

AXA Framlington UK Select Opportunities Fund ZI Acc

GB00B7FD4C20

Morningstar Analyst Rating
Neutral
 4 Jun 2018
 13:10, UTC-0500

Morningstar Category
 UK Flex-Cap Equity

Category Index
 FTSE AllSh TR GBP

Total Assets
 3,043.35
 Mil GBP

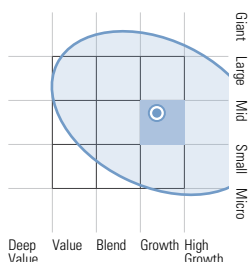
Current Yield %
 —

Inception Date
 16/04/12

Domicile/Currency
 GBR/GBP

Morningstar Rating
 ★★

Equity Style Map



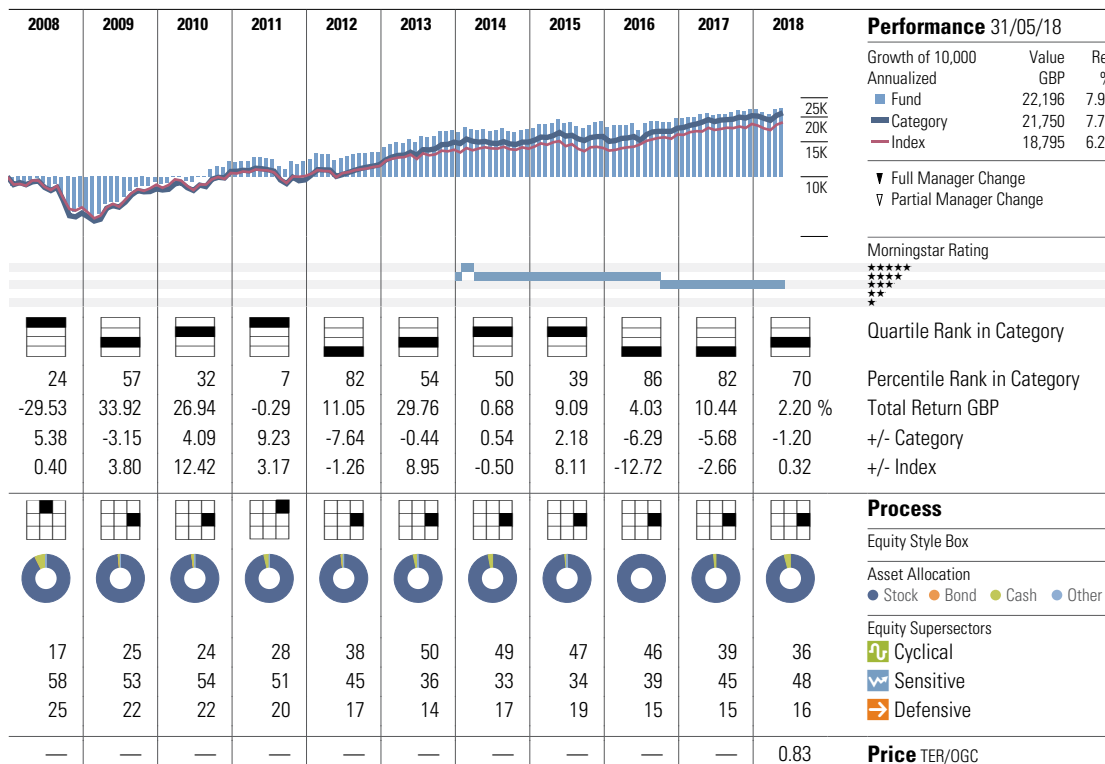
People

Nigel Thomas 09/02

Total Named Managers 1

Morningstar Pillars

Process	● Neutral
Performance	● Neutral
People	● Neutral
Parent	● Neutral
Price	● Neutral



Performance 31/05/18

Growth of 10,000	Value	Ret
Annualized	GBP	%
Fund	22,196	7.96
Category	21,750	7.75
Index	18,795	6.25

▼ Full Manager Change
 ▼ Partial Manager Change

Morningstar Rating

★★★★★
 ★★★★★
 ★★★★★
 ★★★★★

Quartile Rank in Category

Percentile Rank in Category

Total Return GBP

+/- Category

+/- Index

Process

Equity Style Box

Asset Allocation
 ● Stock ● Bond ● Cash ● Other

Equity Supersectors

● Cyclical

● Sensitive

● Defensive

Price TER/OGC

Analyst View

Simon Dorricott, Associate Director

A manager change has been announced.

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Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

The Morningstar Analyst Rating for Funds is a forward-looking analysis of a fund. Morningstar has identified five key areas crucial to predicting the future success of a fund: People, Parent, Process, Performance, and Price. The pillars are used in determining the Morningstar Analyst Rating for a fund. Morningstar Analyst Ratings are assigned on a five-tier scale running from Gold to Negative. The top three ratings, Gold, Silver, and Bronze, all indicate that our analysts think highly of a fund; the difference between them corresponds to differences in the level of analyst conviction in a fund's ability to outperform its benchmark and peers through time, within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years). Neutral represents funds in which our analysts don't have a strong positive or negative conviction over the long term (defined as a full market cycle or at least five years) and Negative represents funds that possess at least one flaw that our analysts believe is likely to significantly hamper future performance over the long term (defined as a full market cycle or at least five years). Past performance of a security may or may not be sustained in future and is no indication of future performance. For detailed information about the Morningstar Analyst Rating for Funds, please visit <http://global.morningstar.com/managerdisclosures>

04 Jun, 2018 | AXA Investment Managers has announced that Nigel Thomas, the long-standing manager of AXA Framlington UK Select Opportunities, is to step down on Dec. 31, 2018, and will retire from the group at the end of March 2019.

