

# AXA Distribution Fund

**AXA Investment Managers (AXA IM) is a dedicated investment manager within the AXA Group, a world leader in financial protection and wealth management. Our aim is to develop close relationships with our customers and to provide them with outstanding investment solutions backed up with exceptional customer service.**

As a 'multi-expert' investment manager, we aim to offer investment expertise across a broad range of asset classes that few of our competitors can match, but we focus on specific areas within each asset class where we can add real value for our clients.

Our total funds under management now exceed £656 billion (source: AXA IM as at 30 November 2017).

## Investment objective and policy

The aim of this Fund is to achieve income with some prospects for capital growth over the long-term.

The Fund invests in shares of quoted large and medium-sized UK companies, bonds issued by the UK government (gilts), including index-linked gilts, and cash. The Fund's typical asset mix ranges between 50-60% of its Net Asset Value invested in shares, with the remainder being invested mostly in gilts and cash. The ACD selects shares in companies based upon their prospects for future growth in dividend payments following an in depth analysis of the quality of their business model, financial status, and corporate governance arrangements. Investments in gilts are diversified across a range of maturities.

The Fund may also invest at the ACD's discretion in other transferable securities, cash, deposits, units in collective investment schemes and money market instruments. The Fund may use derivatives for investment purposes as well as for Efficient Portfolio Management. Use may be made of borrowing, cash holdings, hedging and other investment techniques permitted in the applicable Financial Conduct Authority rules.

## Review

Over the six month period to 30 November 2017, UK equities and index-linked government bonds have generated negative returns. The FTSE All Share Index fell 0.2% on a total return basis (including dividends). Breaking down the performance on a market capitalisation basis, the large cap FTSE 100 Index was down -0.67%, the mid-cap FTSE 250 Index rose +1.24% and the FTSE Small Cap (ex-investment companies) was up +1.33%. Index-linked gilt returns were also negative with the FTSE UK Gilts Index-Linked (All) Index falling -2.2%. UK base interest rates were increased in November 2017 to 0.5%, the first interest rate rise in more than a decade. The trailing 12 month rate of inflation was 4.0% on the Retail Price Index (RPI) measure and 3.0% on the Consumer Price Index (CPI) in November.

Given the perilous stand-off between the leaders of the United States and North Korea, rising US interest rates, confirmation that the US Federal Reserve's (Fed) stretched balance sheet will begin to be reduced, difficult Brexit negotiations and further despicable acts of terrorism, global equity markets have held up remarkably well. The global economy has continued to make steady progress helped both by momentum in the US economy and China. Brexit negotiations continue to dominate the UK economy with the IMF (International Monetary Fund) reminding us in June of the potentially negative implications of Britain's decision to leave Europe when it downgraded forecasts for UK GDP for 2017 to 1.7% from 2.0%. While UK unemployment fell to a 42-year low over the summer, the outlook for the UK consumer appears fragile. The effect of a weakened currency has fed through to inflation with both CPI and RPI measures ticking up through the year. We view these moves as transitory and expect the momentum to slow and reverse as we move into 2018. Sterling has strengthened against the US dollar (+9.5% YTD) and Japanese yen (+5.1%), but continues to be weak against the euro (-3.1% YTD).

After years of monetary easing the US Federal Reserve has made further progress 'normalising' interest rates, pushing the 10-year treasury yield as high as 2.6% during 2017. The Fed left the Fed Funds Rate (FFR) unchanged at 1.00-1.25% in October but announced that it would "initiate the balance sheet normalisation program". This was in line with parameters already proposed and will see \$6 billion of US treasury bonds and \$4 billion of MBS (Mortgage-Backed Securities) come off their balance sheet each month in Q4 2017. Expectations are for the Fed to increase interest rates again in December, with all but four members seeing the FFR at 1.25-1.50% or above by year-end.

