

Annual Long Report and Audited Financial Statements  
Year ended  
**30 September 2018**

# **AXA Framlington UK Mid Cap Fund**

**Issued by AXA Investment Managers UK Ltd Authorised and regulated by the Financial Conduct Authority**

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\* These collectively comprise the Authorised Fund Manager's ("the Manager's") Report for the Trust.

More information on any AXA unit trust, copies of the latest Manager's Reports and Prospectus are available free of charge. Telephone 0345 777 5511 or visit our website: [www.axa-im.co.uk](http://www.axa-im.co.uk). Telephone calls may be recorded or monitored for quality assurance purposes.

## **Fund Objective**

The aim of the AXA Framlington UK Mid Cap Fund (“the Fund”) is to provide long-term capital growth.

The Fund invests in shares of UK listed companies which the Manager believes will provide above-average returns. The Fund invests primarily in medium-sized companies. The Manager selects shares based upon analysis of a company's financial status, quality of its management, expected profitability and prospects for growth. The Manager has full discretion to select investments for the Fund in line with the above investment policy and in doing so may take into consideration the FTSE 250 Ex Investment Companies Index.

## Investment Review

The investment philosophy and process that has served the AXA UK Mid Cap Fund (“the Fund”) so well since launching remains consistent. We continue to seek those businesses that are compounding their earnings and cash flows, and where balance sheet strength is supportive of that growth.

“The only thing that is constant is change.”  
(Heraclitus)

Change is guaranteed and we strive to allocate capital to those companies best equipped to deal with the threats and opportunities that are presented. Talented management, adequate capital and an operating environment with economic and structural tailwinds should serve stakeholders well over the long term. When we are meeting company management teams and applying our fundamental analysis, it is qualities such as these that excite.

The stock market is a discounting mechanism and, at the time of writing, investor concerns about the future direction of the global economy are creating a volatile and emotional environment for equity investors. Significant focus has been given to the movement up in 10-year US Treasury yields to over 3% and the effect this could have on slowing the US economy, which is fuelled by corporation tax cuts, full employment, high consumer confidence and operating margins at a cyclical peak. The Chair of the US Federal Reserve (Fed), Jerome Powell, has made it clear that US interest rates (currently at 2%) have further to rise.

“Interest rates are still accommodative, but we are gradually moving to a place where they will be neutral. We may go past neutral, but we are a long way from neutral at this point, probably” (Jerome Powell 3 Oct 2018)

The great financial experiment of quantitative easing has been a significant contributor to global financial liquidity, and many argue that this has resulted in elevated asset prices and the misallocation of capital. In particular, the direction of travel in the US is now for liquidity to be reduced via ‘quantitative tightening’, in line with actions taken by the Fed. Investors are responding and attempting to anticipate the effect on both asset prices and the global economy. Rapidly rising interest rates are a headwind for long-duration assets such as equities, and bear markets are nearly always caused by central banks draining liquidity beyond what an economy can take in an attempt to control inflation.

In the UK, Brexit discussions continue to meander with no obvious certainty in sight. Once negotiations are complete and a revised trading relationship with Europe is finalised, business will adjust to the new ‘rules of the game’ and will, once more, flourish. Until then, sentiment will remain fragile, investment decisions will be affected and investors will continue to shun the UK equity market.

Thankfully, politicians do not run businesses (long may this remain the case!) and management teams are acutely aware that they cannot wait until March 2019 before reacting to Brexit. The working assumption by a number of management teams is that the UK leaves the European Union without a trade deal. For example, Joules, the lifestyle retailer, has brought forward investment in a warehouse in Rotterdam so that sales of goods to mainland Europe never touch the UK. Also, Dechra Pharmaceuticals, the veterinary products business, has made the assumption that the testing and qualification of its animal pharmaceutical

<b>Top Ten Holdings as at 30 September 2018</b>		<b>%</b>
<b>HomeServe</b>		<b>3.12</b>
<i>Industrials</i>		
<b>John Wood</b>		<b>2.76</b>
<i>Oil &amp; Gas</i>		
<b>SSP</b>		<b>2.60</b>
<i>Consumer Services</i>		
<b>RPC</b>		<b>2.54</b>
<i>Industrials</i>		
<b>Ascential</b>		<b>2.17</b>
<i>Consumer Services</i>		
<b>On the Beach</b>		<b>2.17</b>
<i>Consumer Services</i>		
<b>Coats</b>		<b>2.16</b>
<i>Industrials</i>		
<b>Weir</b>		<b>2.16</b>
<i>Industrials</i>		
<b>Auto Trader</b>		<b>2.15</b>
<i>Consumer Services</i>		
<b>Victrex</b>		<b>2.12</b>
<i>Basic Materials</i>		

products will need to be carried out in both the UK and Europe, and have assumed the duplicate costs associated into the future.

We are entering uncharted territory and even the best laid plans are unlikely to be enough to counter potential supply chain disruption, heightened bureaucracy and a potential pick-up in inflation from weaker sterling. As companies work to ensure a smooth transition, we would anticipate a pick-up in working capital investment over the next six months, as companies ensure they have the raw materials and inputs to weather potential challenges.

We believe that despite the rhetoric, a 'no deal' Brexit is not in the interests of either side, and the highest quality companies can continue to capitalise on their unique growth opportunities. There will be inevitable noise and volatility over the next few months and it will, therefore, be a time for cool heads and keeping a focus on long-term investment perspectives.

Quantitative tightening, Brexit, the risk of a socialist Corbyn administration, Donald Trump's global trade policies are all creating angst and combined with the unprecedented effect of algorithmic trading platforms, increased stock market volatility may be a feature going forwards.

Volatile stock markets are unsettling and when macroeconomic hedge funds and algorithmic trading platforms dominate the capital flows, individual stock movements are indiscriminate, which creates opportunities. "Disinvestors lose as market falls – but investors gain" (Warren Buffet).

Politicians come and go, the costs of capital rises and falls, economies ebb and flow; however, there are powerful, established secular trends that are far more persistent and impactful on investment outcomes, and it is these, together with company fundamentals, that we focus upon.

The speed at which technology is evolving and the dramatic impact that is having on businesses and entire industries is far more powerful and relevant to an investment thesis than many of the 'issues du jour' set out above. It did not matter if your printed Encyclopaedia was the most complete, beautifully bound and best value on the market, Google destroyed its worth.

Technology both disrupts and greatly enhances our lives and when assessing an investment opportunity, these effects form part of our due diligence. When thinking about investing in technology, investors typically focus on those companies that generate, protect and commercialise intellectual property as principal creators. Companies such as ARM holdings, a semi-conductor and software design company are well known to many, but the benefits of technological innovation are often widespread and can benefit both the creators and the users. We are often impressed by the way companies embrace technology in order to gain competitive advantage. Technology is being used in all areas of business to maximise revenues and improve cost efficiencies.

Many of our holdings are embracing technology to enhance both revenues and productivity. For example, Dunelm, the retailer, is using driverless forklift trucks in their new warehouse in Stoke to increase efficiencies and reduce error rates. Electrocomponents have introduced software robots to increase the speed of transactional processes (incidentally they have named their robot 'Ruby'). This should improve customer service and reduce cost to serve. Rentokil is using radar connected mouse traps to allow immediate response should a mouse be detected. The information collected is delivered in 'real time' to the customer and the Rentokil team via the 'MyRentokil' portal. This negates the need to regularly check the trap and means that when a mouse is humanely killed, it can be removed. Via technology, Rentokil is improving both customer service and the efficiency of its operating cost base. Worldpay is using its technology to facilitate cashless payments globally for its omni-commerce client base.

