SHINING A LIGHT ON THE……
AXA Framlington American Growth Fund

AT A GLANCE

Investment Objective
The aim of this Fund is to provide long-term capital growth. The Fund invests principally (meaning at least 80% of its assets) in large and medium sized companies listed in the US. The Fund invests in shares of companies which the Manager believes are attractive investment opportunities, relative to their industry peers. The Manager selects shares based upon analysis of a company's financial status, quality of its management, expected profitability and prospects for growth.

Inception Date	23rd December 1992
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F0GBR04DFK

Management	
Manager Name	**Start Date**
Stephen Kelly	22nd March 2006
David Shaw	23rd December 1992

FUND PERFORMANCE

Performance from 1st January 2016 to 31st May 2022:

	2016	2017	2018	2019	2020	2021	2022
Framlington American Growth Fund	17.21%	18.44%	4.28%	32.17%	32.67%	28.12%	-15.04%
S&P 500 TR	33.55%	11.28%	1.56%	26.41%	14.74%	29.89%	-6.24%

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

	1 year	3 years	5 years	10 years
Framlington American Growth Fund	3.46%	57.91%	113.68%	351.06%
S&P 500 TR	12.45%	57.87%	91.95%	368.68%

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
7.78	61.70	91.46	96.98	47.22	0.95	(1.41)	Growth/Large

Volatility Measurements	
3-Yr Std Dev (volatility)	18.35%
3-Yr Mean Return (average)	16.45%

Investment Style Details	
Giant	32.64%
Large	37.66%
Medium	15.26%
Small	8.49%
Micro	1.30%

Top 5 Holdings – 69 Holdings		
Apple Inc	Technology	6.52%
Microsoft Corp	Technology	6.36%
Amazon.com Inc	Consumer Cyclical	4.60%
Alphabet Inc Class C	Communication Services	4.34%
UnitedHealth Group Inc	Healthcare	2.06%

Top 5 Sectors	
Technology	27.93%
Consumer Cyclical	17.47%
Healthcare	15.04%
Industrials	11.50%
Financial Services	9.83%

UPDATE….

This is a strategy we have held in our portfolios for a decade. This was a chance for us to get an update with the team, a view on the market and how the fund is being positioned. In terms of views on the market, this is important as it feeds into how they are positioning the strategy.

They feel that the likelihood of a recession is high and that really that changes if something fundamentally shifts with inflation, and the Fed changes direction. If you look at the data everything is pointing to a recession.

Data like the national financial conditions index is showing that things are tight, the costs of running a business are going up, new business optimism is down, the cooper index is another marker, and this is coming down, banks are now cutting back on lending and 30-year mortgage rates are now 40% higher.

The strange part of the mix is that households are in fairly good shape and the labour market is robust. However, firms are indicating that they may not fill open vacancies so this may change in the coming months.

In this environment their strategy, which is more growth focused, has struggled and they have had to make some changes. They have sold some old economy companies like homebuilders and a trucking company. They have also sold some of the unprofitable companies where the direction of travel is uncertain. They have around 5% to 6% in unprofitable businesses, but these are companies which are moving towards profit (these includes Cruise businesses).

They are also looking at businesses which target the high-end consumer. They feel any recession is likely to hit the smaller businesses, especially those created during and post COVID, so they don't exposure to this part of the market.

They like subscription businesses which can stop spending on marketing and still grow. We talked about Amazon. As a holding they explained that the company has overexpanded in terms of its warehouse network, but they will fix this. The real value to the business is AWS and therefore within the share price you are getting a lot for free. You could almost argue that this is a value stock as the market isn't pricing this correctly.

Apple is another example where they understand that they just need to tweak the phone and it sales its latest iPhone. It is a cash flow machine and this is why it gets the price it does.

The manager also explained that the opportunity set is large. The market has sold aggressively, and it seems it doesn't understand that we are going through a revolution of extreme change. Once the change happens there is no going back. However, the market seems to think it will. At some point this will change.

They are happy to buy unprofitable companies where the growth is there, so they have a shopping list of companies they would like to hold. However, whilst the market focuses on profitability and the fed carries on the path they are on, they don't want to deploy that capital. So, they are patiently waiting for the right time to take advantage of these opportunities.

In summary, this is a large cap American strategy. It has done well in the past but struggled more over the last couple of years as the market has moved away from growth to more value focused strategies. There is a view that as interest rates go up then this will hurt those companies with higher debt or needed to refinance. The fund has therefore moved to a more defensive position, but they are waiting for changes to deploy capital in companies where they see long term opportunities. They do feel a recession is likely, but they don't think this will be a normal recession and it is likely to hurt smaller businesses more. We remain invested in this strategy but will continue to engage with the team.

The source of information in this note has been provided by AXA Framlington and is correct as of June 2022. 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 decide based on these notes we cannot take responsibility for this, and you should carry out your own research before deciding. We would also recommend that you receive advice before following up on any decision.