have been updated. Comparative figures have been updated where appropriate.

# Statement of Total Return

## For the six months ended 31 March

| | | 2023 | | 2022 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Income | | | | |
| Net capital gains/(losses) | | 38,474 | | (67,628) |
| Revenue | 5,242 | | 4,353 | |
| Expenses | (1,522) | | (1,993) | |
| Interest payable and similar charges | - | | - | |
| Net revenue before taxation | 3,720 | | 2,360 | |
| Taxation | (46) | | (46) | |
| Net revenue after taxation | | 3,674 | | 2,314 |
| **Total return before distributions** | | **42,148** | | **(65,314)** |
| Distributions | | (3,674) | | (2,314) |
| **Change in net assets attributable to unitholders from investment activities** | | **38,474** | | **(67,628)** |

# Statement of Change in Net Assets Attributable to Unitholders

## For the six months ended 31 March

| | | 2023 | | 2022 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Opening net assets attributable to unitholders | | 374,594 | | 588,193 |
| Amounts receivable on creation of units | 21,722 | | 29,635 | |
| Amounts payable on cancellation of units | (39,015) | | (33,577) | |
| | | (17,293) | | (3,942) |
| Change in net assets attributable to unitholders from investment activities | | 38,474 | | (67,628) |
| Retained distribution on accumulation units | | 2,557 | | 1,354 |
| **Closing net assets attributable to unitholders** | | **398,332** | | **517,977** |

The above statement shows the comparative closing net assets at 31 March 2022 whereas the current accounting period commenced 1 October 2022.

# Balance Sheet

As at

| | 31 March 2023<br>£'000 | 30 September 2022<br>£'000 |
|---|---|---|
| ASSETS | | |
| Fixed assets | | |
| Investments | 389,741 | 352,022 |
| Current assets | | |
| Debtors | 3,065 | 1,845 |
| Cash and bank balances | 7,706 | 22,783 |
| Total assets | 400,512 | 376,650 |
| | | |
| LIABILITIES | | |
| Creditors | | |
| Distribution payable | 1,019 | 1,099 |
| Other creditors | 1,161 | 957 |
| Total liabilities | 2,180 | 2,056 |
| Net assets attributable to unitholders | 398,332 | 374,594 |

# Notes to the Financial Statements

## Accounting policies

The Financial Statements have been prepared on a historical cost basis, as modified by the revaluation of investments, and in accordance with Financial Reporting Standard 102 ("FRS 102") and the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association ("IMA") in May 2014, and amended in June 2017. The Financial Statements have been prepared on a going concern basis. The Financial Statements are prepared in accordance with the Trust Deed and the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("COLL").

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 September 2022 and are described in those annual financial statements.

# Distribution Tables

## For the six months ended 31 March 2023

| | | Net revenue | Equalisation | Distribution payable/paid Current year | Prior year |
|---|---|---|---|---|---|
| **D Inc*** | | | | | |
| Interim | Group 1 | 1.552 | - | 1.552 | |
| | Group 2 | 1.552 | - | 1.552 | |
| **D Acc*** | | | | | |
| Interim | Group 1 | 1.659 | - | 1.659 | |
| | Group 2 | 0.035 | 1.624 | 1.659 | |
| **R Inc** | | | | | |
| Interim | Group 1 | 1.089 | - | 1.089 | - |
| | Group 2 | 0.471 | 0.618 | 1.089 | - |
| **R Acc** | | | | | |
| Interim | Group 1 | 1.166 | - | 1.166 | - |
| | Group 2 | 0.711 | 0.455 | 1.166 | - |
| **S Inc** | | | | | |
| Interim | Group 1 | 1.587 | - | 1.587 | 1.081 |
| | Group 2 | 1.587 | - | 1.587 | 1.081 |
| **S Acc** | | | | | |
| Interim | Group 1 | 1.851 | - | 1.851 | 1.238 |
| | Group 2 | 1.851 | - | 1.851 | 1.238 |
| **Z Inc** | | | | | |
| Interim | Group 1 | 1.944 | - | 1.944 | 1.062 |
| | Group 2 | 1.120 | 0.824 | 1.944 | 1.062 |
| **Z Acc** | | | | | |
| Interim | Group 1 | 2.275 | - | 2.275 | 1.226 |
| | Group 2 | 1.367 | 0.908 | 2.275 | 1.226 |
| **ZI Inc** | | | | | |
| Interim | Group 1 | 0.923 | - | 0.923 | 0.557 |
| | Group 2 | 0.486 | 0.437 | 0.923 | 0.557 |
| **ZI Acc** | | | | | |
| Interim | Group 1 | 0.984 | - | 0.984 | 0.585 |
| | Group 2 | 0.817 | 0.167 | 0.984 | 0.585 |

(All figures shown in pence per unit)

Units are classified as Group 2 for the following period in which they were acquired, thereafter they rank as Group 1 units.

Equalisation is the average amount of income included in the purchase price of Group 2 units and is refundable to holders of these units as a return of capital. Being a capital item it is not liable to income tax, but must be deducted from the cost of units for capital gains tax purposes.

*D unit class launched on 25 May 2022.

The relevant period for Group 2 units and the payment/transfer dates are shown below:

| | Group 2 units from | to | Group 1 & 2 units paid/transferred |
|---|---|---|---|
| Interim | 01.10.22 | 31.03.23 | 31.05.23 |

## DIRECTORS' APPROVAL

In accordance with the requirements of the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("COLL"), the contents of this report have been approved on behalf of AXA Investment Managers UK Limited by:

Marcello Arona
Director
Monday 22nd May 2023

Jane Wadia
Director
Monday 22nd May 2023

# Further Information

## THE SECURITIES FINANCING TRANSACTIONS REGULATION

The Securities Financing Transactions Regulation, as published by the European Securities and Markets Authority, aims to improve the transparency of the securities financing markets. Disclosures regarding exposure to Securities Financing Transactions (SFTs) or total return swaps will be required on all reports & accounts published after 13 January 2017. During the period to 31 March 2023 and at the balance sheet date, the Fund did not use SFTs or total return swaps, as such no disclosure is required.

# Directory

The Manager
AXA Investment Managers UK Limited
22 Bishopsgate
London, EC2N 4BQ

Authorised and regulated by the Financial Conduct 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 IA.

The Administrator and address for inspection of Register:
SS&C Financial Services International Limited and SS&C Financial Services Europe Limited
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Basildon Essex, SS15 5FS
Authorised and regulated by the Financial Conduct Authority.

Trustees
HSBC Global Trustee & Fiduciary Services (UK)
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London, E14 5HQ
HSBC Bank plc is a subsidiary of HSBC Holdings plc.
Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Fund Accounting Administrator
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