

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

AT A GLANCE

Investment Objective		
The fund seeks capital growth through investment, principally in financial services companies worldwide. Investment will be predominantly in banks, insurance companies, property companies, investment related companies and other financial service providers which, in the Manager's opinion, show above average profitability, management quality and growth.		
Inception Date	13/10/1986	
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=FOGBR04DFY	
Management		
Manager Name	Start Date	
Vincent Vinatier	01/04/2015	
Investment Style Details		
Equity Style		
Market Capitalisation	% of Equity	
Giant	65.85%	
Large	22.95%	
Medium	8.95%	
Small	2.26%	
Micro	0.00%	
Top 10 Holdings		
Total number of holdings	31	
Assets in Top 10 Holdings	50.57%	
Name	Sector	% of Assets
Wells Fargo & Co	Financial Services	6.80%
Citigroup Inc	Financial Services	6.69%
Bank of America Corporation	Financial Services	5.98%
American Express Co	Financial Services	5.58%
The Toronto-Dominion Bank	Financial Services	5.22%
AIA Group Ltd	Financial Services	4.74%
Visa Inc Class A	Financial Services	4.25%
Ameriprise Financial Inc	Financial Services	3.98%
Grupo Financiero Banorte SAB de CV	Financial Services	3.74%
UBS Group AG	Financial Services	3.59%
Volatility Measurements		
3-Yr Std Dev (volatility)	12.99%	
3-Yr Mean Return (average)	16.93%	

LWM Consultants Ltd

FUND PERFORMANCE

Performance from 1st January 2013 to 30th September 2018:

	2013	2014	2015	2016	2017	2018
AXA Framlington Financial Fund	24.57%	9.30%	-0.47%	24.47%	16.60%	1.41%
iShares MSCI World	30.32%	10.75%	1.17%	8.13%	17.26%	5.24%

Performance over 12 months, 3 years, 5 years and since fund manager inception (1/4/2015):

	1 year	3 years	5 years	Since fund manager inception
AXA Framlington Financial Fund	5.95%	56.06%	70.11%	38.80%
iShares MSCI World	11.19%	42.50%	61.70%	29.47%

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 fund has been around for many years and Vincent took over the management in 2015. It has outperformed the index since he came on board, but our meeting was about the changes to the fund strategy. From November the fund is looking to broaden its remit to include financial technology; this basically falls into four areas:

1. digital mobile banking and payment services providers,
2. software and IT services to the financial industry, including security, compliance and process automation,
3. automated investment solutions to the wealth management and insurance industries and
4. blockchain, crowdfunding, P2P, lending platforms and other emerging technologies.

Vincent feels that the financial sector is at a tipping point driven by changes in technology and now is the time to dedicate a strategy to this. A lot of this is already in place and investors can benefit from investing in businesses with proven business models and clear paths to profitability. We talked about whether there was a danger of a repeat of a tech bubble and Vincent explained that it is very hard for smaller businesses to enter the market and even if they did they are unlikely to be a target for this fund.

Last year the top ten fintech VC investments totalled \$22 billion, and the likes of Citi, Santander and MUFG are investing heavily in this area. We talked about whether all this interest is inflating the prices of companies and Vincent explained that when investing they are looking 10 years forward to see what the value of the company might be. As an example, Square is a card read in the US and this has now become too expensive and they are selling to invest in other stocks.

We discussed blockchain and Vincent explained that there is only one company actively involved in this. He said there was potential in blockchain, but the scope of its use seems limited. The aim of the

LWM Consultants Ltd

fund is to invest across themes and tap into the value chain. Because the fund will invest across financials and tech it provides some counterbalance so currently financials are strong, but tech has dropped back.

In terms of the change Vincent already runs a FinTech Fund for a private client and it is this strategy that he will adopt for the fund. About 50% of the holdings will go and he expects 90 to 95% of this to happen within 3 days. If tech continues to drop back and financials remain strong then this could benefit the fund as he sells high and buys low.

In summary, younger demographics in emerging markets are embracing changes to financial technology at a rapid rate. Developed economies are slower because of the older demographics. However, the shift is happening, and this fund is about exploiting this theme moving into the future. Since Vincent took on the fund he has delivered strong performance and although this will be a shift in strategy as he already runs this strategy for a private client it will just be a case of adopting this for the fund. For investors it is really aimed at those who believe in these changes and want to make the most of this in terms of performance for their investments moving forward.

The source of information in this note has been provided by AXA and is correct as at October 2018. 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.