In addition, Aveva is at the forefront of the industrial software market which aims to increase the efficiency of its customers by supplying the visualisation tools, analytical engines and predictive and inferencing tools to enable them to design industrial plant more effectively and

run their businesses more predictably, efficiently and profitably. 'Digital technology, despite its seeming ubiquity, has only just begun to penetrate industries. As it continues its advance, the implications for revenues, profits and opportunities will be dramatic' (McKinsey 2017).

During the reporting period, market volatility was used to add and reduce holdings when deemed appropriate. In addition, new holdings for the fund included Wood Group (Oil services), Cranswick (Food producer), TI Fluid Systems (Market leading, global supplier of automotive parts) and FDM (Supplier of recently trained IT service personnel). The position in Paysafe was sold subsequent to being taken over by CVC and the holding in ZPG was sold following a takeover approach from Silver Lake Capital. As part of the natural recycling of capital from holdings promoted to the FTSE100 from the FTSE250 Index, the holding in Melrose Industries was sold. In addition, holdings exited over the period included Saga, Moneysupermarket, Crest Nicholson and Clarkson. These investments were sold as a result of increasing concerns over their trading environments.

Secular growth thematic drivers will endure and the UK mid cap space will continue to be a dynamic cohort of businesses, which are able to adapt and develop in order to take advantage. They are typically not so large that management cannot have a dramatic effect on their strategic direction or success, neither are they so small that the cost of capital and risk of ownership is disproportionately high. Populations will continue to age, the generational shift in consumer habits from Millennials to Generation Z will progress, regulation will continue to intensify and disrupt, data growth and analytical processing power will develop - giving an even better understanding of human behaviour and corporate dynamics - and the mesmerizing rise in automation and artificial intelligence will continue to excite and frighten in equal measure.

Over the short term, our investment style can be buffeted by world events, interest rate movements and the ebbs and flows of economic data; however, we continue to believe that investing in UK listed companies that are compounding their earnings and dividends, where corporate governance is world leading, where contract law and title law are dependable and where company management teams are permanently accessible will be rewarding strategy.

"In the short run, the market is a voting machine, but in the long run it is a weighing machine."  
(Benjamin Graham)

Chris St John  
30 September 2018

Source of all performance data: AXA Investment Managers to 30 September 2018.

Past Performance is not a guide to future performance. All performance figures calculated as follows: Single Priced NAV (Net Asset Value) with net income reinvested, net of fees in GBP, gross of tax. Performance is representative of Z Acc Class.

## Portfolio Changes

For the year ended 30 September 2018

Major Purchases	Cost (£)	Major Sales	Proceeds (£)
John Wood	4,656,916	Paysafe	5,572,615
IG	3,374,829	Melrose Industries	4,638,064
Indivior	2,948,643	TP ICAP	3,758,504
Cranswick	2,869,605	ZPG	3,699,500
Computacenter	2,398,529	Sanne	2,907,181
TP ICAP	2,320,699	Greene King	2,584,104
FDM	2,232,477	Indivior	2,582,733
RWS	1,996,404	Saga	2,420,161
Eddie Stobart Logistics	1,973,556	BTG	2,312,999
TI Fluid Systems	1,968,008	Moneysupermarket.com	2,273,367
Other purchases	31,095,663	Other sales	32,238,451
<b>Total purchases for the year</b>	<b>57,835,329</b>	<b>Total sales for the year</b>	<b>64,987,679</b>

## Managing Risks

Past performance is not a guide to future performance. The price of units and the revenue from them can go down as well as up and investors may not get back the amount originally invested. An initial charge is usually made when you purchase units. Changes in exchange rates will affect the value of Fund investments overseas. Investment in smaller companies and newer markets offers the possibility of higher returns but may also involve a higher degree of risk.

The Fund is managed in accordance with the objective set out on page 3. By investing in financial markets there are associated risks and the following explains the Manager's approach to managing those risks.

## RISK PROFILE

The Fund invests principally in UK equities. The Fund may invest in smaller companies which offers the possibility of higher returns but may also involve a higher degree of risk. The value of investments and the revenue from them is not guaranteed and can go down as well as up.

## EQUITY RISK

The value of shares in which the Fund invests fluctuate pursuant to market expectations. The value of such shares will go up and down and equity markets have historically been more volatile than fixed interest markets. Should the price of shares in which the Fund has invested fall, the Net Asset Value of the Fund will also fall.

Funds investing in shares are generally more volatile than funds investing in bonds or a combination of shares and bonds, but may also achieve greater returns.

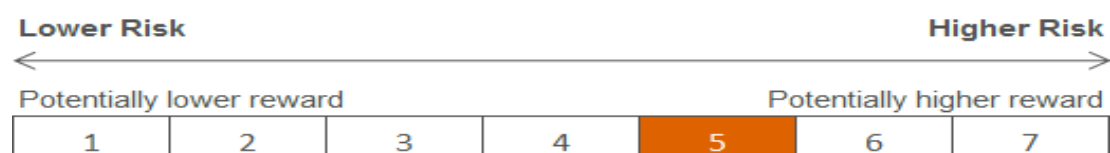
Internal investment guidelines are set, if necessary, to ensure equity risk is maintained within a range deemed suitable based on the Fund's investment objectives and investment policy.

## SMALLER COMPANIES RISK

Investments in smaller companies offers the possibility of higher return but also involve a higher degree of risk than investment in well established, larger companies. The shares of smaller companies can be more volatile which may lead to increased volatility in the price of the units of the Fund.

This is an inherent risk for funds invested within smaller companies. Investment guidelines (including diversification measures), scenario testing as well as other regular monitoring seek to ensure the level of risk is aligned with the Fund's investment objectives and investment policy.

## RISK AND REWARD PROFILE



The risk category is calculated using historical performance data and may not be a reliable indicator of the Fund's future risk profile. The risk category shown is not guaranteed and may shift over time. There has been no change from prior year. The lowest category does not mean risk free.

## WHY IS THIS FUND IN THIS CATEGORY?

The capital of the Fund is not guaranteed. The Fund is invested in financial markets and uses techniques and instruments which are subject to some level of variation which may result in gains or losses.



**ADDITIONAL RISKS**

Liquidity risk: Under certain market conditions, it may be difficult to buy or sell investments for the Fund. For example, smaller company shares may trade infrequently and in small volumes and corporate and emerging market bonds may be affected by the demand in the market for such securities carrying credit risk, particularly in times of significant market stress. As a result, it may not be possible to buy or sell such investments at a preferred time, close to the last market price quoted or in the volume desired. The Manager may be forced to buy or sell such investments as a consequence of unitholders buying or selling units in the Fund. Depending on market conditions at the time, this could lead to a significant drop in the Fund's value.

Regular monitoring is conducted to ensure a high degree of confidence that fund liquidity will meet the Fund's expected liquidity requirements.

Further explanation of the risks associated with an investment in this Fund can be found in the prospectus.

## Fund Information

### FIVE YEAR PERFORMANCE

In the five years to 30 September 2018, the price of Z Accumulation units, with net income reinvested, rose by +67.09%. The FTSE 250 Mid (X It) Index (Total Return) increased by +53.35% over the same time period. During the same period, the price of Z Income units, with zero income reinvested, rose by +55.24% (Source: AXA Investment Managers and Lipper) (Prices in GBP).

### FIVE YEAR DISCRETE PERFORMANCE (DISCRETE YEARS TO LATEST REPORTING DATE)

Date	AXA Framlington UK Mid Cap Z Acc	FTSE 250 Mid (X It) TR
30/09/2013 - 30/09/2014*	+10.28%	+5.33%
30/09/2014 - 30/09/2015	+17.29%	+12.72%
30/09/2015 - 30/09/2016	+8.52%	+8.63%
30/09/2016 - 30/09/2017	+15.92%	+14.16%
30/09/2017 - 30/09/2018	+2.69%	+4.16%

Source of all performance data: AXA Investment Managers and Lipper. Basis: Single Price NAV, gross of tax, net of fees in GBP.