In Europe, the strength of stock markets has been helped by companies posting positive earnings revisions, a pick-up in global leading economic indicators and the on-going supportive monetary policy backdrop. While September saw Angela Merkel win a historic fourth term in Germany's federal elections, the decline of the Christian democrat parties' (CDU/CSU) share of the overall vote has complicated coalition talks, with a final agreement unlikely for some time. France's new President Emmanuel Macron has seen his initial labour reforms treated positively by investors.

The oil price has been strong, helped by surprisingly strong global demand. This has had a positive impact on the oil-heavy FTSE All Share Index with both BP and Royal Dutch Shell announcing improved

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financial positions and reiterating their dividend paying ability.

At a sector level mining has been the best performing area of the UK stock market in 2017. The commodity complex has performed more strongly than had been expected at the start of the year, helped by the on-going momentum in the Chinese economy. It was unsurprising that China reported an impressive annual GDP growth rate of 6.8% during the 19th national congress of the Communist Party - a major event which will further strengthen President Xi Jinping's powerbase. With plans for economic expansion including enormous projects like the One Belt One Road initiative (the single largest economic policy ever conceived, covering 65% of the world's population, one third of the world's GDP and c25% of all the world's trade) demand for commodities is seen as being firmly underpinned.

The income backdrop in the UK has remained supportive for UK investors with 2017 proving to be another good year for dividend growth. According to the Capita Dividend Monitor, between July and September 2017 UK dividend payments reached £28.5bn representing an increase of 14.3% year-on-year. This total was boosted by special dividend payments which were up 40% during the quarter. Looking ahead the prospective yield on the FTSE All Share Index is an attractive 3.7%, with further dividend growth being forecast for 2018.

## Outlook

Central bank policy continues to evolve and is being led by the US Federal Reserve. Maintaining investor confidence through this process will be challenging and could cause periods of significant volatility. While interest rates have started to rise from historically low levels the appealing return that equities offer versus other asset classes remains compelling. Corporate profitability has been robust and Merger and acquisition (M&A) activity underpins interest in the extended bull market that equities have enjoyed since the global financial crisis. Valuation remains a key risk for equity markets having traded at historically elevated levels for some time.

**Jamie Forbes-Wilson, Matthew Huddart.**

**30 November 2017**

All performance data source: AXA Investment Managers and Lipper

## Risk and reward profile

By investing in a fund which can invest up to 60% in equities you are likely to be looking for an investment which has lower risk than a pure equity based fund but you are prepared to accept some risk for potential reward. You are willing to accept that your investment will fall and rise in value and that you could get back less than you invest. Typically, you would prefer an investment with less risk than that of a fund which invests predominantly in equities or overseas.

### Lower risk

### Higher risk

Potentially lower reward

Potentially higher reward

1	2	3	4	5	6	7
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The risk category is calculated using historical performance data and may not be a reliable indicator of the Fund's future risk profile. The risk category shown is not guaranteed and may shift over time. The lowest category does not mean risk free.

### Why is this Fund in this category?

The capital of the Fund is not guaranteed. The Fund is invested in financial markets and uses techniques and instruments which are subject to some level of variation which may result in gains or losses.

### Additional risks

**Inflation Linked Bond Risk:** unlike other bonds, an inflation protected security (such as index linked gilts) reduces the negative effect of inflation on its real value. The market value of such securities will be affected both by the market's perception of future movements in interest rates and the future rate of inflation. Therefore the market value of such securities (and the value of the Fund) may not move in line with inflation rates in the short to medium term.

**Interest Rate Risk:** fluctuations in interest rates will change the value of bonds, impacting the value of the Fund. Generally, when interest rates rise, the value of the bonds fall and vice versa. The valuation of bonds will also change according to market perceptions of future movements in interest rates.

