

**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 Fund has at least 70% of its investments in shares of companies domiciled, incorporated or having significant business in the UK, which the Manager believes are leading companies within their sector and will provide above-average returns. The Fund has at least 51% of its investments in large companies which are in the FTSE 100 index.

<b>Inception Date</b>	23 <sup>rd</sup> February 2009
<b>Fund Factsheet Link</b>	<a href="https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=f000002kpd">https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=f000002kpd</a>

Management	
<b>Manager Name</b>	<b>Start Date</b>
George Luckraft	1 <sup>st</sup> March 2021
Simon Young	1 <sup>st</sup> November 2018

**FUND PERFORMANCE**

Performance from 1<sup>st</sup> January 2016 to 30<sup>th</sup> April 2021:

	2016	2017	2018	2019	2020	2021
<b>AXA UK Equity Income Fund</b>	9.13%	7.87%	-12.15%	22.47%	-4.78%	5.97%
<b>FTSE All Share</b>	16.75%	13.10%	-9.47%	19.17%	-9.82%	9.70%

Performance over 12 months, 3 years, 5 years and 10 years:

	1 year	3 years	5 years	10 years
<b>AXA UK Equity Income Fund</b>	17.38%	9.70%	29.46%	79.61%
<b>FTSE All Share</b>	25.95%	7.68%	39.92%	81.03%

*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
5.38	-	94.76	91.32	38.89	0.94	0.79	Blend/Large

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Volatility Measurements	
3-Yr Std Dev (volatility)	16.14%
3-Yr Mean Return (average)	3.13%

Investment Style Details	
Giant	31.73%
Large	17.16%
Medium	25.93%
Small	15.58%
Micro	4.58%

Top 5 Holdings (36 holdings)		
AstraZeneca PLC	Healthcare	6.96%
Games Workshop Group PLC	Consumer Cyclical	5.90%
GlaxoSmithKline PLC	Healthcare	5.73%
Unilever PLC	Consumer Defensive	4.73%
Rio Tinto PLC	Basic Materials	4.64%

Top 5 Sectors	
Financial Services	25.61%
Consumer Defensive	16.23%
Healthcare	14.91%
Consumer Cyclical	12.03%
Industrials	7.20%

## UPDATE....

This was a brief introduction and update on the strategy. Around 80% of the portfolio is the FTSE 250. They look to invest in around 40 top quality companies who have high and defensive barriers to entry.

The characteristics they are looking for are lower cost providers (i.e., will they get undercut), repeat income, strong sales network and strong intellectual property. The types of companies they invest in can compound cash flows and pay increasing dividends. These tend to be quality businesses which means during the recovery this strategy was able to outperform, but this slowed as news on the vaccines came out and there was a move towards value stocks.

They like to run with lower levels of debt. This is important taking the example of Cineworld who were paying a dividend of 2%. The level of debt has increased as they purchased a US company. Banks will demand repayment of debt before any dividends are paid and therefore the ability of paying dividends is squeezed.

On the flip side they like businesses like Games Workshop who have high returns on capital. They are a strong dividend payer and not really covered by many sell side analysts. A new holding is Greggs who don't pay a dividend but have cash on the balance sheets. They are re-opening shops and just added to the Just Eat platform. Additionally, they are opening 100 new shops and the likelihood of a dividend in the future is high.

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We discussed ESG and they explained that this is not part of the strategy, but equally you need to be on the right side of change. The danger of companies like BP and Shell is that you force them to go private by excluding them and then they are run without being accountable to shareholders. So, it is about getting the balance right.

In summary, for those wanting to have a play on the UK, this might be a fund to consider. UK equity income has been out of favour for some time, and this might be reflected in the underperformance. If the UK is coming into a period of recovery, then UK stocks could do well and then the question is whether this is the right strategy to take advantage of this.

*The source of information in this note has been provided by AXA and is correct as at May 2021. 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.*