\* Performance calculation for all of the above: Single price NAV from 08/09/2014 and bid price prior to this. To ensure consistent performance figures between bid and NAV prices, an adjustment factor has been applied.

Past performance is not a guide to future performance.

### YIELD

R Inc	0.67%
R Acc	0.67%
S Inc	1.82%
S Acc	1.82%
Z Inc	1.42%
Z Acc	1.42%
ZI Inc~	1.22%
ZI Acc~	1.23%

### CHARGES

	Initial Charge	Annual Management Charge
R	Nil	1.50%
S	Nil	0.35%
Z	Nil	0.75%
ZI~	Nil	0.60%

### ONGOING CHARGES\*\*

R Inc	1.59%
R Acc	1.59%
S Inc	0.44%
S Acc	0.44%
Z Inc	0.84%
Z Acc	0.84%
ZI Inc~	0.69%
ZI Acc~	0.69%

~ZI share classes launched on 15 March 2018.

\*\*For more information on AXA's Fund charges and costs please use the following link <https://retail.axa-im.co.uk/fund-charges-and-costs>.

## **UNIT TRUST INDIVIDUAL SAVINGS ACCOUNTS**

The AXA Framlington UK Mid Cap Fund is available as a Stocks and Shares ISA through the AXA Investment Managers Stocks and Shares ISA.

## Comparative Tables

Change in net assets per unit	R Inc			R Acc		
	30/09/2018	30/09/2017	30/09/2016	30/09/2018	30/09/2017	30/09/2016
	(p)	(p)	(p)	(p)	(p)	(p)
Opening net asset value per unit <sup>†</sup>	229.54	200.45	187.92	240.32	208.82	193.93
Return before operating charges <sup>^</sup>	8.18	33.68	17.38	8.57	35.04	18.05
Operating charges	(3.75)	(3.39)	(3.06)	(3.93)	(3.54)	(3.16)
Return after operating charges <sup>^</sup>	4.43	30.29	14.32	4.64	31.50	14.89
Distributions	(1.57)	(1.20)	(1.79)	(1.64)	(1.25)	(1.84)
Retained distributions on accumulation units	-	-	-	1.64	1.25	1.84
<b>Closing net asset value per unit<sup>†</sup></b>	<b>232.40</b>	<b>229.54</b>	<b>200.45</b>	<b>244.96</b>	<b>240.32</b>	<b>208.82</b>
<sup>^</sup> after direct transaction costs of:	0.33	0.61	0.76	0.34	0.63	0.79
<b>Performance</b>						
Return after charges	1.93%	15.11%	7.62%	1.93%	15.08%	7.68%
<b>Other Information</b>						
Closing net asset value <sup>†</sup>	156,419	183,055	192,581	2,455,112	2,895,198	3,233,864
Closing number of units	67,305	79,750	96,074	1,002,251	1,204,706	1,548,665
Operating charges	1.59%	1.59%	1.59%	1.59%	1.59%	1.59%
Direct transaction costs <sup>*</sup>	0.14%	0.29%	0.40%	0.14%	0.29%	0.40%
<b>Prices</b>						
Highest unit price #	247.20	231.00	204.40	258.90	240.60	211.20
Lowest unit price #	223.00	191.40	171.00	233.40	199.40	176.70

**Comparative Tables (Continued)**

Change in net assets per unit	S Inc			S Acc		
	30/09/2018	30/09/2017	30/09/2016	30/09/2018	30/09/2017	30/09/2016
	(p)	(p)	(p)	(p)	(p)	(p)
Opening net asset value per unit <sup>†</sup>	151.26	132.02	123.54	162.86	139.89	128.36
Return before operating charges <sup>^</sup>	5.36	22.28	11.69	5.79	23.63	12.12
Operating charges	(0.69)	(0.62)	(0.57)	(0.74)	(0.66)	(0.59)
Return after operating charges <sup>^</sup>	4.67	21.66	11.12	5.05	22.97	11.53
Distributions	(2.83)	(2.42)	(2.64)	(3.06)	(2.57)	(2.75)
Retained distributions on accumulation units	-	-	-	3.06	2.57	2.75
<b>Closing net asset value per unit<sup>†</sup></b>	<b>153.10</b>	<b>151.26</b>	<b>132.02</b>	<b>167.91</b>	<b>162.86</b>	<b>139.89</b>
* <sup>^</sup> after direct transaction costs of:	0.21	0.40	0.50	0.23	0.43	0.53
<b>Performance</b>						
Return after charges	3.09%	16.40%	9.00%	3.10%	16.42%	8.98%
<b>Other Information</b>						
Closing net asset value <sup>†</sup>	33,770,142	41,841,395	44,910,211	7,756,903	25,190,665	24,485,842
Closing number of units	22,056,893	27,661,074	34,016,592	4,619,622	15,468,132	17,503,403
Operating charges	0.44%	0.44%	0.45%	0.44%	0.44%	0.45%
Direct transaction costs*	0.14%	0.29%	0.40%	0.14%	0.29%	0.40%
<b>Prices</b>						
Highest unit price #	163.30	153.20	135.30	176.80	163.00	141.40
Lowest unit price #	147.40	126.20	112.90	158.90	133.70	118.00

**Comparative Tables (Continued)**

Change in net assets per unit	Z Inc			Z Acc		
	30/09/2018	30/09/2017	30/09/2016	30/09/2018	30/09/2017	30/09/2016
	(p)	(p)	(p)	(p)	(p)	(p)
Opening net asset value per unit <sup>†</sup>	228.80	199.73	187.20	252.33	217.62	200.74
Return before operating charges <sup>^</sup>	8.12	33.71	17.39	8.99	36.67	18.63
Operating charges	(1.98)	(1.84)	(1.64)	(2.19)	(1.96)	(1.75)
Return after operating charges <sup>^</sup>	6.14	31.87	15.75	6.80	34.71	16.88
Distributions	(3.33)	(2.80)	(3.22)	(3.68)	(3.06)	(3.46)
Retained distributions on accumulation units	-	-	-	3.68	3.06	3.46
<b>Closing net asset value per unit<sup>†</sup></b>	<b>231.61</b>	<b>228.80</b>	<b>199.73</b>	<b>259.13</b>	<b>252.33</b>	<b>217.62</b>
*^after direct transaction costs of:	0.32	0.62	0.77	0.36	0.67	0.82
<b>Performance</b>						
Return after charges	2.68%	15.96%	8.41%	2.69%	15.95%	8.41%
<b>Other Information</b>						
Closing net asset value <sup>†</sup>	37,956,141	60,603,216	13,982,210	63,606,949	72,270,533	64,638,616
Closing number of units	16,388,078	26,487,538	7,000,579	24,546,352	28,641,398	29,702,825
Operating charges	0.84%	0.84%	0.85%	0.84%	0.84%	0.85%
Direct transaction costs*	0.14%	0.29%	0.40%	0.14%	0.29%	0.40%
<b>Prices</b>						
Highest unit price #	246.70	231.20	204.40	273.20	252.60	220.00
Lowest unit price #	222.90	190.90	170.70	245.80	207.90	183.80

**Comparative Tables (Continued)**

Change in net assets per unit	Zl Inc~		Zl Acc~	
	30/09/2018		30/09/2018	
	(p)		(p)	
Opening net asset value per unit†	100.00		100.00	
Return before operating charges^	2.72		2.73	
Operating charges	(0.39)		(0.39)	
Return after operating charges^	2.33		2.34	
Distributions	(1.25)		(1.26)	
Retained distributions on accumulation units	-		1.26	
<b>Closing net asset value per unit†</b>	<b>101.08</b>		<b>102.34</b>	
*^after direct transaction costs of:	0.14		0.14	
<b>Performance</b>				
Return after charges	2.33%		2.34%	
<b>Other Information</b>				
Closing net asset value†	37,364,638		14,163,349	
Closing number of units	36,963,665		13,839,668	
Operating charges	0.69%		0.69%	
Direct transaction costs*	0.14%		0.14%	
<b>Prices</b>				
Highest unit price #	107.70		107.90	
Lowest unit price #	97.33		97.44	

† Valued at bid-market prices.