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

## FUND FACTS

Lead Fund manager	Jamie Forbes-Wilson
Sector	Mixed Investment 20-60% Shares
Comparative Benchmark	N/A
Launch date	16 May 2008
Fund size at 30 Nov 2017	£845m
Fund size at 31 May 2017	£904m
Minimum initial investment	A: £1,000,000 B: £1,000,000 R: £1,000 Z: £100,000
Minimum Subsequent purchase and redemption	A: £5,000 B: £5,000 R: £500 Z: £5,000
Yield A Inc/Acc	2.31% / 2.28%
Yield B Inc/Acc	2.30% / 2.28%
Yield R Inc/Acc	2.32% / 2.29%
Yield Z Inc/Acc	2.31% / 2.29%
Share types	Inc & Acc
Number of stocks	119
Initial charge	A: Nil / B: Nil R: Nil / Z: Nil
Annual charge	A: 0.50% B: 0.40% R: 1.50% Z: 0.75%
Ongoing charges**	
A Inc/Acc	0.51% / 0.51%
B Inc/Acc	0.41% / 0.41%
R Inc/Acc	1.51% / 1.51%
Z Inc/Acc	0.76% / 0.76%
Accounting dates (interim)	30 Nov
Accounting dates (annual)	31 May
Distribution dates (income)	31 Jan, 30 Apr 31 Jul, 31 Oct

All data, source: Lipper as at 30 November 2017.

\*\*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>.

## Top five purchases

### Six months ending 30 November 2017

UK Treasury 0.125% IL 22/11/19
UK Treasury 2.5% IL 16/04/20
UK Treasury 0.125% IL 22/11/65
UK Treasury 0.125% IL 22/03/24
UK Treasury 0.125% IL 22/03/29

## Top five sales

### Six months ending 30 November 2017

UK Treasury 1.25% IL 22/11/17
UK Treasury 0.125% IL 22/03/29
UK Treasury 0.125% IL 22/11/19
UK Treasury 0.625% IL 22/03/40
UK Treasury 1.25% IL 22/11/55

## Five year discrete annual performance

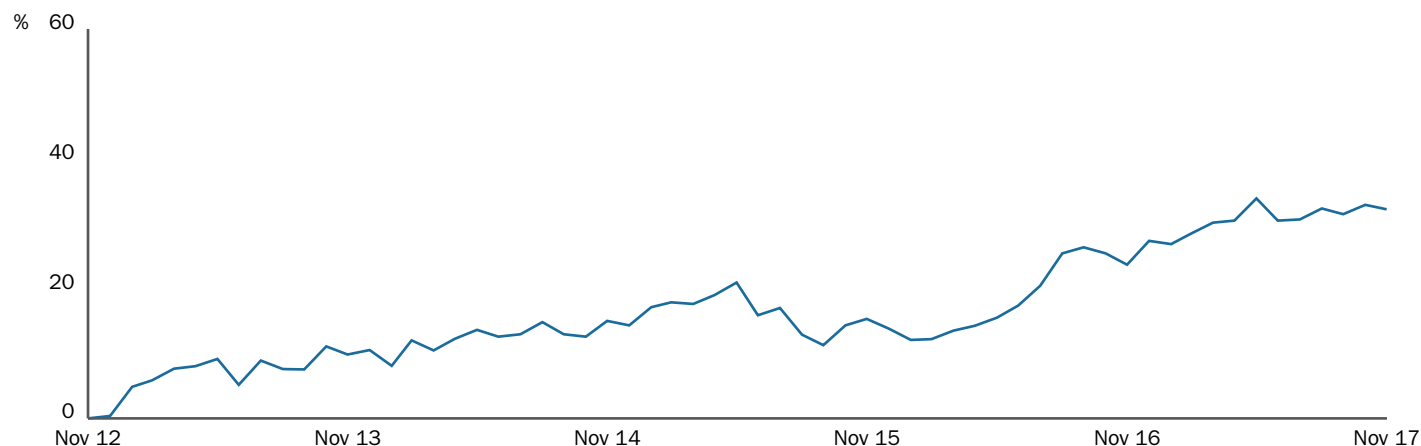
Nov 12 to Nov 13	Nov 13 to Nov 14	Nov 14 to Nov 15	Nov 15 to Nov 16	Nov 16 to Nov 17
+9.84%	+4.71%	+0.27%	+7.24%	+6.90%

Past performance is not a guide to future performance. Source: Lipper as at 30 November 2017. Basis: Single Price NAV, with net income reinvested, net of fees in GBP. Performance is representative of R Acc class.

