

**SHINING A LIGHT ON THE.....
AXA Framlington Biotech Fund**

AT A GLANCE

Investment Objective	
The objective is to provide long-term capital appreciation by investing principally in equity securities of companies in biotechnology, genomic and medical research industries worldwide.	

Inception Date	26 th November 2011
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=FOGBR04NRN

Management	
Manager Name	Start Date
Linden Thomson	5 th July 2012
Dani Saurympfer	1 st April 2015

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	11.98%
Large	40.48%
Medium	13.83%
Small	16.66%
Micro	17.05%

Top 10 Holdings		
Total number of holdings	61	
Assets in Top 10 Holdings	48.26%	
Name	Sector	% of Assets
Biogen Inc	Healthcare	9.70%
Gilead Sciences	Healthcare	7.02%
Regeneron Pharmaceuticals	Healthcare	5.40%
Alexion Pharmaceuticals	Healthcare	4.91%
Amgen	Healthcare	4.45%
Vertex Pharmaceuticals	Healthcare	4.26%
Celgene	Healthcare	3.95%
Biomarin Pharmaceutical	Healthcare	3.26%
Shire	Healthcare	2.91%
Allergan	Healthcare	2.40%

Volatility Measurements	
3-Yr Std Dev (volatility)	23.67%
3-Yr Mean Return (average)	10.03%

LWM Consultants Ltd

FUND PERFORMANCE

Performance from 1st January 2012 to 31st October 2017:

	2012	2013	2014	2015	2016	2017
AXA Framlington Biotech Fund	24.30%	63.65%	45.26%	11.16%	-5.87%	9.38%
Lyxor MSCI World HealthCare	11.89%	32.98%	26.19%	11.33%	11.22%	8.16%

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

	1 year	3 years	5 years	Since manager tenure
AXA Framlington Biotech Fund	11.83%	22.45%	170.88%	165.09%
Lyxor MSCI World HealthCare	9.12%	39.36%	126.41%	132.08%

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....

The concept of the fund is very simple; its aim is to invest in biotechnology. How it does this is more interesting. The current positioning of the fund favours mid cap. The reason behind this is that they want to hold companies which will grow into the large cap companies of the future.

The sector suffered a selloff in recent weeks due to Q3 earnings figures which have disappointed the market. This was started by Celgene who had a negative clinical trial which was late in development. They have one product which comes out of patent in 2023, and not having something to replace this made the market realise how reliant it was on the one product. This saw a sell-off in the shares which then spread out to other companies. They had reduced their exposure to Celgene, so the impact was less problematic.

As the fund is skewed toward small and mid-cap, any sell off does impact these stocks which tend to suffer more from sentiment risk. But for them this is the area to be, as these tend to be well-funded and on lower multiples, and where there is greater innovation within the sector.

We talked about new drugs for dementia which recently failed clinical trials, but it seems Biogen is one of the leading companies in developing a short-term solution. At this stage, any drug is likely to only delay the onset rather than offer any long-term cure. We discussed HIV Drugs and they explained that only now are we seeing the long-term impact of these on the body, which produces other challenges.

Having a science or medical background is crucial to investing, as much of this is about reading through the sales hype. It is also about questioning things. For example, gene therapy is being developed to reattach parts of the retina. The company developing this, failed on its first trial. There are two questions; firstly, can this actually happen and secondly, where they are working alongside another company, what does this mean in terms of the contract?

LWM Consultants Ltd

Having a medical background also helps when looking at medical papers, research and data. In terms of meeting companies, they see around 200 a year and although the fund is skewed to the US, they do invest in Europe. One example would be Pharming which is a Dutch Company. They have recently re-acquired a product they developed which is similar to another offered by Shire; who have suffered from distribution problems which has helped Pharming to take parts of the market.

We discussed some of the innovation out there and how that will only get more interesting. LuxTurna are using gene therapy to reverse blindness, Kite are using cell therapy to effectively super charge the immune system to reduce tumours, and Seattle Genetics have developed drugs to attack Hodgkin's Lymphoma.

In conclusion, this fund is not for everyone as it carries more volatility than other funds in the market, but it is investing in an area of the market which is likely to grow. The aim is to tap into those companies that will drive innovation in the future. It certainly would be an investment where an investor could buy and hold!

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