# High and low price disclosures are based on quoted unit prices. Therefore the opening and closing NAV prices may fall outside the high / low price threshold.

^ Operating charges include indirect costs incurred in the maintenance and running of the Fund, as disclosed in the detailed expenses within the Statement of Total Return.

\* Direct transaction costs include fees, commissions, transfer taxes and duties in the purchasing and selling of investments, within the accounting year.

~ Zl share classes launched on 15 March 2018.

The figures used within the table have been calculated against the average Net Asset Value for the accounting year.

## Portfolio Statement

The AXA Framlington UK Mid Cap Fund portfolio as at 30 September 2018 consisted of the following investments, which are ordinary shares unless otherwise stated.

Holding		Market value (£)	Total net assets (%)
<b>UNITED KINGDOM: 97.52%</b> <b>(30/09/2017: 97.80%)</b>			
<b>OIL &amp; GAS: 4.29%</b> <b>(30/09/2017: 0.99%)</b>			
<b>Oil &amp; Gas Producers: 1.53%</b> <b>(30/09/2017: 0.99%)</b>			
1,168,775	Tullow Oil	3,017,777	1.53
		<b>3,017,777</b>	<b>1.53</b>
<b>Oil Equipment, Services &amp; Distribution: 2.76%</b> <b>(30/09/2017: 0.00%)</b>			
709,000	John Wood	5,436,612	2.76
		<b>5,436,612</b>	<b>2.76</b>
<b>BASIC MATERIALS: 4.30%</b> <b>(30/09/2017: 3.19%)</b>			
<b>Chemicals: 4.30%</b> <b>(30/09/2017: 3.19%)</b>			
1,290,000	Elementis	3,446,880	1.75
3,009,576	Sirius Minerals	850,506	0.43
125,927	Victrex	4,183,295	2.12
		<b>8,480,681</b>	<b>4.30</b>
<b>INDUSTRIALS: 39.14%</b> <b>(30/09/2017: 41.80%)</b>			
<b>Aerospace &amp; Defense: 1.59%</b> <b>(30/09/2017: 1.39%)</b>			
195,500	Ultra Electronics	3,133,865	1.59
		<b>3,133,865</b>	<b>1.59</b>
<b>Construction &amp; Materials: 2.77%</b> <b>(30/09/2017: 4.97%)</b>			
3,542,275	Breedon Aggregates	2,585,861	1.31
688,801	Marshalls	2,870,923	1.46
		<b>5,456,784</b>	<b>2.77</b>
<b>Electronic &amp; Electrical Equipment: 2.53%</b> <b>(30/09/2017: 2.93%)</b>			
133,686	Halma	1,938,447	0.98
775,000	Morgan Advanced Materials	2,586,950	1.31
297,421	Xaar	472,899	0.24
		<b>4,998,296</b>	<b>2.53</b>



Holding		Market value (£)	Total net assets (%)
<b>General Industrials: 4.70%</b> <b>(30/09/2017: 4.43%)</b>			
5,168,702	Coats	4,264,179	2.16
623,933	RPC	4,998,951	2.54
		<b>9,263,130</b>	<b>4.70</b>
<b>Industrial Engineering: 9.14%</b> <b>(30/09/2017: 7.44%)</b>			
410,000	Bodycote	3,718,700	1.89
348,000	Hill & Smith	3,413,880	1.73
258,000	IMI	2,822,520	1.43
52,125	Spirax-Sarco Engineering	3,812,944	1.93
241,500	Weir	4,249,192	2.16
		<b>18,017,236</b>	<b>9.14</b>
<b>Industrial Transportation: 4.75%</b> <b>(30/09/2017: 4.17%)</b>			
1,259,901	BBA Aviation	3,736,866	1.89
1,427,008	Eddie Stobart Logistics	1,626,789	0.83
212,000	James Fisher & Sons	4,006,800	2.03
		<b>9,370,455</b>	<b>4.75</b>
<b>Support Services: 13.66%</b> <b>(30/09/2017: 16.47%)</b>			
103,000	Ashtead	2,520,410	1.28
1,465,000	BCA Marketplace	2,944,650	1.49
34,746	DCC	2,407,898	1.22
495,000	Electrocomponents	3,552,120	1.80
572,500	Essentra	2,315,190	1.17
595,489	HomeServe	6,151,401	3.12
910,000	Rentokil Initial	2,891,070	1.47
204,965	Sanne	1,278,982	0.65
37,632	Worldpay	2,885,622	1.46
		<b>26,947,343</b>	<b>13.66</b>
<b>CONSUMER GOODS: 5.46%</b> <b>(30/09/2017: 4.71%)</b>			
<b>Automobiles &amp; Parts: 0.94%</b> <b>(30/09/2017: 0.00%)</b>			
746,888	TI Fluid Systems	1,861,245	0.94
		<b>1,861,245</b>	<b>0.94</b>
<b>Food Producers*: 1.61%</b> <b>(30/09/2017: 0.00%)</b>			
94,000	Cranswick	3,180,960	1.61
		<b>3,180,960</b>	<b>1.61</b>
<b>Household Goods &amp; Home Construction: 1.82%</b> <b>(30/09/2017: 3.18%)</b>			
118,750	Bellway	3,585,062	1.82
		<b>3,585,062</b>	<b>1.82</b>

Holding		Market value (£)	Total net assets (%)
<b>Personal Goods: 1.09%</b> <b>(30/09/2017: 1.53%)</b>			
198,000	SuperGroup	2,150,280	1.09
		<b>2,150,280</b>	<b>1.09</b>
<b>HEALTH CARE: 5.93%</b> <b>(30/09/2017: 8.32%)</b>			
<b>Pharmaceuticals &amp; Biotechnology: 5.93%</b> <b>(30/09/2017: 8.32%)</b>			
172,468	BTG	958,922	0.49
376,391	Clinigen Healthcare	3,197,442	1.62
191,702	Dechra Pharmaceuticals	4,179,104	2.12
74,500	Genus	1,776,080	0.90
1,985,000	Vectura	1,588,992	0.80
		<b>11,700,540</b>	<b>5.93</b>
<b>CONSUMER SERVICES: 15.68%</b> <b>(30/09/2017: 19.77%)</b>			
<b>Food &amp; Drug Retailers: 0.00%</b> <b>(30/09/2017: 0.47%)</b>			
<b>General Retailers: 2.78%</b> <b>(30/09/2017: 5.29%)</b>			
565,000	Dunelm	3,082,075	1.56
1,576,000	Quiz	2,411,280	1.22
		<b>5,493,355</b>	<b>2.78</b>
<b>Media: 6.61%</b> <b>(30/09/2017: 7.96%)</b>			
1,020,993	Ascential	4,282,045	2.17
943,000	Auto Trader	4,243,500	2.15
261,250	Informa	1,978,708	1.00
534,500	Rightmove	2,538,608	1.29
		<b>13,042,861</b>	<b>6.61</b>
<b>Travel &amp; Leisure: 6.29%</b> <b>(30/09/2017: 6.05%)</b>			
320,000	GVC	3,006,400	1.52
871,001	On the Beach	4,276,615	2.17
701,612	SSP	5,119,663	2.60
		<b>12,402,678</b>	<b>6.29</b>