## Cumulative Fund performance

as at 30 November 2017

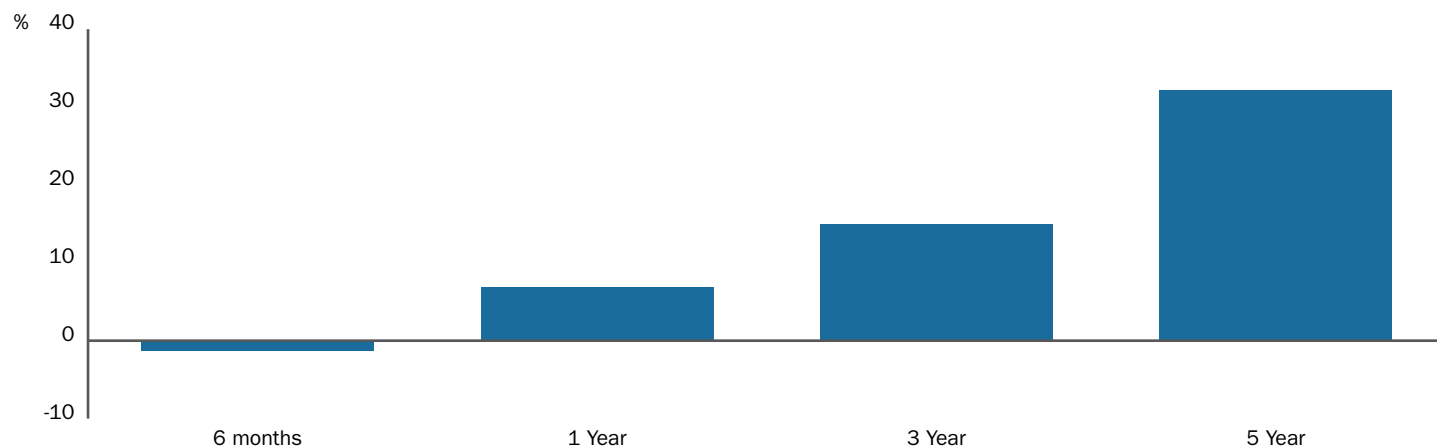
■ AXA Distribution Fund



Past performance is not a guide to future performance. Source: Lipper as at 30 November 2017. Basis: Single Price NAV, with net income reinvested, net of fees in GBP. Performance is representative of R Acc class.

as at 30 November 2017

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Past performance is not a guide to future performance. Source: Lipper as at 30 November 2017. Basis: Single Price NAV, with net income reinvested, net of fees in GBP. Performance is representative of R Acc class.

## Comparative Tables

Change in net asset value per share	A Acc ~			A Inc ~		
	30/11/2017 (p)	31/05/2017 (p)	31/05/2016 (p)	30/11/2017 (p)	31/05/2017 (p)	31/05/2016 (p)
Opening net asset value per share†	119.13	101.82	100.00	114.21	100.29	100.00
Return before operating charges^	(0.56)	17.88	2.12	(0.58)	17.42	2.14
Operating charges^	(0.30)	(0.57)	(0.30)	(0.29)	(0.56)	(0.29)
Return after operating charges^	(0.86)	17.31	1.82	(0.87)	16.86	1.85
Distributions	(1.30)	(3.00)	(1.54)	(1.24)	(2.94)	(1.56)
Retained distributions on accumulation shares	1.30	3.00	1.54	-	-	-
Closing net asset value per share†	118.27	119.13	101.82	112.10	114.21	100.29
*^after direct transaction costs of:	0.04	0.06	0.11	0.04	0.06	0.11
<b>Performance</b>						
Return after operating charges	-0.72%	17.00%	1.82%	-0.76%	16.81%	1.85%
<b>Other information</b>						
Closing net asset value†	5,246,387	5,323,098	2,405,231	125,940	115,115	51,971
Closing number of shares	4,436,039	4,468,444	2,362,324	112,343	100,788	51,823
Operating charges^	0.51%	0.51%	0.52%	0.51%	0.51%	0.51%
Direct transaction costs*	0.03%	0.05%	0.11%	0.03%	0.05%	0.11%
<b>Prices</b>						
Highest share price #	119.90	119.20	102.10	114.20	115.10	102.10
Lowest share price #	115.10	99.30	94.36	110.10	97.77	94.29

