

**SHINING A LIGHT ON THE.....
AXA FRAMLINGTON UK SELECT OPPORTUNITIES FUND**

AT A GLANCE

Investment Objective	
The fund seeks to achieve capital growth by investing in companies, primarily of UK origin where the Manager believes above average returns can be realised.	

Inception Date	30 November 1984
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F0GBR04S5A

Management	
Manager Name	Start Date
Nigel Thomas	9 September 2002

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	18.71%
Large	17.47%
Medium	46.81%
Small	13.59%
Micro	3.41%

Top 10 Holdings		
Total number of holdings	60	
Assets in Top 10 Holdings	38.12%	
Name	Sector	% of Assets
Paddy Power Betfair PLC	Consumer Cyclical	5.19%
Rightmove PLC	Technology	4.88%
RPC Group PLC	Consumer Cyclical	4.84%
ITV PLC	Consumer Cyclical	4.33%
GlaxoSmithKline PLC	Healthcare	4.15%
Elements PLC	Basic Materials	3.10%
BTG	Technology	2.32%
Royal Dutch Shell	Energy	3.03%
GKN PLC	Consumer Cyclical	2.79%
Prudential PLC	Financial Services	2.77%

Volatility Measurements	
3-Yr Std Dev (volatility)	10.76%
3-Yr Mean Return (average)	5.99%

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FUND PERFORMANCE

Performance from 1 January 2012 – 30 April 2017

	2012	2103	2014	2015	2016	2017
AXA Framlington UK Select Opps Fund	11.05%	29.76%	0.68%	9.32%	4.03%	4.53%
FTSE All Share	12.30%	20.81%	1.18%	0.98%	16.75%	3.64%
RPI	3.09%	2.67%	1.62%	1.20%	2.49%	1.31%
Cash	0.12%	0.13%	0.13%	0.15%	0.14%	0.04%

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 Select Opps Fund	13.31%	20.05%	58.39%	381.90%
FTSE All Share	20.14%	21.78%	58.60%	231.92%
RPI	3.52%	5.83%	11.59%	53.40%
Cash	0.13%	0.41%	0.66%	10.64%

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....

This fund has been managed by Nigel Thomas since 2002, and he has always been seen as one of the original star managers. He started by explaining that 2016 was his worst year for managing money. Certainly, the underperformance in 2016 has hit the 3 and 5 year figures, but since his tenure of the fund from 2002, it has outperformed the All Share Index.

He explained that although he holds some large cap stocks the fund has a bias to mid-cap and rarely holds banks. 2017 was hard for managers to outperform the index, and this was compounded by a style bias to value.

He added that although the fund has exposure to the UK, the split is globally diversified with the revenue from the US accounting for 22.5%. Two exposures are Ashtead (1.29%) which makes rubber and BBA Aviation (1.29%) which provides fuel supplies to private jets in the US. The weakness in sterling has hit UK companies particularly retailers; Dunelm is a holding in the fund and is well run but they have recently announced they will be increasing prices by 5%. The growth in e-commerce is hurting established business like Next and M&S and these are companies he is looking to avoid.

In the discussion with Nigel it was difficult to understand what is different about what he does. The fund can hold between 60 and 90 stocks, and for a stock picker that is conviction led this feels like a large number. Where perhaps the fund offers a point of difference is the multi-cap approach.

The real question regarding the fund is whether the underperformance is something long term, or whether Nigel can turn it around. He added that he remains committed to the fund and 75% of his

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pension is invested in the fund. We talked about succession planning and he said that Chris St John works alongside so when the time comes for him to step down Chris will be able to take over the fund.

In summary, I have met Nigel over a few years and he was one of the original star managers. It feels as though the light has slightly dimmed, and there doesn't seem to be the conviction within the fund. Having said that there is often a strong argument that the best time to invest in a fund is when they are underperforming, and out of favour.

The source of information in this note has been provided by AXA Framlington and is correct as at May 2017. 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.