Holding		Market value (£)	Total net assets (%)
<b>FINANCIALS: 18.37%</b> <b>(30/09/2017: 15.80%)</b>			
<b>Banks: 0.00%</b> <b>(30/09/2017: 0.52%)</b>			
<b>Financial Services: 6.46%</b> <b>(30/09/2017: 4.70%)</b>			
648,571	Amigo	1,544,896	0.78
1,103,266	Charter Court Financial Services	3,748,898	1.90
431,000	IG	2,741,160	1.39
118,250	Rathbone Brothers	2,861,650	1.45
687,347	TP ICAP	1,848,963	0.94
		<b>12,745,567</b>	<b>6.46</b>
<b>Life Insurance: 3.18%</b> <b>(30/09/2017: 3.02%)</b>			
2,730,803	Just	2,363,510	1.20
578,525	Phoenix	3,910,829	1.98
		<b>6,274,339</b>	<b>3.18</b>
<b>Nonlife Insurance: 1.27%</b> <b>(30/09/2017: 1.02%)</b>			
435,734	Beazley	2,498,934	1.27
		<b>2,498,934</b>	<b>1.27</b>
<b>Real Estate Investment &amp; Services*: 4.76%</b> <b>(30/09/2017: 4.17%)</b>			
1,250,000	CLS	2,768,750	1.40
1,230,000	Grainger	3,680,160	1.87
770,000	St Modwen Properties	2,941,400	1.49
		<b>9,390,310</b>	<b>4.76</b>
<b>Real Estate Investment Trusts: 2.70%</b> <b>(30/09/2017: 2.37%)</b>			
750,000	Safestore	3,922,500	1.99
154,500	Shaftesbury	1,392,817	0.71
		<b>5,315,317</b>	<b>2.70</b>
<b>TECHNOLOGY: 4.35%</b> <b>(30/09/2017: 3.22%)</b>			
<b>Software &amp; Computer Services: 4.35%</b> <b>(30/09/2017: 3.22%)</b>			
131,500	AVEVA	3,850,320	1.95
194,352	Computacenter	2,491,593	1.27
227,500	FDM	2,231,775	1.13
		<b>8,573,688</b>	<b>4.35</b>

<b>Holding</b>	<b>Market value (£)</b>	<b>Total net assets (%)</b>
Investments as shown in the balance sheet	192,337,315	97.52
Net current assets	4,892,338	2.48
<b>Total net assets</b>	<b>197,229,653</b>	<b>100.00</b>

\*Since the previous report industry classifications have been updated.

## Statement of Total Return

For the year ended 30 September

	Notes	£	2018 £	£	2017 £
Income					
Net capital gains	3		2,632,353		23,386,178
Revenue	4	4,552,036		3,796,394	
Expenses	5	(1,480,990)		(1,212,217)	
Interest payable and similar charges		(1,109)		(170)	
Net revenue before taxation		3,069,937		2,584,007	
Taxation	6	-		-	
Net revenue after taxation			3,069,937		2,584,007
<b>Total return before distributions</b>			<b>5,702,290</b>		<b>25,970,185</b>
Distribution	7		(3,069,937)		(2,584,007)
<b>Change in net assets attributable to unitholders from investment activities</b>			<b>2,632,353</b>		<b>23,386,178</b>

## Statement of Change in Net Assets Attributable to Unitholders

For the year ended 30 September

	£	2018 £	£	2017 £
Opening net assets attributable to unitholders		202,984,062		151,443,324
Amounts receivable on creation of units	30,204,229		58,147,984	
Amounts payable on cancellation of units	(39,888,850)		(31,281,800)	
		(9,684,621)		26,866,184
Change in net assets attributable to unitholders from investment activities		2,632,353		23,386,178
Retained distribution on accumulation units		1,297,859		1,288,376
<b>Closing net assets attributable to unitholders</b>		<b>197,229,653</b>		<b>202,984,062</b>

## Balance Sheet

As at 30 September

	Notes	£	2018 £	£	2017 £
<b>ASSETS</b>					
Fixed assets					
Investments			192,337,315		198,522,577
Current assets					
Debtors	8		3,355,979		557,378
Cash and bank balances	9		4,018,274		7,214,689
<b>Total assets</b>			<b>199,711,568</b>		<b>206,294,644</b>
<b>LIABILITIES</b>					
Creditors					
Distribution payable			1,238,260		1,054,261
Other creditors	10		1,243,655		2,256,321
<b>Total liabilities</b>			<b>2,481,915</b>		<b>3,310,582</b>
<b>Net assets attributable to unitholders</b>			<b>197,229,653</b>		<b>202,984,062</b>

## Notes to the Financial Statements

### 1.1 Accounting policies

a) The Financial Statements have been prepared on a historical cost basis, as modified by the revaluation of investments which are measured at fair value and in accordance with Financial Reporting Standard 102 ("FRS 102") and the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association ("IMA") in 2014, and amended in 2017. The Financial Statements have been prepared on a going concern basis. The Financial Statements are prepared in accordance with the Trust Deed and the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("COLL").

b) Dividends on quoted ordinary shares and preference shares are recognised when the securities are quoted ex-dividend. Where such securities are not quoted, dividends are recognised when the right to receive payment is established.

c) The listed investments of the Fund are valued at bid-market prices ruling at 12 noon (GMT) on the last business day of the accounting year. Where certain securities are listed on global markets which are closed at the 12 noon (GMT) valuation point, the last available closing bid-price will be utilised, subject to the application of any fair value pricing adjustment. The fair value of unlisted securities, and unquoted securities where the quotation has been suspended, is estimated by the Manager, using independent sources where available.

d) The functional currency of the Fund is Sterling (GBP). Any transactions in overseas currencies are translated to Sterling at the rates of exchange ruling on the day of any such transaction. Foreign currency balances and investments priced in overseas currencies at the end of the year are converted into Sterling at the exchange rates ruling at 12 noon (GMT) on the last business day of the accounting year.

e) All expenses are charged in full against revenue on an accruals basis, with the exception of transaction charges which are charged directly to capital. The Manager is entitled to receive (with effect from the dealing day on which units of any class are first allotted) an annual management charge payable on and out of the scheme property of each unit class of the Fund. The annual management charge will be based on the value of the scheme property of the Fund on the immediately preceding dealing day as determined in accordance with the Trust Deed and the Regulations for the purpose of calculating the price of units.

f) Corporation Tax is provided at 20% on revenue, after deduction of expenses. Overseas dividends are disclosed gross of any foreign tax suffered, the tax element being disclosed in the tax note. Where overseas tax has been deducted from overseas revenue, that tax can, in some cases, be set off against Corporation Tax payable, by way of double taxation relief. Deferred taxation is provided on a full provision basis on timing differences arising from the different treatment of items for accounting and tax purposes. Potential future liabilities and assets are recognised where the transactions or events giving rise to them occurred before the balance sheet date. A deferred tax asset is only recognised to the extent that a timing difference will be of future benefit.

g) Bank interest is accounted for on an accruals basis.

h) Revenue equalisation currently applies to the Fund, with the result that part of the purchase price of a unit reflects the relevant share of accrued revenue received or to be received by the Fund. This sum is returned to a unitholder with the first allocation of revenue in respect of a unit issued during a distribution period. The amount representing the revenue equalisation in the unit's price is a return of capital and is not taxable in the hands of the unitholder. The amount of revenue equalisation is calculated by dividing the aggregate of the amounts of revenue included in the price of units issued or sold to unitholders in an annual or interim distribution period by the number of those units and applying the resultant average to each of the units in question. Equalisation on distributions received is deducted from the cost of the investment.

- i) With the exception of the annual management charge, which is directly attributable to individual unit classes, all revenue and expenses are allocated to unit classes pro rata to the value of the net assets of the relevant unit class on the day the revenue or expense is recognised.
- j) The Fund is not required to produce a cash flow statement as it meets the exemption criteria set out in FRS102.7.IA.

