

AXA Framlington Managed Balanced Z Acc

May 2019

Outcome

This fund is focused on capital accumulation. The managers have delivered these returns in a risk aware manner from a portfolio of primarily equities with some fixed interest and cash.

Capital Accumulation	Capital Preservation	Income	Inflation Protection
●			

Performance Objective

The managers aim to outperform the IA Mixed Investment 40% to 85% shares sector average over the long-term.

Active/Passive: Active	Sector: IA Mixed Investment 40-85% Shares
Launch Date: 31/12/1992	Fund Size (as at 13 May 2019): £1014.3m
Yield (as at 13 May 2019): 1.2%	Distribution Pay Date: Dec 31 (Final)
Fund Manager: Jamie Hooper	Ongoing Charge Figure: 0.70%
Domicile: United Kingdom	Transaction Cost ex Ante: 0.15%
Multi-Manager: No	



Fund Opinion

This fund is managed in a simple and straightforward manner and uses a consistent investment process which has been applied for over 20 years. The approach utilises the stock picking abilities of specialist investment resources within AXA IM. The strategy has proven successful across a number of market cycles and has provided strong long-term returns for investors.

Having been deputy manager on the funds since 2012, Jamie Hooper was initially named co-manager in late 2015. This marked the start of the handover process following the planned retirement of the previous long-standing incumbent, Richard Peirson. At the same time, Mr Hooper was also made responsible for managing the UK equity portion of the portfolio. We see this as a positive given the robust track record he has built running the AXA Framlington UK Growth fund since 2006. Considering the lengthy period of transition, Mr Hooper's existing association with the fund and his strong awareness of the needs of unitholders, we do not envisage any material changes to the way this fund is managed following the departure of Mr Peirson.

At the same time as Mr Hooper's progression to co-manager, responsibility of the fund's fixed income allocation was passed to Nick Hayes. Mr Hayes is an experienced investor and is fully aware of the part the bond element should play within the overall portfolio. Consequently, he manages this portion in a very conservative manner.

Despite the recent retirement of the long-standing manager, we continue to maintain conviction for this tried and tested approach and a strategy that draws upon some of the best resources within the AXA IM group.

Fund Description

Following a lengthy transition period, this fund's long standing manager Richard Peirson retired in March 2017. He was succeeded by Jamie Hooper who worked closely with Mr Peirson throughout this handover period. Mr Hooper is an experienced investor in his own right with over 20 years in the industry and prior to joining AXA Framlington in 2006, he previously worked at F&C and Barclays. In addition to this strategy he is also responsible for the group's UK Growth fund.

The fund is managed using a fairly simplistic approach to investing. Essentially, this is a global equity fund that uses allocations to bonds and cash to help dampen the overall level of volatility. The fund's asset allocation tends to be adjusted on a gradual basis, but historically has been towards the upper end of the funds maximum permitted equity limit of 85%, with the intention of stock selection being the primary driver of returns. Security selection also tends to drive Mr Hooper's decisions on how capital is allocated rather than allocations being made based on the outlook for the global economy. However, if there are strong asset class views, these will be backed.

Within the fund's equity element, assets are managed by AXA IM's US, European (ex UK), Japanese and Asian desks with emerging market exposure played through an in-house fund. Each of these teams has their own approach to portfolio management but they all share a preference for growth companies. The UK equity element is managed by Mr Hooper who favours companies that show above average growth potential, have flexible and scalable business models, solid financial positions and proven management teams. His approach tends to favour larger companies and he can also draw on ideas from AXA IM's highly regarded UK team.

In keeping with the sector constraints, the fund can hold up to a maximum of 85% in global equities. Historically, the equity level has been in the 75-85% range, with UK equities forming the largest allocation (typically in the 35-55% range). The remaining 15-20% is held in bonds and cash and is considered an 'insurance policy' to reduce the volatility of the equity component. This portion is managed by Nick Hayes and is primarily invested in sterling denominated issues. Occasionally, euro or US dollar bonds are held but any currency exposure will be hedged back to sterling. The combination of this and the UK equity bias means a moderate proportion of the fund is likely to be invested in non-sterling assets.

