

AXA Framlington Managed Balanced Z Acc

November 2021
Investment Research



Overview

This fund is focused on capital accumulation. The managers have delivered these returns in a risk aware manner from a portfolio of primarily equities with some fixed interest and cash.

Capital Accumulation	Capital Preservation	Income	Inflation Protection
●			

Square Mile Expected Outcome

We believe this fund should be able to outperform the IA Mixed Investment 40-85% Shares Sector over a rolling five year period.

Active/Passive: Active	IA Sector: IA Mixed Investment 40-85% Shares
Launch Date: 31/12/1992	Fund Size (as at 12 Nov 2021): £1196.0m
Yield: 0.67%	Distribution Pay Date: Dec 31 (Final)
Fund Manager: David Shaw, Jamie Forbes Wilson	Ongoing Charge Figure: 0.69%
Domicile: United Kingdom	Transaction Cost ex Ante: 0.11%
Multi-Manager: No	



Fund Opinion

Management of the fund transitioned to Jamie Forbes-Wilson and David Shaw in December 2020, having previously been led by Jamie Hooper. Whilst we acknowledge the change of lead management on the strategy we remain confident that it can continue to provide strong returns for investors as most of the underlying managers that support the fund remain in place. It has been managed using a team based approach from many years and therefore we do not see the departure of Mr Hooper as a significant concern and we remain assured that it will continue to be managed in the same consistent way that it has been for over 20 year.

This fund is managed in a straightforward and transparent manner. The approach utilises the stock picking abilities of specialist investment resources across the equity and fixed income teams within AXA IM. The strategy has proven successful across a number of market cycles and has provided strong long-term returns for investors. The fund relies on global equities to provide growth and higher quality government bonds to provide some downside protection during falling markets. We like that the managers' focus their time and efforts on the areas where they feel they have an edge, i.e. stock picking, and less time on asset allocation where they feel it is very difficult to consistently add value.

We think the fund may have appeal for those looking for a traditional multi-asset fund without the complexities and alternative assets of some of the wider peer group.

Fund Description

AXA IM is a large, global asset management company specialising in actively managed funds across a range of geographies and asset classes.

The managers of this fund are Jamie Forbes-Wilson and David Shaw. Mr Forbes-Wilson has been at AXA since 2011 and has responsibility for a number of UK equity strategies as well as AXA's Distribution fund franchise. Mr Shaw is a manager on the group's US equity portfolios and the Evolving Trends fund. He joined AXA in 2016 and has over 25 years of industry experience. Nick Hayes and Mark Healy are responsible for the fixed income securities held in the portfolio.

The fund is managed using a fairly simplistic approach to investing. Essentially, this is a global equity fund that uses allocations to bonds and cash to help dampen the overall level of volatility. The fund's asset allocation tends to be adjusted on a gradual basis, but historically has been towards the upper end of the funds maximum permitted equity limit of 85%, with the intention of stock selection being the primary driver of returns. Security selection also tends to drive the managers' decisions on how capital is allocated rather than allocations being made based on the outlook for the global economy. However, if there are strong asset class views, these will be backed.

Within the fund's equity element, assets are managed by AXA IM's US, European (ex UK), Japanese and Asian desks with emerging market exposure played through an in-house fund. Each of these teams has their own approach to portfolio management but they all share a preference for growth companies. The UK equity element is managed by Mr Forbes-Wilson who favours companies that show above average growth potential, have flexible and scalable business models, solid financial positions and proven management teams. His approach tends to favour larger companies and he can also draw on ideas from AXA IM's highly regarded UK team.

In keeping with the sector constraints, the fund can hold up to a maximum of 85% in global equities. Historically, the equity level has been in the 75-85% range, with UK equities forming the largest allocation (typically in the 25-40% range). The remaining 15-20% is held in bonds and cash and is considered an 'insurance policy' to reduce the volatility of the equity component. This portion is managed by Nick Hayes and Mark Healy and is primarily invested in high quality government bonds. The managers will invest globally but exposure will be hedged back to sterling. The combination of this and the UK equity bias means a moderate proportion of the fund is likely to be invested in non-sterling assets.

