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

FUND PERFORMANCE

Performance from 1st January 2015 to 31st October 2020:

	2015	2016	2017	2018	2019	2020
AXA Framlington UK Equity Income Fund	5.10%	9.13%	7.87%	-12.15%	22.47%	-16.84%
FTSE All Share	0.98%	16.75%	13.10%	-9.47%	19.17%	-22.98%

Performance over 12 months, 3 years, 5 years and since fund manager inception:

	1 year	3 years	5 years	Since fund manager inception
AXA Framlington UK Smaller Companies Fund	-10.70%	-9.40%	5.91%	-3.83%
FTSE All Share	-18.64%	-14.39%	8.93%	-13.12%

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.

Tracking Error	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
4.98	65.10	97.69	88.16	41.67	0.95	2.05	Mid/Blend

Volatility Measurements	
3-Yr Std Dev (volatility)	15.06%
3-Yr Mean Return (average)	-3.24%

Investment Style Details	
Giant	33.79%
Large	15.15%
Medium	22.17%
Small	19.61%
Micro	2.32%

Top 5 Holdings – 36 Equity Holdings		
AstraZeneca PLC	Healthcare	8.20%
Games Workshop Group PLC	Consumer Cyclical	7.20%
GlaxoSmithKline PLC	Healthcare	6.99%
Unilever PLC	Consumer Defensive	5.98%
RELX PLC	Communication Services	5.45%

Top 5 Sectors	
Financial Services	26.34%
Healthcare	17.37%
Consumer Defensive	16.38%
Consumer Cyclical	9.66%
Energy	6.77%

UPDATE….

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

We met Simon back in March just before lockdown was announced. Simon has only been running the fund for two years and therefore some of the data does not reflect his tenure at the helm of the fund. Since he came on board, he has outperformed the index.

When we met Simon, he emphasised that he was looking for strong businesses which can weather economic cycles, and this message remains. He is looking for businesses which can survive the tough times and keep paying dividends. Some of the areas that he considers are high repeat business, low cost provider, intellectual property, and sales network.

There are many companies that were structurally challenged like AA, Saga and Cineworld, going into the crisis. Coming out that has not changed. On the flip side investments like Sabe and Admiral have been able to continue to pay dividends. Another holding is Astra Zeneca which has 10% top line growth and delivers best in class drugs.

Games Workshop has delivered 15% per annum growth over the last five years and controls the manufacturer, sales, and distribution. Despite COVID it has seen cash levels grow and paid two special dividends since the summer.

A more recent holding is Greggs who have recently added to the Just Eat platform and the move to digital delivery is seen in a positive light. They also have opportunity to take up empty spaces on the high street at reduced prices.

Simon has said this before, but it remains very true that we should not confuse the UK with the performance of the stock market. The two are very different. There are good long-term businesses and what Simon is looking for are the long-term winners and avoiding the losers. These businesses should be able to grow even if the UK market is being ignored, out of love and trading on a significant discount.

We talked about Ryanair and he explained that the business has e4.5 billion cash on the balance sheet and the share price is slightly positive this year Lufthansa as an alternative has massive debt and state aid handcuffs. A rally on the back of positive vaccine news does not change a business.

In summary, this is still early days in a very competitive market. However, Simon seems to be turning things around. If you are looking short-term then this may miss out on some of the junk rally. However, longer term the high-quality businesses this fund invests in should be the winners and he believes a rotation to the UK market will benefit this strategy.

The source of information in this note has been provided by AXA and is correct as at November 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.