Risk Summary

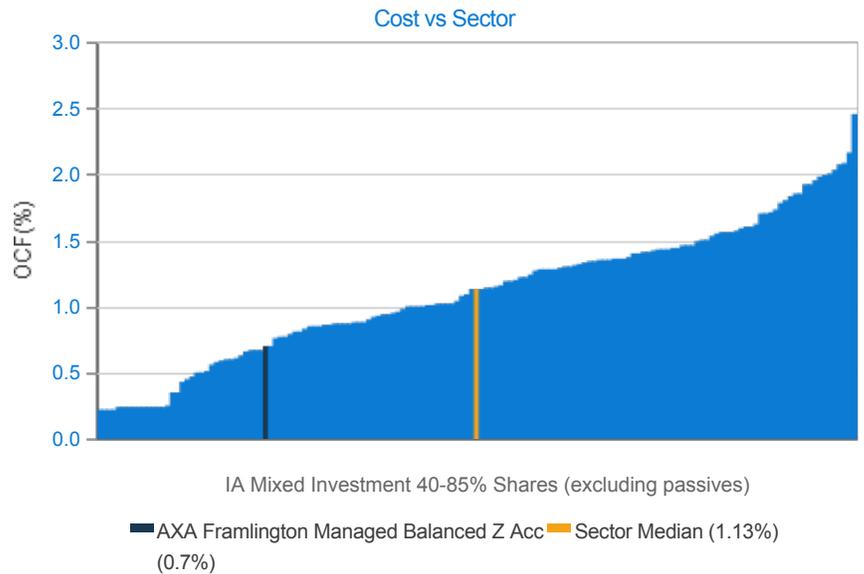
The fund invests in global equities and government fixed interest markets. Equities are a volatile asset class and the proportion of the fund invested overseas is open to exchange rate risk. The fixed interest section of the fund has interest rate risk. You should refer to the fund's prospectus for a complete description of the risk factors.

Value for Money

(Calculation as at 15 May 2019)

The use of in-house strategies within the fund means overall costs can be kept relatively low. This is borne out in the ongoing charge figure (OCF) which is meaningfully below the sector average. Investors should be aware that the sector contains a number of fund of funds, which have a double layer of charges, and therefore this inflates the median figure. When considering this, we still believe the fund offers good value for money.

Following the introduction of MiFID II regulations in January 2018, asset management firms are now required to disclose all costs and charges related to the running and administration of funds. This can include items outside of the OCF, such as research costs. As a result, Axa will be absorbing the costs associated with their research, which should slightly reduce the overall fee paid by investors.



This chart shows the ongoing charge figure (OCF) for the fund relative to the median and all other funds in the sector. Each blue bar represents the OCF of an individual fund's 'primary' share class as meets the Investment Association's definition.

Socially Responsible Investing

No strict environmental social and governance (ESG) guidelines are followed within the fund however the underlying sleeves, which are managed by in house teams, do give consideration to these factors. AXA Investment Management (IM) is fully committed to responsible investing and believes that it is a forward looking investment strategy which can help deliver good risk adjusted returns. It has responsible investing and corporate governance integrated into the research process and has a dedicated department which shares its expertise across the AXA IM platform. The AXA ESG team focus their research into three key areas; fundamental ESG analysis on specific companies and sectors to uncover insights into extra financial issues not covered by financial research, segregation of research into clearly identifiable screening methodologies and active stewardship, which includes proxy voting and engagement.

