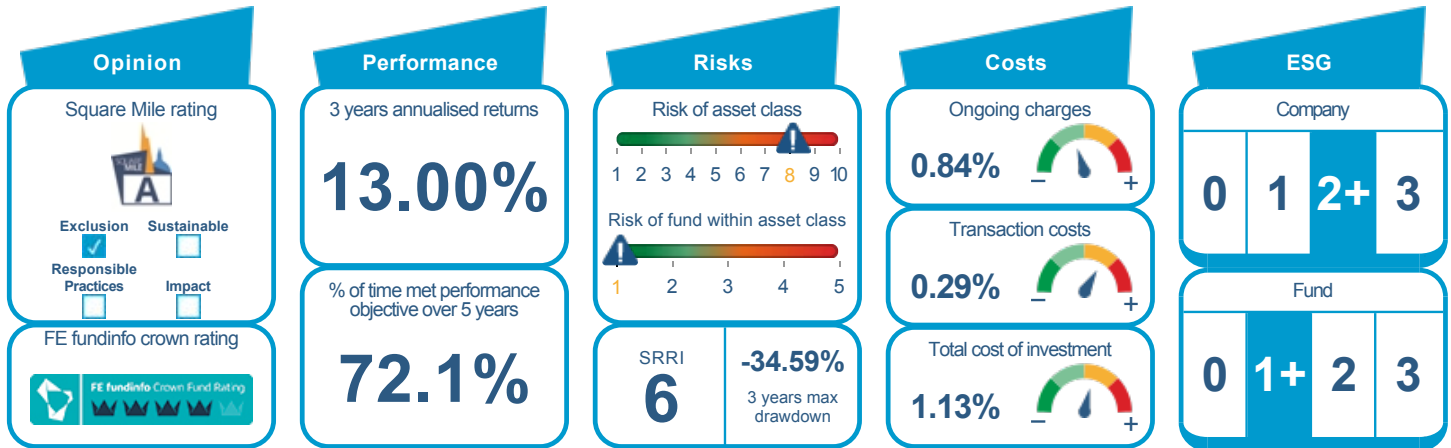


AXA Framlington UK Mid Cap Z Acc

November 2021
Investment Research



Overview

The focus of the fund is on growing the capital value of investments over time through a portfolio of UK equities predominantly listed on the FTSE 250 index. Whilst equities can lose money over short to medium time periods, over longer timeframes, and particularly over multiple investment cycles, equities, in aggregate, have proved an extremely successful way of accumulating capital.

Capital Accumulation	Capital Preservation	Income	Inflation Protection
●			

Square Mile Expected Outcome

We believe that the fund should be able to outperform the FTSE 250 (ex investment trusts) index by around 2% per annum over rolling five year periods.

Active/Passive: Active	Domicile: United Kingdom
Asset Class: Equity	IA Sector: IA UK All Companies
Launch Date: 04/03/2011	Fund Size (as at 12 Nov 2021): £576.1m
Yield: 0.49%	Distribution Pay Date: Apr 01, Oct 01 (Final)
Fund Manager: Chris St John, Dan Harlow	Ongoing Charge Figure: 0.84%
	Transaction Cost ex Ante: 0.29%



Fund Opinion

Having been managed by Chris St John since its launch in March 2011, this fund benefits from an articulate and competent fund manager, who has consistently applied his investment philosophy and process over his career. During this time, he has enjoyed a reasonable level of performance success, primarily managing UK small and mid-cap strategies. Mr St John is an integral part of AXA Investment Managers' highly collegiate UK equity team, which works closely together, and so, whilst individual thinking is very much encouraged, it is natural to see some common themes and similar stocks held across the range of strategies managed by the desk.

We like the manager's overarching investment philosophy, which is based on the belief that companies with the ability to compound returns over time, without taking on excessive levels of debt, will outperform. Whilst that might sound somewhat obvious and simplistic, we do support the view that, over the longer term, higher quality companies do tend to outperform their peers. Moreover, the underlying process is well thought out and, in keeping with the style promoted across the team, this is very much a conviction based portfolio. That being said, Mr St John is acutely aware that the area of the market in which this fund invests can be risky and so he takes appropriate steps to mitigate this, such as ensuring that the portfolio is sufficiently diversified. We would note that this is a sensibly managed fund that seeks to meet its investment objective in a steady, reliable and repeatable fashion, rather than to shoot the lights out, and it has succeeded in meeting this goal for the majority of time since its launch.