Change in net asset value per share	B Acc +			B Inc +		
	30/11/2017 (p)	31/05/2017 (p)	31/05/2016 (p)	30/11/2017 (p)	31/05/2017 (p)	31/05/2016 (p)
Opening net asset value per share†	137.95	117.75	122.53	122.03	107.00	114.31
Return before operating charges^	(0.69)	20.73	(4.29)	(0.61)	18.64	(4.04)
Operating charges^	(0.28)	(0.53)	(0.49)	(0.25)	(0.47)	(0.45)
Return after operating charges^	(0.97)	20.20	(4.78)	(0.86)	18.17	(4.49)
Distributions	(1.51)	(3.48)	(3.03)	(1.33)	(3.14)	(2.82)
Retained distributions on accumulation shares	1.51	3.48	3.03	-	-	-
Closing net asset value per share†	136.98	137.95	117.75	119.84	122.03	107.00
*^after direct transaction costs of:	0.05	0.07	0.13	0.04	0.06	0.12
<b>Performance</b>						
Return after operating charges	-0.70%	17.15%	-3.90%	-0.71%	16.98%	-3.93%
<b>Other information</b>						
Closing net asset value†	440,410,694	464,077,610	459,465,093	3,211,418	3,443,516	3,609,093
Closing number of shares	321,520,728	336,420,741	390,192,863	2,679,820	2,821,887	3,372,841
Operating charges^	0.41%	0.41%	0.42%	0.41%	0.41%	0.42%
Direct transaction costs*	0.03%	0.05%	0.11%	0.03%	0.05%	0.11%
<b>Prices</b>						
Highest share price #	138.90	138.10	121.70	122.10	123.00	113.50
Lowest share price #	133.30	114.80	109.00	117.60	104.30	100.50

## Comparative Tables

Change in net asset value per share	R Acc			R Inc		
	30/11/2017 (p)	31/05/2017 (p)	31/05/2016 (p)	30/11/2017 (p)	31/05/2017 (p)	31/05/2016 (p)
Opening net asset value per share†	214.86	185.44	194.08	123.53	109.52	117.65
Return before operating charges^	(1.09)	32.46	(5.87)	(0.62)	18.98	(3.57)
Operating charges^	(1.60)	(3.04)	(2.77)	(0.92)	(1.78)	(1.67)
Return after operating charges^	(2.69)	29.42	(8.64)	(1.54)	17.20	(5.24)
Distributions	(2.34)	(5.45)	(4.82)	(1.34)	(3.19)	(2.89)
Retained distributions on accumulation shares	2.34	5.45	4.82	-	-	-
Closing net asset value per share†	212.17	214.86	185.44	120.65	123.53	109.52
*^after direct transaction costs of:	0.07	0.11	0.20	0.04	0.06	0.12
<b>Performance</b>						
Return after operating charges	-1.25%	15.86%	-4.45%	-1.25%	15.71%	-4.45%
<b>Other information</b>						
Closing net asset value†	218,935,792	240,167,015	236,390,056	12,052,277	12,807,183	13,035,366
Closing number of shares	103,186,600	111,780,180	127,476,839	9,989,559	10,367,532	11,902,023
Operating charges^	1.51%	1.51%	1.51%	1.51%	1.51%	1.51%
Direct transaction costs*	0.03%	0.05%	0.11%	0.03%	0.05%	0.11%
<b>Prices</b>						
Highest share price #	215.20	215.10	192.90	123.50	124.50	116.80
Lowest share price #	207.40	180.70	172.30	118.70	106.70	103.20