## 1.2 Distribution Policy

- a) The Fund will distribute any net revenue two months after the accounting year end. Any net revenue deficit will be transferred to the capital account. The type of distribution being made by the Fund is a dividend distribution.
- b) The total revenue received in respect of scrip dividends is separated with an amount equal to the cash alternative credited to revenue and any enhancement credited to capital. The revenue portion forms part of the revenue distribution amount.
- c) Special dividends and share buybacks are treated as revenue or capital depending on the facts of each particular case. It is likely that where the receipt of a special dividend results in a significant reduction in the capital value of the holding, then the special dividend should be treated as capital in nature so as to ensure that the matching principle is applied to gains and losses. Otherwise, the special dividends should be recognised as revenue.
- d) If a distribution payment of the Fund remains unclaimed for a period of 6 years after it has become due, it will be forfeited and will revert to and become part of the scheme property.
- e) The annual management charge is charged against revenue for the purposes of calculating the amount available for distribution.

## 2. Financial instruments

The analysis and tables provided below refer to the narrative disclosure on financial instruments risks on pages 8 to 9 of the Manager's Report.

### Price risk sensitivity

At 30 September 2018, if the price of investments held by the Fund increased or decreased by 5%, with all other variables remaining constant, the net assets would increase or decrease by £9,616,866 (2017: £9,926,129) respectively.

### Foreign currency risk sensitivity

The foreign currency exposure of the Fund is not significant, therefore no foreign exchange sensitivity disclosures have been made.

### Interest rate risk sensitivity

As the majority of the Fund's financial assets are non-interest bearing, the Fund is only subject to limited exposure to fair value interest rate risk due to fluctuations in levels of market interest rates. No interest rate risk sensitivity analysis is therefore provided.

## 3. Net capital gains

The net gains during the year comprise:

	2018 £	2017 £
Gains on non-derivative securities	2,633,743	23,388,546
Transaction charges	(1,390)	(2,368)
<b>Net capital gains</b>	<b>2,632,353</b>	<b>23,386,178</b>



**4. Revenue**

	2018	2017
	£	£
UK dividends	3,973,080	3,337,354
REIT dividends	137,087	114,053
Overseas dividends	435,112	344,632
Underwriting commission	-	54
Bank interest	6,757	301
<b>Total revenue</b>	<b>4,552,036</b>	<b>3,796,394</b>

**5. Expenses**

	2018	2017
	£	£
<b>Payable to the Manager</b>		
Annual management charge	1,296,578	1,051,183
Registrar's fees	120,410	103,642
	<b>1,416,988</b>	<b>1,154,825</b>
<b>Other expenses</b>		
Audit fee	8,263	8,659
FCA fee	111	80
Safe custody charges	5,108	4,001
Trustee's fees	50,520	44,652
	<b>64,002</b>	<b>57,392</b>
<b>Total Expenses</b>	<b>1,480,990</b>	<b>1,212,217</b>

Expenses include irrecoverable VAT where applicable.

**6. Taxation****a) Analysis of tax in the year:**

There is no corporation tax charge in the current year or prior year.

**b) Factors affecting total tax charge for the year:**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised unit trust (20%) (2017: 20%).

The differences are explained below:

	2018	2017
	£	£
Net revenue before taxation	3,069,937	2,584,007
Corporation tax at 20%	613,987	516,801
Effects of:		
Movement in excess management expenses	273,979	225,913
Revenue not subject to taxation	(887,966)	(742,714)
Total effects	(613,987)	(516,801)
<b>Total tax charge for the year (see note 6a)</b>	<b>-</b>	<b>-</b>

Authorised unit trusts are exempt from tax on capital gains.

**c) Deferred taxation:**

There is no provision required for deferred taxation at the Balance sheet date (2017: nil).

**d) Factors that may affect future tax charges:**

At the year end, after offset against income taxable on receipt, there is a potential deferred tax asset of £939,296 (2017: £665,317) in relation to surplus management expenses. It is unlikely that the

Fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised.

## 7. Distributions

The distributions take account of income received on the creation of units and income deducted on the cancellation of units, and comprise:

	2018 £	2017 £
Interim	869,064	638,606
Final	2,163,835	2,033,138
	3,032,899	2,671,744
Add: Income deducted on cancellation of units	347,603	183,739
Deduct: Income received on creation of units	(310,565)	(271,476)
<b>Net distribution for the year</b>	<b>3,069,937</b>	<b>2,584,007</b>

## 8. Debtors

	2018 £	2017 £
Sales awaiting settlement	2,389,426	-
Amounts receivable on creation of units	426,963	180,311
Accrued revenue	539,590	377,067
<b>Total debtors</b>	<b>3,355,979</b>	<b>557,378</b>

## 9. Cash and bank balances

	2018 £	2017 £
Cash and bank balances	4,018,274	7,214,689
<b>Total cash and bank balances</b>	<b>4,018,274</b>	<b>7,214,689</b>

## 10. Other creditors

	2018 £	2017 £
Amounts payable on cancellation of units	150,695	149,894
Purchases awaiting settlement	971,750	1,981,761
Accrued expenses - Manager	98,544	99,879
- Other	22,666	24,787
<b>Total other creditors</b>	<b>1,243,655</b>	<b>2,256,321</b>

## 11. Unitholders' funds

The Fund currently has eight unit classes in issue.

	R Inc	R Acc	S Inc	S Acc	Z Inc	Z Acc
Opening units in issue	79,750	1,204,706	27,661,074	15,468,132	26,487,538	28,641,398
Units issued	385,017	130,709	10,488,663	-	15,770,871	4,904,678
Units cancelled	(397,462)	(333,164)	(16,092,844)	(10,848,510)	(25,870,331)	(8,999,724)
Unit conversions	-	-	-	-	-	-
<b>Closing units in issue</b>	<b>67,305</b>	<b>1,002,251</b>	<b>22,056,893</b>	<b>4,619,622</b>	<b>16,388,078</b>	<b>24,546,352</b>

	ZI Inc~	ZI Acc~
Opening units in issue	-	-
Units issued	38,679,018	14,017,631
Units cancelled	(1,715,353)	(177,963)
Unit conversions	-	-
<b>Closing units in issue</b>	<b>36,963,665</b>	<b>13,839,668</b>

~ ZI share classes launched on 15 March 2018.

## 12. Related party transactions

AXA Investment Managers UK Limited acts as principal on all the transactions of units in the Fund. The aggregate monies received through creations and liquidations are disclosed in the Statement of Change in Net Assets Attributable to Unitholders and note 7, amounts due to/from AXA Investment Managers UK Limited in respect of unit transactions are disclosed in Note 8 and Note 10 respectively.

At 30 September 2018, there are no material unitholders that hold more than 50% of units in the Fund. Other than disclosed elsewhere in the Financial Statements, there were no material transactions between the Fund and related parties during the year.

Amounts paid to AXA Investment Managers UK Limited in respect of administration and registration services are disclosed in Note 5.