Fund Description

This fund has been managed by Chris St John since its launch in March 2011. Mr St John has been part of AXA Investment Managers' (AXA IM) very collegiate team of UK equity fund managers and analysts for over 10 years, working particularly closely with the highly accomplished fund manager, Nigel Thomas. In fact, following Mr Thomas' retirement at the end of 2018, Mr St John assumed responsibility of the AXA Framlington UK Select Opportunities fund and has also been lead manager of its offshore sister, AXA WF Framlington UK fund, since its launch in March 2016.

The manager is essentially a stock picker but, together with the rest of the team, he has an appreciation of the wider economy and industrial and secular trends, using these to help guide him in the selection of companies. The team conducts proprietary analysis that is supplemented with external research. This is primarily used to validate and cross check their own work and is generally provided by independent research houses, stockbrokers and through contacts generated from conferences attended by the team's members. The types of companies sought by the manager are those considered able to grow organically, have little or no debt, pricing power and high barriers to entry. Management teams' ability to effectively allocate capital is also assessed and, as a chartered accountant, Mr St John is wholly comfortable with analysing company balance sheets and other financial statements. In addition, interaction with company management is considered an important part of the decision making process. Although naturally a growth investor, the manager is not prepared to overpay for stocks and looks at each company's valuation relative to his growth projections for the business, its ability to generate cashflow, grow dividends and return on capital. Valuation measures against the firm's history and against that of the market tend not to be used.

The final portfolio is constructed without reference to its FTSE 250 benchmark and can, at times, look vastly different from this index. An outcome of the investment process is that the manager tends to avoid specific areas of the market including certain financials and commodity-related stocks. This could lead to periods of relative performance variability should these areas outperform. Mr St John is risk aware and uses a sensible range of self-imposed guidelines to mitigate risk as much as possible. These include holding a maximum of 4% in any one company and investing in the region of 60-80 companies to ensure a suitable level of diversification. There is scope to invest outside of the benchmark, but the fund must have a minimum exposure of 70% to the index at all times. Up to 15% can be held in larger FTSE 100 companies.

Portfolio activity tends to be quite low with turnover in the region of 30-35% p.a. equating to an average holding period of three to five years. The sale of a stock is considered following a strong period of relative outperformance, an unexplained deterioration of profitability or cash generation, evidence of inconsistent decision making by company management or when a more compelling idea is uncovered.

The investment universe of all AXA IM funds is subject to negative screens that exclude companies strongly exposed to controversial weapons, palm oil, coal and soft commodities, activities considered by AXA IM to be unethical or controversial.

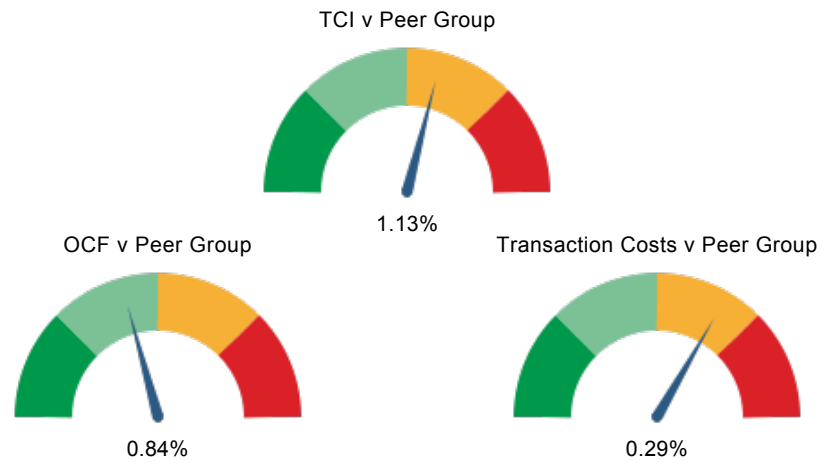
Risk Summary

This fund invests in medium sized, UK listed equities and, as such, the main risk is that these, as higher risk assets, can be volatile investments. We would note here that the medium sized companies that this fund invests in tend to be more volatile when compared to their larger peers. Moreover, the portfolio is constructed without reference to its benchmark and so can, at times, look and act very differently to the index. However, the fund's manager, Mr St John, is acutely aware of the risks that both these companies and his investment process present and takes appropriate steps to mitigate these whenever possible. This strategy may be suited to investors with a longer investment time horizon.