Additional Information

Annualised Return	8.16%
Annualised Volatility	7.91%
Max Drawdown	-9.71%
Max Gain	12.74%
Max Loss	-5.80%
Sharpe Ratio	0.74
Sortino Ratio	0.64

(3 year data to last month end)

Currency of Share Class

GBP

Fund Price (as at 13 May 2019)

172.9 pence

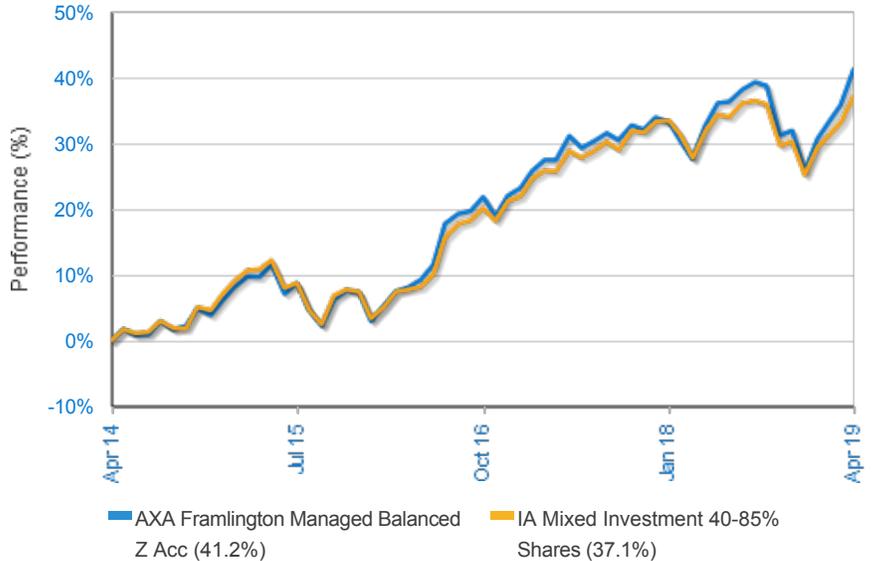
Benchmark

IA Mixed Investment 40%-85% Shares

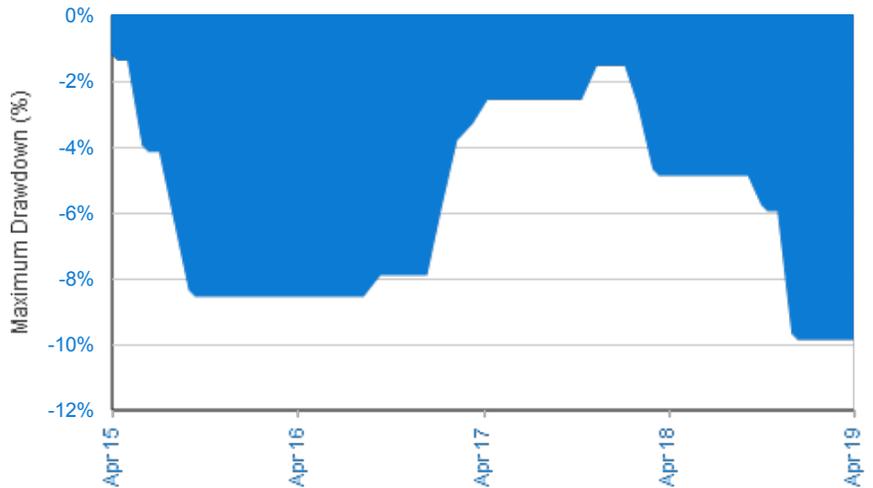
Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	6.4	4.3	1
12-24m	0.1	1.5	3
24-36m	18.5	17.1	2
36-48m	-2.0	-2.9	2
48-60m	9.4	10.6	4

Capital Growth



Maximum Drawdown (Rolling 12 Months)



Asset Allocation Positioning

Name	%
UK Equities	29.8
US Equities	16.8
Money Market	10.7
UK Gilts	7.0
Japanese Equities	5.9
German Equities	3.4
Others	2.9
Others	23.5

(Data as at 31 Dec 2018)