## 13. Portfolio Transaction Costs

### 2018

Analysis of purchases	Net purchase cost £	Commissions paid £	%	Taxes £	%	Total purchase cost £
Equity	57,579,381	29,918	0.05	226,030	0.39	57,835,329
<b>Total</b>	<b>57,579,381</b>	<b>29,918</b>		<b>226,030</b>		<b>57,835,329</b>

### 2018

Analysis of sales	Net sale proceeds £	Commissions paid £	%	Taxes £	%	Total sale proceeds £
Equity	65,036,058	(48,229)	(0.07)	(150)	-	64,987,679
<b>Total</b>	<b>65,036,058</b>	<b>(48,229)</b>		<b>(150)</b>		<b>64,987,679</b>

### 2017

Analysis of purchases	Net purchase cost £	Commissions paid £	%	Taxes £	%	Total purchase cost £
Equity	81,177,654	98,438	0.12	330,226	0.41	81,606,318
<b>Total</b>	<b>81,177,654</b>	<b>98,438</b>		<b>330,226</b>		<b>81,606,318</b>

### 2017

Analysis of sales	Net sale proceeds £	Commissions paid £	%	Taxes £	%	Total sale proceeds £
Equity	51,413,679	(65,370)	(0.13)	(153)	-	51,348,156
<b>Total</b>	<b>51,413,679</b>	<b>(65,370)</b>		<b>(153)</b>		<b>51,348,156</b>

Commission as a % of average net assets 0.04% (2017: 0.09%)  
Taxes as a % of average net assets 0.10% (2017: 0.19%)

### Portfolio dealing spread

The average portfolio dealing spread as at the year end was 0.19% (2017: 0.23%).

**14. Fair value disclosure**

	30 September 2018		30 September 2017	
	Assets	Liabilities	Assets	Liabilities
	£	£	£	£
<b>Valuation technique</b>				
Level 1 <sup>^</sup>	192,337,315	-	198,522,577	-
Level 2 <sup>^^</sup>	-	-	-	-
Level 3 <sup>^^^</sup>	-	-	-	-
<b>Total</b>	<b>192,337,315</b>	<b>-</b>	<b>198,522,577</b>	<b>-</b>

<sup>^</sup> Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

<sup>^^</sup> Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

<sup>^^^</sup> Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The fair value of the Fund's investments has been determined using the hierarchy above.

**15. Commitments, contingent liabilities and contingent assets**

There are no commitments, contingent liabilities and contingent assets as at the balance sheet date (2017: none).

**16. Post balance sheet events**

Subsequent to the year end, on 26 November 2018, the Net Asset Value ("NAV") per unit has decreased by 9% on Income classes and by 8% on Accumulation classes when compared to the year end date. The movements for each unit class are shown below:

Unit Class	Year end NAV per unit (p)	26/11/18 NAV per unit(p)	Movement (%)
R Inc	234.10	213.40	-9%
R Acc	245.20	225.00	-8%
S Inc	155.20	140.90	-9%
S Acc	168.10	154.50	-8%
Z Inc	234.20	213.00	-9%
Z Acc	259.40	238.30	-8%
ZI Inc	102.30	92.97	-9%
ZI Acc	102.40	94.12	-8%

The movement in the NAV per unit is largely attributable to the change in prices of the benchmark index for the Fund, namely the FTSE 250 Mid (X It) Index (Total Return) which has decreased by 8% over the same period.

## Distribution Tables

For the year ended 30 September 2018

		Net revenue	Equalisation	Distribution payable/paid	
				Current year	Prior year
<b>R Inc</b>					
Interim	Group 1	0.050	-	0.050	-
	Group 2	0.050	-	0.050	-
Final	Group 1	1.520	-	1.520	1.203
	Group 2	0.694	0.826	1.520	1.203
<b>R Acc</b>					
Interim	Group 1	0.052	-	0.052	-
	Group 2	0.052	-	0.052	-
Final	Group 1	1.592	-	1.592	1.252
	Group 2	0.726	0.866	1.592	1.252
<b>S Inc</b>					
Interim	Group 1	0.912	-	0.912	0.687
	Group 2	0.912	-	0.912	0.687
Final	Group 1	1.915	-	1.915	1.730
	Group 2	1.915	-	1.915	1.730
<b>S Acc</b>					
Interim	Group 1	0.982	-	0.982	0.727
	Group 2	0.982	-	0.982	0.727
Final	Group 1	2.074	-	2.074	1.842
	Group 2	1.274	0.800	2.074	1.842
<b>Z Inc</b>					
Interim	Group 1	0.916	-	0.916	0.630
	Group 2	0.592	0.324	0.916	0.630
Final	Group 1	2.415	-	2.415	2.170
	Group 2	1.258	1.157	2.415	2.170
<b>Z Acc</b>					
Interim	Group 1	1.010	-	1.010	0.687
	Group 2	0.638	0.372	1.010	0.687
Final	Group 1	2.674	-	2.674	2.370
	Group 2	1.265	1.409	2.674	2.370
<b>ZI Inc~</b>					
Interim	Group 1	0.118	-	0.118	
	Group 2	0.040	0.078	0.118	
Final	Group 1	1.134	-	1.134	
	Group 2	0.546	0.588	1.134	

<b>ZI Acc~</b>				
Interim	Group 1	0.119	-	0.119
	Group 2	0.042	0.077	0.119
Final	Group 1	1.137	-	1.137
	Group 2	0.501	0.636	1.137

(All figures shown in pence per unit)

Units are classified as Group 2 for the following periods in which they were acquired, thereafter they rank as Group 1 units.

Equalisation is the average amount of income included in the purchase price of Group 2 units and is refundable to holders of these units as a return of capital. Being a capital item it is not liable to income tax, but must be deducted from the cost of units for capital gains tax purposes.

~ZI share classes launched on 15 March 2018.

The relevant periods for Group 2 units and the payment/transfer dates are shown below:

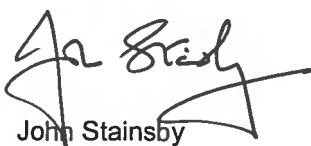
	Group 2 units		Group 1 & 2 units
	from	to	paid/transferred
Interim	01.10.17	31.03.18	31.05.18
Final	01.04.18	30.09.18	30.11.18

## DIRECTORS' APPROVAL

In accordance with the requirements of the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("COLL"), the contents of this report have been approved on behalf of AXA Investment Managers UK Limited by:



Philippe Le Barrois d'Orgeval  
Director  
6 December 2018



John Stainsby  
Director  
6 December 2018

## Statement of Manager's Responsibilities

### STATEMENT OF THE MANAGER'S RESPONSIBILITIES IN RELATION TO THE REPORT AND ACCOUNTS OF THE FUND

The Financial Conduct Authority's Collective Investment Schemes sourcebook requires the Authorised Fund Manager to prepare financial statements for each annual accounting year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland), of the financial affairs of the Fund and of its revenue and expenditure and capital gains/losses for the year.

In preparing the accounts the Manager is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with the disclosure requirements of the Statement of Recommended Practice for Authorised Fund's and the Trust Deed;
- follow applicable accounting standards;
- keep proper accounting records which enable it to demonstrate that the accounts prepared comply with the above requirements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Fund will continue in business.

The Manager is responsible for the management of the Fund in accordance with its Trust Deed, Prospectus and the Regulations, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## Report of the Trustee

### **STATEMENT OF THE TRUSTEE'S RESPONSIBILITIES AND REPORT OF THE TRUSTEE TO THE UNITHOLDERS OF AXA FRAMLINGTON UK MID CAP FUND FOR THE ANNUAL ACCOUNTING PERIOD TO 30 SEPTEMBER 2018**

The Trustee must ensure that the Scheme is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed and Prospectus (together "the Scheme documents") as detailed below.

The Trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Scheme and its investors.

The Trustee is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Scheme in accordance with the Regulations.

The Trustee must ensure that:

- the Scheme's cash flows are properly monitored and that cash of the Scheme is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Scheme are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Scheme's assets is remitted to the Scheme within the usual time limits;
- The Scheme's income is applied in accordance with the Regulations; and
- The instructions of the Authorised Fund Manager ("the AFM") are carried out (unless they conflict with the Regulations).

The Trustee also has a duty to take reasonable care to ensure that the Scheme is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Scheme.

Having carried out such procedures as we considered necessary to discharge our responsibilities as Trustee of the Scheme, it is our opinion, based on the information available to us and the explanations provided, that, in all material respects the Scheme, acting through the AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Scheme's units and the application of the Scheme income in accordance with the Regulations and the Scheme documents, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Scheme.