From the start of 2019, this fund will be managed by Chris St. John, a move that has been well-flagged by AXA IM. St. John joined the group in 2005, managing UK small-cap portfolios in line with his previous experience. In 2011, he moved up the market-cap scale by launching a mid-cap fund, while in March 2016 an all-cap Luxembourg-domiciled fund was launched for him (AXA WF Framlington UK), signalling the intention that he would take over this product in future. Both of those funds have similar mandates. St. John is clearly an experienced investor, but his experience of this type of mandate and of large-cap stocks is more limited.

St. John's UK portfolio is similarly positioned as this fund, and going forward we expect the broad structure of this fund to remain unchanged, with large-, mid-, and small-cap stocks each taking up around a third of the portfolio, giving a significant bias down the market-cap scale versus the FTSE All-Share Index. The growth style

will remain, with St. John focusing on stocks able to deliver strong earnings growth over a three- to five-year time frame.

That said, the approach on the UK desk allows all managers the freedom to make their own decisions without imposing a structured team process. This has resulted in significant differences at the stock level between Thomas' and St. John's funds, and there is therefore scope for a very different outcome under the new manager.

In terms of track record, St. John has shown success on his mid-cap fund, outperforming since launch in 2011, but his returns over the short time he has managed the more relevant UK fund have underperformed. In addition, assets under management here are around GBP 3 billion, significantly larger than the funds St. John has been managing, and this may require adaptations to his approach.

Given the limited experience of the new manager with this type of mandate, the fund merits a Morningstar Analyst Rating of Neutral at the current time.

Morningstar Global Fund Report

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Morningstar Analyst Rating

	2016	2017	2018
 Gold			
 Silver			
 Bronze			
Neutral			
Negative			
Under Review			
Not Ratable			

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The date shown next to the Morningstar Analyst Rating is the date on which Morningstar Manager Research Analyst assigned or reaffirmed the current rating for the fund based on the analyst's latest review and research report for the fund.

The Five (5) Pillars

Morningstar has identified five key areas that we believe are crucial to predicting the future success of funds: People, Parent, Process, Performance, and Price. Each pillar is evaluated when assessing a fund as well as the interaction between the pillars, which we believe is crucial to understanding a fund's overall merit.

People

The overall quality of a fund's investment team is a significant key to its ability to deliver superior performance relative to its benchmark and/or peers. Evaluating a fund's investment team requires that analysts assess several relevant items including how key decisions are made.

Parent

We believe the parent organization is of utmost importance in evaluating funds. The fund's management set the tone for key elements of our evaluation, including capacity management, risk management, recruitment and retention of talent, and incentive pay. Beyond these operational areas, we prefer firms that have a culture of stewardship and put investors first to those that are too heavily weighted to salesmanship.

Process

We look for funds with a performance objective and investment process (for both security selection and portfolio construction) that is sensible, clearly defined, and repeatable. In addition, the portfolio should be constructed in a manner that is consistent with the investment process and performance objective.

Performance

We do not believe past performance is necessarily predictive of future results, and this factor accordingly receives a relatively small weighting in our evaluation process. In particular, we strive not to anchor on short-term performance. However, we do believe that the evaluation of long-term return and risk patterns is vital to determining if a fund is delivering to our expectations.

Price

To reflect actual investor experience, price is evaluated within the context of the relevant market or cross-border region—for example, the United States, Australia, Canada, or Europe. In recognition of differences in scale and distribution costs in various markets, the level at which a fund is penalised for high fees or rewarded for low fees can vary with region. In Europe, for example, funds are penalised if they land in the most expensive quintile of their Morningstar category and are rewarded if they land in the cheapest quintile. The assessment is made using annual expense ratios, but in the case of funds with performance fees, expenses are evaluated excluding any performance fees and then the structure of the performance fee is evaluated separately.

Morningstar Analyst Ratings

Morningstar Analyst Ratings are assigned on a five-tier scale running from Gold to Negative. The top three ratings, Gold, Silver, and Bronze, all indicate that our analysts think highly of a fund; the difference between them corresponds to differences in the level of analyst conviction in a fund's ability to outperform its benchmark and peers through time, within the context of the level of risk taken.

Gold

Represents funds that our analyst has the highest-conviction in for that given investment mandate. By giving a fund a Gold rating, we are expressing an expectation that it will outperform its relevant performance benchmark and/or peer group within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years). To earn a Gold rating, a fund must distinguish itself across the five pillars that are the basis for our analysis.

Silver

Represents funds our analyst has high-conviction in, but not in all of the five pillars. With those fundamental strengths, we expect these funds will outperform their relevant performance benchmark and/or peer group within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years).

Bronze

Represents funds that have advantages that clearly outweigh any disadvantages across the pillars, giving analyst the conviction to award them a positive rating. We expect these funds to beat their relevant performance benchmark and/or peer group within the context of the level of risk taken over a full market cycle (or at least five years).

Neutral

Represents funds in which our analysts don't have a strong positive or negative conviction. In our judgment, these funds are not likely to deliver standout returns, but they aren't likely to seriously underperform their relevant performance benchmark and/or peer group either.

Negative

Represents funds that possess at least one flaw that our analysts believe is likely to significantly hamper future performance, such as high fees or an unstable management team. Because of these faults, we believe these funds are inferior to most competitors and will likely underperform their relevant performance benchmark and/or peer group, within the context of the level of risk taken, over a full market cycle.

Morningstar may also use two other designations in place of a rating:

Under Review

This designation means that a change that occurred with the fund or at the fund company requires further review to determine the impact on the rating.

Not Ratable

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