Top Ten Holdings

(Data as at 29 Mar 2019)

Company Name	%
AXA FRAMLINGTON EMERGING MARKETS R ACC	2.8
GLAXOSMITHKLINE	1.8
JAPAN GOVERNMENT TEN YEAR BOND 0.1% 09/20/2026	1.8
HM TREASURY UNITED KINGDOM DMO 4.75% GILT 2020	1.7
ROYAL DUTCH SHELL	1.6
DIAGEO	1.5
ASTRAZENECA PLC	1.3
HM TREASURY UNITED KINGDOM DMO 2% GILT 22/07/20 GBP0.01	1.2
RECKITT BENCKISER GROUP PLC	1.2
BP	1.1

Sector Breakdown

(Data as at 29 Mar 2019)



- Others (26%)
- Health Care (13%)
- Financials (13%)
- Industrials (11%)
- Information Technology (10%)
- Money Market (9%)
- Consumer Discretionary (8%)
- Consumer Staples (6%)
- Energy (4%)

Geographic Breakdown

(Data as at 29 Mar 2019)



- UK (48%)
- USA (16%)
- Money Market (9%)
- Others (7%)
- Japan (6%)
- Germany (4%)
- France (3%)
- Switzerland (3%)
- International (3%)
- Other (2.1%)

Financial Express Crown Rating

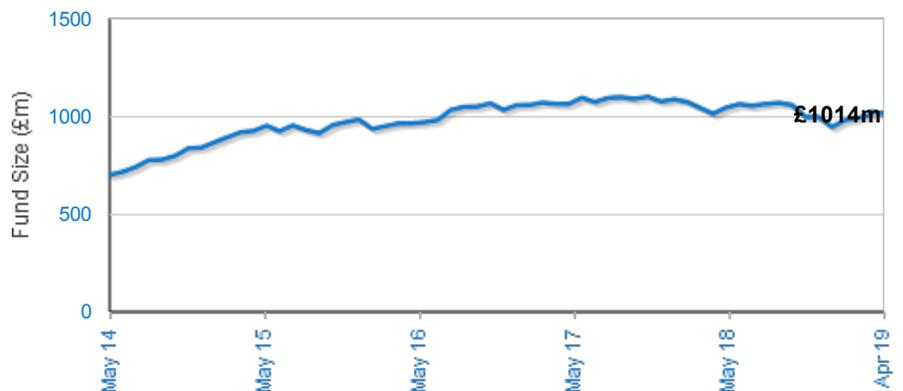


Financial Express Alpha Manager Rating

N

Assets Under Management

(Data as at 13 May 2019)



Qualitative Risk Assessment

	Significant	Potentially Significant	Not Significant
Equity Risk	●		
Interest Rate Risk	●		
Credit Risk			●
Exchange Rate Risk		●	
Liquidity Risk			●
Emerging Markets Risk		●	
Derivative Risk			●
Manager Risk	●		

Equity Risk

The fund has some exposure to shares. Shares are volatile investments but diversification across asset classes may moderate these risks. At times of economic stress, volatility may rise as might correlations between asset class returns.

Interest Rate Risk

This is a multi-asset fund. Higher interest rates may adversely impact valuations of many financial assets.

Credit Risk

This fund does not generally have significant exposure to corporate debt.

Exchange Rate Risk

The fund has some exposure to assets denominated in foreign currencies. Changes to exchange rates may impact the fund price.

Liquidity Risk

The fund invests in liquid assets and any sale should be possible at close to the prevailing market price.

Emerging Markets Risk

The fund has the ability to invest in securities issued by governments or companies in emerging markets, though the bulk of the portfolio will be focused on developed markets.

Derivative Risk

The portfolio is predominantly invested in underlying cash securities.

Manager Risk

The manager is seen as a critical element in Square Mile's rating of the fund. Square Mile is likely to downgrade the fund if the manager were to leave.

FE Risk Rating: 85

SRRI: 4

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