

**SHINING A LIGHT ON THE.....
AXA FRAMLINGTON UK Equity Income Fund**

AT A GLANCE

Investment Objective
The aim of this Fund is to produce higher than average income with long-term growth of income and capital. The Manager also intends to achieve a yield of distributable income in excess of 100% of the FTSE All Share yield at the Fund's year end on a rolling 3 year basis, and in excess of 90% on an annual basis. The Manager also intends to achieve a yield of distributable income in excess of 100% of the FTSE All Share yield at the Fund's year end on a rolling 3 year basis, and in excess of 90% on an annual basis.

Inception Date	23 February 2009
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000002KPD

Management	
Manager Name	Start Date
Simon Young	1 November 2018

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	36.53%
Large	21.72%
Medium	17.38%
Small	21.26%
Micro	3.12%

Top 10 Holdings		
Total number of holdings	35	
Assets in Top 10 Holdings	50.06%	
Name	Sector	% of Assets
GlaxoSmithKline PLC	Healthcare	7.41%
AstraZeneca PLC	Healthcare	6.68%
RELX PLC	Communication Services	5.78%
Games Workshop Group PLC	Consumer Cyclical	5.21%
Unilever PLC	Consumer Defensive	4.87%
Royal Dutch Shell PLC B	Utilities	4.59%
Sabre Insurance Group PLC	Financial Services	4.35%
Diageo PLC	Consumer Defensive	4.11%
Prudential PLC	Financial Services	3.55%
Imperial Brands PLC	Consumer Defensive	3.52%

Volatility Measurements	
3-Yr Std Dev (volatility)	11.28%
3-Yr Mean Return (average)	0.62%

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FUND PERFORMANCE

Performance from 1 January 2014 – 29 February 2020:

	2014	2015	2016	2017	2018	2019	2020
AXA Framlington UK Equity Income Fund	2.84%	5.10%	9.13%	7.87%	-12.15%	22.47%	-10.46%
FTSE All Share	1.18%	0.98%	16.75%	13.10%	-9.47%	19.17%	-11.85%

Performance over 12 months, 3 years, 5 years and since taking over management:

	1 year	3 years	5 years	Since management change
AXA Framlington UK Equity Income Fund	3.40%	1.86%	12.04%	3.56%
FTSE All Share	-1.43%	4.66%	19.12%	-0.56%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

UPDATE....

These updates have been written at the time of Coronavirus Pandemic in 2020 which has impacted the global financial markets in a way that has never been seen before.

The UK Equity Income Fund market is highly competitive. This fund has really struggled against the FTSE All Share for several years. However, there has been a change in management and Stuart Young came on board in November 2018. In 2019 and year to date he has outperformed the index. This is the same over 12 months and since he took over the fund. On the basis that the fund has had a difficult period this might be a fund to watch rather than invest in.

Stuart is looking for strong businesses which can weather economic cycles. Examples would be:

1. High Repeat Business – Sage is an example of this where 80% of clients are on subscription and they are growing their income stream by around 8% a year
2. Low Cost Provider – Sabre Insurance is an example where they avoid the mass market and target younger and older drivers with impaired driving records. They have strong operating margins, keep costs low and pay a dividend of 7%
3. Intellectual property – Games Workshop is a well-run global business with its own design studios and logistics. It has a 100% return on capital and returns money to shareholders
4. Sales networks – Prudential is held for the Asian part of the business where it sells health and protection plans in Malaysia and Hong Kong

He will avoid blue sky ideas, over indebted companies and over complex businesses. Examples of companies they would avoid are Intu which they feel has too much debt and could be close to breaching banking. Another example is Cineworld, again with a lot of debt and purchased businesses in Canada and the US.

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This is a concentrated portfolio of 35 names, with a low turnover of around 10% and 90% of the holdings coming from the FTSE 350. The fund has 63% active share class compared to the FTSE 350. What this means is that 63% of the holdings are different to the benchmark.

In summary, it is clear that this fund has struggled in terms of performance, but the new manager seems to be turning this around. It has a fairly high active share class with a concentrated number of holdings. The strategy is pretty simple to understand, using the four buckets for where they invest. There are many UK Income Fund Managers and investors may want to wait to see a change in the longer-term figures before investing.

The source of information in this note has been provided by AXA Framlington and is correct as at March 2020. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.