This fund does not explicitly have an ESG or Responsible investing objective. However the fund does have a few hard exclusions in its mandate with the aim of reducing its exposure to controversies. This includes excluding; investment in palm oil producers that are not approved by the Roundtable for Sustainable Palm Oil; excluding firms that generate 50% or more of their revenue from electricity production coming from coal/coal extraction; excluding soft commodity derivatives.

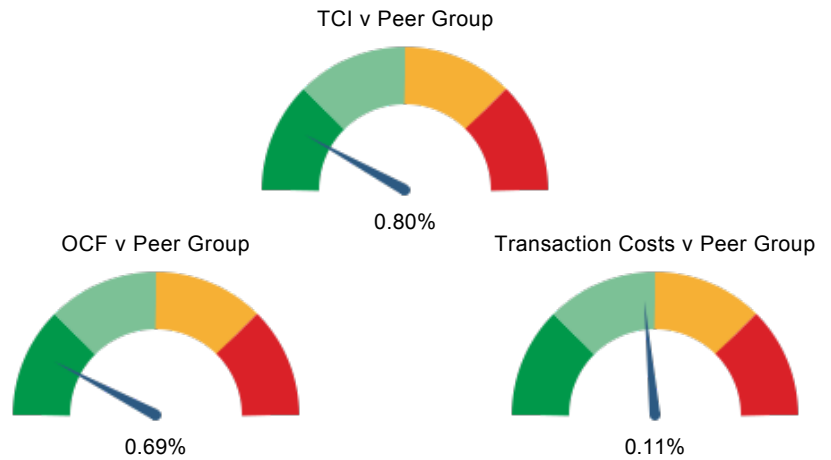
Risk Summary

The fund invests in global equities and government fixed interest markets. Equities are a volatile asset class and the proportion of the fund invested overseas is open to exchange rate risk. The fixed interest section of the fund has interest rate risk. Compared to many peers the fund will generally be managed with a higher exposure to equities. This has the potential for the fund to experience higher levels of volatility than many peers. However, the more conservative nature with which the sizeable UK equity allocation is managed and the defensive nature of the fixed income component of the portfolio should help to temper volatility.

Value for Money

The use of in-house strategies within the fund means overall costs can be kept relatively low. This is borne out in the ongoing charge figure (OCF) and the total cost of investment (TCI) which are meaningfully below the peer group median. Investors should be aware that the peer group contains a number of fund of funds, which have a dual layer of charges, and therefore this inflates the median figure. When considering this, we still believe the fund offers good value for money.

Following the introduction of MiFID II regulations in January 2018, asset management firms are now required to disclose all costs and charges related to the running and administration of funds. This can include items outside of the OCF, such as research costs. As a result, Axa will be absorbing the costs associated with their research, which should slightly reduce the overall fee paid by investors.



ESG Integration

Company Assessment	0	1	2+	3
Demonstrable steps are being taken to fully integrate ESG factors into all of the company's investment processes.				
UN PRI Strategy & Governance Rating	A+			
Fund Assessment	0	1	2	3
ESG factors may be considered by the fund's manager as an input into their analysis but are not a formal part of the investment process.				

Responsible Investing Approach

Exclusion	Responsible Practices	Sustainability	Impact
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Information

Annualised Return	11.25%
Annualised Volatility	12.30%
Max Drawdown	-19.11%
Max Gain	8.16%
Max Loss	-19.11%
Sharpe Ratio	0.85
Sortino Ratio	0.75

(3 years data to last month end unless otherwise stated)

Currency of Share Class

GBP

Fund Price (as at 12 Nov 2021)

