

AXA Framlington UK Smaller Companies Fund Z GBP



DAN HARLOW

Fund Manager

Joined January 2010

Dan Harlow joined AXA IM in 2010 to manage the UK Smaller Companies fund.

He worked alongside Chris St John on the UK Smaller Companies fund from 2010 until Nov 2011. In November 2011 he was appointed co-manager of the AXA Framlington American Growth Fund. Dan returned to the UK Desk as lead portfolio manager of the AXA Framlington UK Smaller Companies fund in June 2016.

Prior to joining AXA IM, Dan was Head of UK equities at Montanaro Asset Management, managing UK small cap portfolios including the Montanaro UK Smaller Companies Investment Trust (obtaining a 24% cumulative outperformance of FTSE Small Cap ex IT benchmark from March 2006 to January 2010.) He was also Head of Fund Management and a Board Director.

Dan graduated from the University of Southampton in 1999 with a BA (Hons) in History. He completed an MSc in International Relations in 2000.

Objective

The aim of this Fund is to provide long-term capital growth.

Fund manager's commentary

Main changes to the portfolio during June

We initiated a new position in Diaceutics, which specialises in the rapidly emerging market of precision medicine. The diagnostic data the company has accumulated from over 2,500 laboratories around the world can be tailored to provide valuable insights for its pharmaceutical clients. This can be utilised to drive tremendous value by providing insights into drug development that can accelerate the time it takes a new product to get to market, as well as enhance its adoption.

Factors affecting performance during June

June saw significant outperformance by small-caps over their mid- and large-cap peers, led by stocks with lower-quality earnings and lower growth, which this portfolio looks to avoid. Ultimately, we viewed this a relief rally in a number of names whose survival has recently been assured, thanks to a combination of equity raises and supportive lenders. The portfolio's best performers included online music retailer, Gear4Music. The company reported an impressive improvement in gross margin and highlighted that it is enjoying a period of 'exceptional' demand: the shares rose almost 50%. There were also encouraging updates from Eco Animal Health, the animal pharmaceutical business, and semiconductor business IQE, which reported very encouraging trends in recent trading. Both shares were up over 20% in the month. On the downside, while pubs, restaurants and hairdressers were given the greenlight to reopen on 4 July, there was no clarity for gyms or bowling alleys. This disappointing news contributed to falls in Gym Group and Hollywood Bowl, which were both down about 10% in the month.

Current market influences and outlook

The market recognises that a genuine black swan event has rendered 2020 earnings largely an irrelevance. In many cases, with visibility extremely limited, earnings forecasts for the current year have been withdrawn. Instead, market focus is shifting to the length of the downturn and the shape of the recovery. While near-term macroeconomic data will continue to look bleak, recent strong market performance suggests that stock markets are now factoring in a second-half bounce-back in economic activity.

Quite how the country, and indeed the world, emerges from lockdown remains far from clear. The key as we move forward will be the pace of recovery in consumer and business confidence, with the former particularly fragile given the fact that almost a quarter of the workforce have been furloughed. We would anticipate further volatility in the months ahead. However, we remain consistent in our belief that dynamic younger companies that are not encumbered by legacy technology, onerous property leases, and are built around flexible and pragmatic business models, can and will prove to be the among most adept at navigating many of the challenges ahead.

Past performance is not a guide to future performance. The value of investments and the income from them can fall as well as rise and you may not get back the full amount originally invested. **Before investing you should read the fund's Key Investor Information Document (KIID) for full product details including investment risks and contact a financial adviser where unsure.**

Top 10 fund holdings

	Weight
SDL PLC	2.96%
DISCOVERIE GROUP PLC	2.61%
SPEEDY HIRE PLC	2.50%
JTC PLC	2.40%
GAMES WORKSHOP GROUP PLC	2.26%
GEAR4MUSIC HOLDINGS PLC	2.24%
FUTURE PLC	2.24%
CODEMASTERS GROUP HOLDINGS PLC	2.13%
ON THE BEACH GROUP PLC	2.12%
EKF DIAGNOSTICS HOLDINGS PLC	2.07%
Total*	23.53%
Total number of holdings	72
Turnover (1 rolling year)	21.76

* Total may not equal sum of top ten holdings weightings (above) due to rounding.

Stocks shown for information purposes only. They should not be considered as advice or a recommendation.