Value for Money

When compared to the smaller subset of strategies focused on the mid cap area of the market, the fund's ongoing charge figure (OCF) is below the median level. Although, the total cost of investment is slightly higher than the peer group average due to the fund's elevated transactions costs, we still believe it to be reasonable, as this is a well-regarded and actively managed strategy, with a solid performance success rate. Thus, we would say that this fund represents good value for money.

In line with the MiFID II regulations, asset management firms are required to disclose all of the costs and charges related to the running and administration of their funds, including items outside of the OCF, such as research costs, which the majority of firms have decided to absorb. Indeed, AXA IM absorbs all of the costs associated with its 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 are available to the fund managers as an input to their analysis, but they are not compelled to consider them as a factor when making investment decisions				

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	13.00%
Annualised Volatility	21.08%
Max Drawdown	-34.59%
Max Gain	15.96%
Max Loss	-34.33%
Sharpe Ratio	0.53
Sortino Ratio	0.47

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

Currency of Share Class

GBP

Fund Price (as at 12 Nov 2021)

348.4 pence

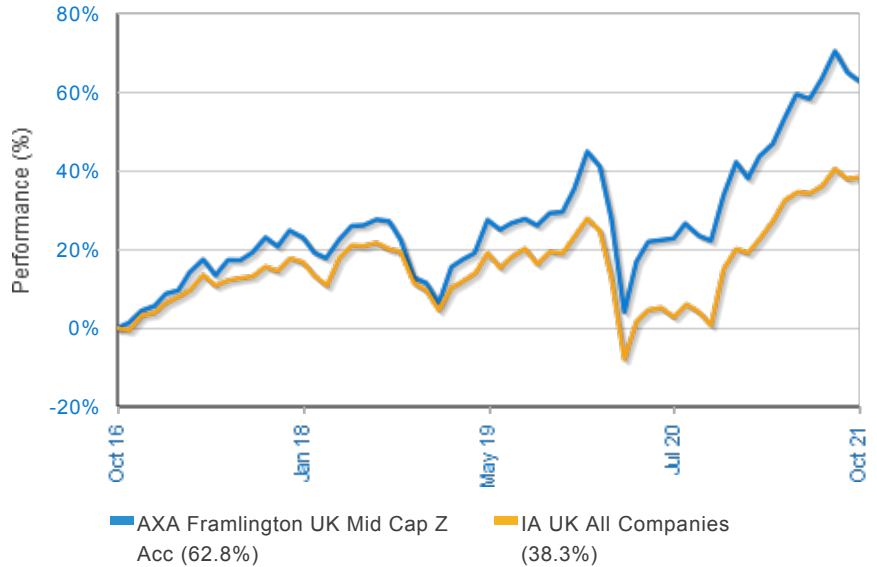
Benchmark

FTSE 250 Ex IT

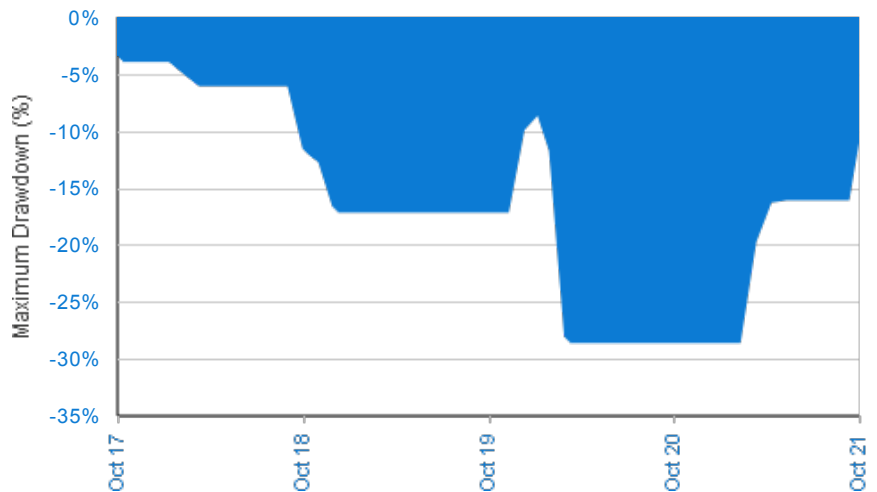
Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	33.5	32.4	2
12-24m	-4.4	-12.8	1
24-36m	5.6	0.0	1
36-48m	2.7	5.5	4
48-60m	15.9	13.6	2

Capital Growth