232.0 pence

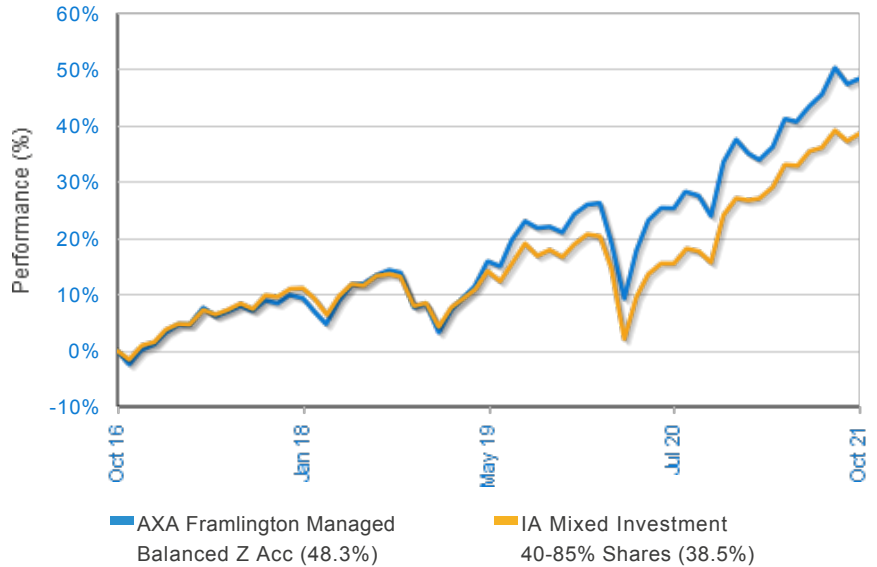
Benchmark

IA Mixed Investment 40%-85% Shares

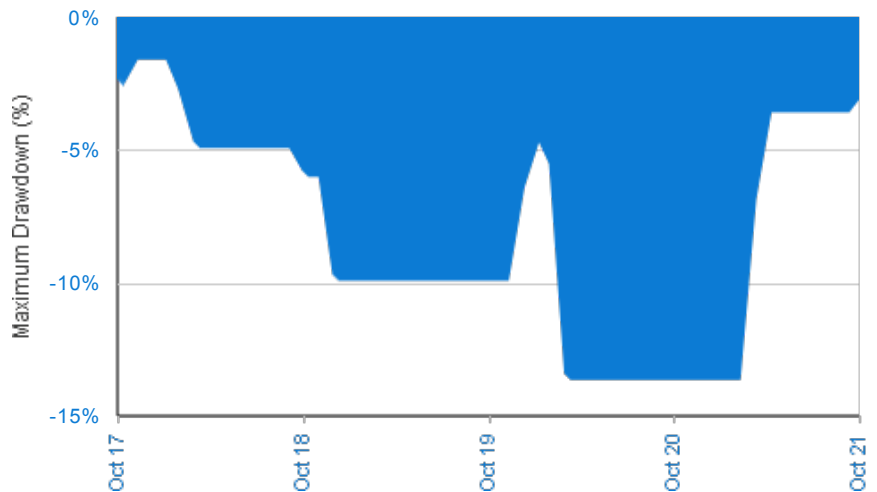
Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	15.6	16.6	3
12-24m	4.5	-0.2	1
24-36m	7.2	4.2	1
36-48m	6.3	5.3	2
48-60m	9.0	9.1	3

Capital Growth



Maximum Drawdown (Rolling 12 Months)



Asset Allocation Positioning

Name	%
UK Equities	27.8
US Equities	19.8
Japanese Equities	7.0
Money Market	6.2
UK Gilts	5.3
US Government Fixed Interest	4.2
Swiss Equities	4.1
Others	25.5

(Data as at 30 Jun 2021)