Trustee  
National Westminster Trustee and Depositary Ltd  
Edinburgh  
6 December 2018

## Report of the Independent Auditor

### INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF THE AXA FRAMLINGTON UK MID CAP FUND

#### OPINION

We have audited the financial statements of AXA Framlington UK Mid Cap Fund ("the Fund") for the year ended 30 September 2018 which comprise the Statement of Total Return, the Statement of Change in Net Assets attributable to Unitholders, Balance Sheet, Distribution Tables and the related Notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 30 September 2018 and of the net revenue and net gains on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

#### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### OTHER INFORMATION

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The Manager is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

## **OPINIONS ON OTHERS MATTERS PRESCRIBED BY THE RULES OF THE COLLECTIVE INVESTMENT SCHEMES SOURCEBOOK OF THE FINANCIAL CONDUCT AUTHORITY**

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Trust Deed;
- the information given in the Manager's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records.

## **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We have nothing to report in respect of the following matter in relation to which the Collective Investment Schemes Sourcebook of the Financial Conduct Authority rules requires us to report to you if, in our opinion:

- we have not received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

## **RESPONSIBILITIES OF THE MANAGER**

As explained more fully in the Statement of Manager's Responsibilities set out on page 32, the Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **USE OF OUR REPORT**

This report is made solely to the unitholders of the Fund, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the unitholders of the Fund those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the unitholders of the Fund as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP  
Statutory Auditor  
London  
6 December 2018

## Further Information

### REMUNERATION POLICY OF THE MANAGER

The Manager has approved and adopted AXA IM's Global Remuneration Policy, in accordance with the Regulations, which is consistent with, and promotes, sound and effective risk management; does not encourage risk-taking which is inconsistent with the risk profiles of the Fund's or the Trust Deeds, and does not impair compliance of the Manager's duty to act in the best interests of each of the Fund's.

AXA IM's Global Remuneration Policy, which has been approved by the AXA IM Remuneration Committee, sets out the principles relating to remuneration within all entities of AXA IM (including the Manager) and takes into account AXA IM's business strategy, objectives, and risk tolerance, as well as the long-term interests of AXA IM's shareholders, employees and clients (including the Fund's). The AXA IM Remuneration Committee is responsible for determining and reviewing the AXA IM remuneration guidelines, including the AXA IM Global Remuneration Policy, as well as reviewing the annual remuneration of senior executives of the AXA IM Group and senior officers in control functions.

AXA IM provides both fixed and variable remuneration. An employee's fixed remuneration is structured to reward organizational responsibility, professional experience and the individual's capability to perform the duties of the role. Variable remuneration is based on performance and may be awarded annually on both a non-deferred and, for certain employees, a deferred basis. Non-deferred variable remuneration may be awarded in cash or, where appropriate and subject to local laws and regulation, in instruments linked to the performance of AXA IM Fund's. Deferred remuneration is awarded through various instruments structured to reward medium and long-term value creation for clients and AXA IM and long-term value creation for the AXA Group. AXA IM ensures appropriate balances between fixed and variable remuneration and deferred and non-deferred remuneration.

Details of the up-to-date Global Remuneration Policy are published online at [www.axa-im-international.com/remuneration](http://www.axa-im-international.com/remuneration). This includes the description of how remuneration and benefits are awarded for employees, and further information on the AXA IM remuneration committee. A paper copy of the up-to-date Global Remuneration Policy is also available from the Manager free of charge upon request.

Following the implementation of UCITS V in the UK on 18 March 2016, all authorised UCITS Managers are required to comply with the UCITS V Remuneration Code from the start of their next accounting year. Under the UCITS V Directive (2014/91/EU), the Manager is required to disclose information relating to the remuneration paid to its staff for the financial year. The tables below provide an overview:

<b>Total amount of remuneration paid and / or allocated to all staff for the year ended December 31, 2017 <sup>(1)</sup></b>	
Fixed Pay <sup>(2)</sup> ('000 GBP)	214,496
Variable Pay <sup>(3)</sup> ('000 GBP)	227,109
Number of employees <sup>(4)</sup>	2,578

<sup>(1)</sup> Excluding social charges.

<sup>(2)</sup> Fixed Pay amount is based on post compensation review 2016 data.

<sup>(3)</sup> Variable compensation, includes:

- the amounts awarded for the performance of the previous year and fully paid over the financial year under review,
- deferred variable remuneration,
- and long-term incentives set up by the AXA Group.

<sup>(4)</sup> Number of employees includes Permanent and Temporary contracts excluding internships.

**Remuneration to Identified Employee:**

<b>Aggregate amount of compensation paid and / or allocated to risk takers and senior management whose activities have a significant impact on the risk profile of investment vehicles</b>			
	<b>Risk Takers</b>	<b>Senior Management</b>	<b>Total</b>
Fixed Pay and Variable Remuneration ('000 GBP)	88,640	113,414	202,054
Number of employees	233	113	346

**UK Identified Employee Remuneration:**

<b>Aggregate amount of compensation paid and / or allocated to risk takers and senior management in the UK Management Company whose activities have a significant impact on the risk profile of investment vehicles</b>			
	<b>Risk Takers</b>	<b>Senior Management</b>	<b>Total</b>
Fixed Pay and Variable Remuneration ('000 GBP)	8,777	11,231	20,008
Number of employees	43	28	71

**THE SECURITIES FINANCING TRANSACTIONS REGULATION**

The Securities Financing Transactions Regulation, as published by the European Securities and Markets Authority, aims to improve the transparency of the securities financing markets. Disclosures regarding exposure to Securities Financing Transactions (SFTs) or total return swaps will be required on all reports & accounts published after 13 January 2017. During the year to 30 September 2018 and at the balance sheet date, the Company did not use SFTs or total return swaps, as such no disclosure is required.

## Directory

### **The Manager**

AXA Investment Managers UK Limited  
7 Newgate Street  
London, EC1A 7NX

Authorised and regulated by the Financial Conduct Authority.  
Registered in England and Wales No. 01431068.  
The company is a wholly owned subsidiary of AXA S.A., incorporated in France.  
Member of the IA.

### **The Administrator and address for inspection of Register:**

DST Financial Services International Limited and DST Financial Services Europe Limited  
DST House  
St Nicholas Lane  
Basildon  
Essex, SS15 5FS  
Authorised and regulated by the Financial Conduct Authority.

### **Trustee**

National Westminster Trustee and Depositary Ltd\*  
Trustee and Depositary Services  
2nd Floor Drummond House  
1 Redheughs Avenue  
Edinburgh EH12 9RH  
Authorised and regulated by the Financial Conduct Authority.

### **Fund Accounting Administrator**

State Street Bank & Trust Company  
20 Churchill Place  
London, E14 5HJ  
Authorised and regulated by the Financial Conduct Authority.

### **Legal advisers**

Eversheds LLP  
One Wood Street  
London, EC2V 7WS

### **Auditor**

Ernst & Young LLP  
25 Churchill Place  
London, E14 5EY

### **Dealing and Correspondence**

PO Box 10908  
Chelmsford, CM99 2UT

Telephone Dealing & Enquiries 0345 777 5511  
IFA Dealing & Enquiries 0370 707 0073  
If you are calling from outside the UK, please call +44 1268 443976  
Our lines are open Monday to Friday between 9am and 5:30pm

\* Please note that due to changes in legislation which requires the largest UK banks to separate or 'ring-fence' core retail banking services from their investment business, the Trustee of the Framlington Unit Trust range has changed its legal entity from 'National Westminster Bank Plc' to 'National Westminster Trustee and Depositary Ltd'. The change became effective on the 15th October 2018.