Maximum Drawdown (Rolling 12 Months)



Top Ten Holdings

(Data as at 30 Sep 2021)

Company Name	%
FUTURE PLC	3.3
GRAFTON GROUP PLC	2.6
ELECTROCOMPONENTS PLC	2.5
PETS AT HOME GROUP PLC	2.3
HILL & SMITH HLDGS	2.2
OSB GROUP PLC	2.2
ULTRA ELECTRONICS HLDGS	2.1
DUNELM GROUP PLC	2.0
BELLWAY	2.0
SPECTRIS	1.9

Sector Breakdown

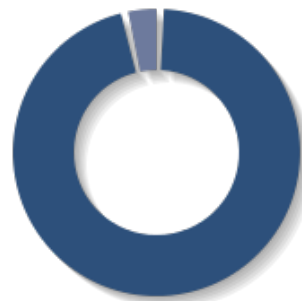
(Data as at 30 Sep 2021)



- Industrials (28%)
- Consumer Discretionary (22%)
- Financials (12%)
- Technology (10%)
- Health Care (7%)
- Real Estate (5%)
- Basic Materials (5%)
- Money Market (4%)
- Energy (4%)
- Other (4.0%)

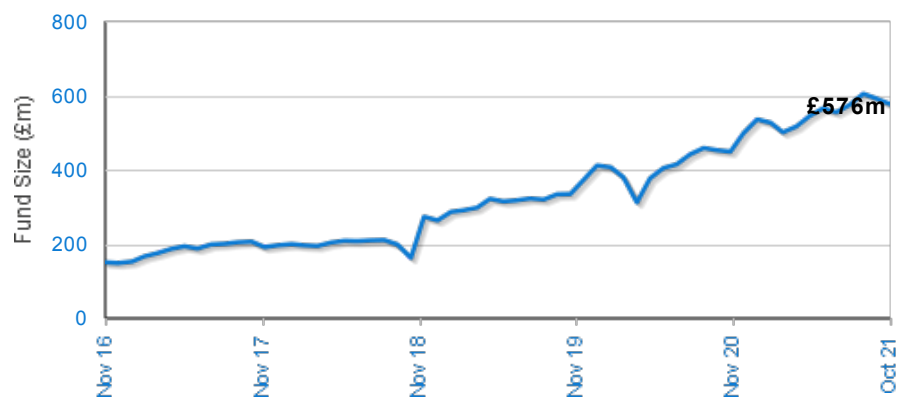
Geographic Breakdown

(Data as at 30 Sep 2021)



- UK (96%)
- Money Market (4%)

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 is predominately invested in shares. Shares are volatile investments and this volatility is typically heightened at times of economic stress.

Interest Rate Risk

The fund is an equity fund. Higher interest rates may adversely affect valuations of shares.

Credit Risk

This fund does not have significant exposure to corporate debt.

Exchange Rate Risk

The fund is predominantly invested in domestic assets.

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 predominantly invests in securities listed by organisations operating in developed markets.

Derivative Risk

The portfolio is predominantly invested in underlying cash securities.

Manager Risk

The manager is seen as a critical element in Square Mile's rating of the fund. Square Mile is likely to downgrade the fund if the manager were to leave.

FE Risk Rating: 107.00

SRRI: 6

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