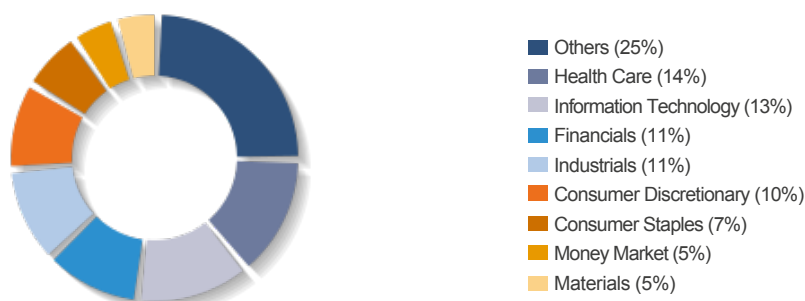
Top Ten Holdings

(Data as at 30 Sep 2021)

Company Name	%
AXA FRAMLINGTON EMERGING MARKETS R ACC	2.6
JAPAN GOVERNMENT TEN YEAR BOND 0.1% 09/20/2026	1.5
ASTRAZENECA PLC	1.4
DIAGEO	1.4
BP	1.3
UNITED STATES OF AMER TREAS BONDS 1.5% BDS 15/08/26 USD1000	1.1
RECKITT BENCKISER GROUP PLC	1.1
NESTLE SA	1.1
ALPHABET INC	1.0
DECHRA PHARMACEUTICALS	1.0

Sector Breakdown

(Data as at 30 Sep 2021)

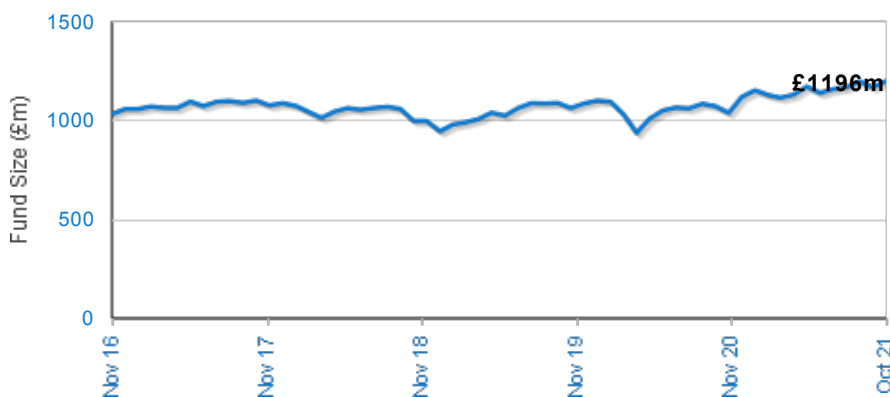


Geographic Breakdown

(Data as at 30 Sep 2021)



Assets Under Management



Qualitative Risk Assessment

	Significant	Potentially Significant	Not Significant
Equity Risk	●		
Interest Rate Risk	●		
Credit Risk			●
Exchange Rate Risk		●	
Liquidity Risk			●
Emerging Markets Risk		●	
Derivative Risk			●
Manager Risk		●	

Equity Risk

The fund has some exposure to shares. Shares are volatile investments but diversification across asset classes may moderate these risks. At times of economic stress, volatility may rise as might correlations between asset class returns.

Interest Rate Risk

This is a multi-asset fund. Higher interest rates may adversely impact valuations of many financial assets.

Credit Risk

This fund does not generally have significant exposure to corporate debt.

Exchange Rate Risk

The fund has some exposure to assets denominated in foreign currencies. Changes to exchange rates may impact the fund price.

Liquidity Risk

The fund invests in liquid assets and any sale should be possible at close to the prevailing market price.

Emerging Markets Risk

The fund has the ability to invest in securities issued by governments or companies in emerging markets, though the bulk of the portfolio will be focused on developed markets.

Derivative Risk

The portfolio is predominantly invested in underlying cash securities.

Manager Risk

The managers are seen as an important element in Square Mile's rating of the fund, although potential alternatives may exist elsewhere in the organisation. Square Mile will reappraise the rating if the managers were to leave.

FE Risk Rating: 65.00

SRRI: 5

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