Turnover : (abs(purchase) + abs(sale) - abs(subscription - redemption)) / (2* average AUM)

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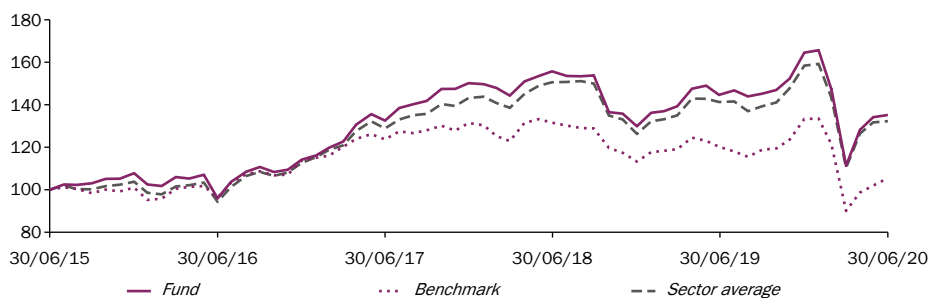
Discrete performance over 12 month periods to latest quarter end (%)

	30/06/15 - 30/06/16	30/06/16 - 30/06/17	30/06/17 - 30/06/18	30/06/18 - 30/06/19	30/06/19 - 30/06/20
AXA Framlington UK Smaller Companies Fund Z GBP	-4.1	38.2	17.5	-7.1	-6.6
Benchmark**	-3.7	28.4	6.4	-8.6	-12.3

Cumulative performance

	Fund (%)	Benchmark** (%)	Sector median*** (%)	Ranking	Quartile
6 M.	-17.8	-20.9	-17.5	28/51	3
Year to date	-17.8	-20.9	-17.5	28/51	3
1 Y.	-6.6	-12.3	-6.3	27/51	3
3 Y.	2.0	-14.8	4.4	28/47	3
5 Y.	35.2	5.4	33.4	23/46	2

Cumulative performance over five years



Source: AXA Investment Managers and Morningstar. Figures are quoted on single price basis, net of [R] share class fees and expenses with net income reinvested, in GBP. Performance takes into account ongoing charges but not any initial charge that may be payable. Between 8/9/2014 and 6/10/2014, AXA Framlington Authorised Unit Trusts moved to a single pricing basis (Net Asset Value - NAV), prior to this, they were on a dual pricing basis (bid to bid). 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.

**Benchmark is the FTSE Small Cap ex Investment Companies. The benchmark index is shown for comparison purposes only. The fund manager has full discretion to select investments for the fund in line with the fund's investment policy and in doing so may take into consideration the benchmark index.

***The fund's peer group sector is the IA UK Smaller Companies.

The breakdowns provided look through to the underlying investments (including cash) of any in-house collective investment schemes held by the fund. Breakdowns may not sum to 100% due to rounding.

Market Cap Allocation

	%
FTSE 250	15.05
FTSE SmallCap	41.32
FTSE Fledgling	0.28
FTSE AIM	39.59
Other & AIM Exchange	2.18
Cash	1.59

Sector Allocation

	%
Industrials	21.73
Consumer Services	20.15
Technology	14.78
Consumer Goods	13.88
Health Care	13.30
Financials	11.23
Oil & Gas	2.05
Basic Materials	1.30
Cash	1.59

Sources: AXA Investment Managers UK Limited and Morningstar. Unless otherwise stated all data shown is at 30/06/2020.

Fund facts

Fund type	Unit Trust
Fund size	£182.9m
Underlying Yield*	0.43%
Launch date	06/04/01
IA Sector	UK Smaller Companies
Currencies available	GBP
Dealing day	09:00 to 17:30 business hours
Valuation point	12:00 London time

* Net of tax, net of expenses. All information in this factsheet relates to unit class Z only. The underlying yield reflects the annualised income net of expenses of the fund as a percentage of the mid-market unit price of the fund as at the date shown. It is based on a snapshot of the portfolio on that day. It does not include any initial charge and investors may be subject to tax on distributions.

Investment information

Initial charge	Nil%
Ongoing charges	0.84%
Min initial investment	£100,000
Min subsequent investment	£5,000
ISA status	Eligible

Fund codes

Sedol	accumulation	B7MMLM1
	income	BRJZVS9
ISIN	accumulation	GB00B7MMLM18
	income	GB00BRJZVS95
MEX	accumulation	FRUKSA
	income	FRUKSI
Valoren	accumulation	1238245
	income	1238414
Bloomberg	accumulation	FRUKSMA LN
	income	FRUKSMI LN

Income payments

Accounting Final	30 Apr
Ref Dates	
Interim	31 Oct
Distributions Final	30 Jun
Interim	31 Dec

Calendar year	Net income (p)
2015	0.27
2016	1.23
2017	1.50
2018	0.95
2019	1.22