Change in net asset value per share	Z Acc			Z Inc		
	30/11/2017 (p)	31/05/2017 (p)	31/05/2016 (p)	30/11/2017 (p)	31/05/2017 (p)	31/05/2016 (p)
Opening net asset value per share†	235.54	201.77	209.62	134.92	118.71	126.63
Return before operating charges^	(1.19)	35.44	(6.32)	(0.68)	20.65	(3.89)
Operating charges^	(0.89)	(1.67)	(1.53)	(0.51)	(0.97)	(0.91)
Return after operating charges^	(2.08)	33.77	(7.85)	(1.19)	19.68	(4.80)
Distributions	(2.57)	(5.96)	(5.21)	(1.47)	(3.47)	(3.12)
Retained distributions on accumulation shares	2.57	5.96	5.21	-	-	-
Closing net asset value per share†	233.46	235.54	201.77	132.26	134.92	118.71
*^after direct transaction costs of:	0.08	0.12	0.21	0.05	0.07	0.13
<b>Performance</b>						
Return after operating charges	-0.88%	16.74%	-3.74%	-0.88%	16.58%	-3.79%
<b>Other information</b>						
Closing net asset value†	130,892,703	140,743,524	153,541,452	34,103,536	36,904,491	42,431,133
Closing number of shares	56,065,245	59,753,366	76,097,350	25,784,617	27,353,658	35,742,386
Operating charges^	0.76%	0.76%	0.77%	0.76%	0.76%	0.77%
Direct transaction costs*	0.03%	0.05%	0.11%	0.03%	0.05%	0.11%
<b>Prices</b>						
Highest share price #	236.70	235.70	208.30	134.80	136.00	125.80
Lowest share price #	227.50	196.70	187.00	129.90	115.70	111.70

† Valued at bid-market prices.

# High and Low price disclosures are based on quoted share prices. Therefore the opening and closing NAV prices may fall outside the high / low price threshold.

^ Operating charges include indirect costs incurred in the maintenance and running of the sub-fund, as disclosed in the detailed expenses within the Statement of Total Return.

\* Direct transaction costs include fees, commissions, transfer taxes and duties in the purchasing and selling of investments, within the accounting period.

The figures used within these tables have been calculated against the average Net Asset Value for the accounting period.

~ A share class launched on 6 November 2015.

+ B share class was previously named J share class up to 15 January 2016.

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## Top ten holdings as at 30 November 2017

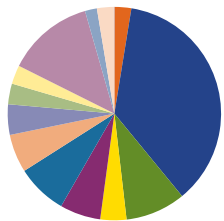
Company	Sector	%
UK Treasury 2.5% IL 16/04/20	IL Government Bonds	10.65
UK Treasury 0.125% IL 22/11/19	IL Government Bonds	6.06
Royal Dutch Shell 'B'	Oil & Gas Producers	5.42
British American Tobacco	Tobacco	3.43
BP	Oil & Gas Producers	3.00
HSBC	Banks	2.96
UK Treasury 0.125% IL 22/03/24	IL Government Bonds	2.62
GlaxoSmithKline	Pharmaceuticals & Biotechnology	2.59
Prudential	Life Insurance	2.48
Vodafone	Mobile Telecommunications	2.28

## Top ten holdings as at 31 May 2017

Company	Sector	%
UK Treasury 1.25% IL 22/11/17	IL Government Bonds	8.11
UK Treasury 2.5% IL 16/04/20	IL Government Bonds	6.29
Royal Dutch Shell 'B'	Oil & Gas Producers	4.53
British American Tobacco	Tobacco	3.69
GlaxoSmithKline	Pharmaceuticals & Biotechnology	3.14
HSBC	Banks	2.72
BP	Oil & Gas Producers	2.68
UK Treasury 0.125% IL 22/11/19	IL Government Bonds	2.28
Vodafone	Mobile Telecommunications	2.18
Prudential	Life Insurance	2.12

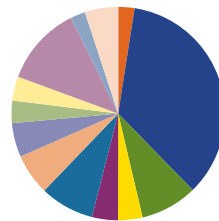
## Portfolio breakdown

### As at 30 November 2017



Sector	%
Government Bonds	2.56
Index Linked Government Bonds	36.50
Oil & Gas	9.11
Basic Materials	3.96
Industrials	6.18
Consumer Goods	7.68
Health Care	5.80
Consumer Services	4.61
Telecommunications	3.13
Utilities	2.85
Financials	13.18
Technology	1.81
Cash	2.56
Other	0.07

### As at 31 May 2017



Sector	%
Government Bonds	2.47
Index Linked Government Bonds	35.24
Oil & Gas	8.62
Basic Materials	3.71
Industrials	3.94
Consumer Goods	8.21
Health Care	6.24
Consumer Services	5.15
Telecommunications	3.40
Utilities	3.65
Financials	12.10
Technology	2.24
Cash	5.05
Other	-0.02

All data, source: AXA Investment Managers unless otherwise stated

## Important information

### The Company and Head Office

AXA Distribution Investment ICVC

7 Newgate Street

London, EC1A 7NX

*Authorised and regulated by the Financial Conduct Authority.*

### Authorised Corporate Director

AXA Investment Managers UK Limited

7 Newgate Street

London, EC1A 7NX

*Authorised and regulated by the Financial Conduct Authority.*

### The Administrator and address for inspection of Register

DST Systems

DST House

St Nicholas Lane

Basildon

Essex, SS15 5FS

*Authorised and regulated by the Financial Conduct Authority.*

### The Depositary

HSBC Bank plc

8 Canada Square

London, E14 5HQ

*HSBC Bank plc is a subsidiary of HSBC Holdings plc.*

*Authorised and regulated by the Financial Conduct Authority.*

### Legal advisers

Eversheds LLP

One Wood Street

London, EC2V 7WS

### Fund accounting administrator

State Street Bank and Trust Company

20 Churchill Place

London, E14 5HJ

### Auditors

PricewaterhouseCoopers LLP

7 More London Riverside

London, SE1 2RT

*Authorised and regulated by the Financial Conduct Authority.*

Telephone Dealing & Enquiries

**0345 777 5511**

IFA dealing & enquiries

**0370 707 0073**

If you are calling us from outside of the UK, please call:

**+44 1268 443976**

Our lines are open Monday to Friday between 9am and 5:30pm

**For more information on any AXA IM Fund please contact us via our website or telephone number.**

Copies of the latest Report and Accounts (long form) and Prospectus are available free of charge from the administration office: PO Box 10908, Chelmsford, CM99 2UT.

## 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 free of charge copy of the more detailed long form accounts for the Fund. For a copy of this, please contact our dedicated customer services team on 0345 777 5511.

### UCITS V Directive

The UCITS V Directive was implemented into national law on the 18 March 2016. The Directive aims to increase the level of protection already offered to investors in UCITS and to improve investor confidence in UCITS. It aims to do so by enhancing the rules on the responsibilities of depositaries, including a strict liability regime making the depositary liable for the avoidable loss of a financial instrument held in custody and by introducing remuneration policy requirements for UCITS fund managers.

### AXA IM Coal Policy

Effective 30 June 2017, AXA Investment Managers has implemented a policy to divest from companies that derive more than 50% of their revenues from coal-related activities, specifically mining and electric utilities companies. Should you require further information on this matter please contact AXA Investment Managers UK Ltd.

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

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All performance data source: AXA Investment Managers and Lipper.

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