Annual Long Report and Audited Financial Statements

Year ended

15 December 2018

AXA Framlington Managed Income Fund

INVESTMENT MANAGERS

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. Telephone calls may be recorded or monitored for quality assurance purposes.

Fund Objective

The aim of this AXA Framlington Managed Income Fund ("the Fund") is to produce a high income with potential for long-term growth of capital.

The Fund invests primarily in bonds issued by companies (principally UK companies) which the Manager believes will provide above average income. The Fund may also invest in bonds issued by governments and shares of companies. The Manager selects bonds and shares based upon analysis of a company's financial status, quality of its management, expected profitability and prospects for growth.

Investment Review

Top Ten Holdings as at 15 December 2018	%
UK Treasury 4.5% 07/03/19 *Financials*	**3.42**
TP ICAP 5.25% 26/01/24 *Financials*	**1.96**
HSBC Bank Capital Funding 5.862% Perpetual *Financials*	**1.92**
Legal & General 5.875% Perpetual *Financials*	**1.84**
Arrow Global Finance 5.125% 15/09/24 *Financials*	**1.80**
Premier Oil 5% 31/05/21 *Oil & Gas*	**1.70**
Amigo Luxembourg 7.625% 15/01/24 *Financials*	**1.66**
Prudential 5% 20/07/55 *Financials*	**1.65**
Direct Line Insurance 4.75% Perpetual *Financials*	**1.65**
AA Bond 5.5% 31/07/22 *Financials*	**1.62**

Over the year, there was a material change to investors' expectations for the global economy. At the beginning of the period, prospects looked very well respectable, with growth expected in all key economies. In particular, the outlook for the US was strong, with the tax breaks introduced by President Trump adding fuel to an already strong economy. By the year-end, sentiment had changed, with growing expectations that the US Federal Reserve (Fed) would have to reverse some of their interest rate increases over the next year.

The introduction of tariffs by the US had an impact. Initially, this was beneficial to demand as companies added additional stocks in advance of the introduction. Subsequently, there was a degree of unwinding of these stocks. The strong growth in the US led to strong jobs creation and a pickup in wage inflation to above 4%. The Fed responded by raising rates with a fourth 0.25% increase for 2018 being announced shortly after the period-end.

In addition, the Fed continued its policy of quantitative tightening (QT), with the rate of tightening increasing from $30 billion to $50 billion one month into the fourth quarter of the year. This combination of interest rate rises and QT has never been undertaken before. This causes uncertainty as to how quickly financial conditions are tightening.

The Chinese economy shared signs of a slowing growth rate towards the end of the year as the trade dispute with the US damaged confidence. In addition, there was evidence of some financials stress with rising defaults.

Europe saw steady growth with similar signs of some weakness later in the year. The German economy was also affected by the damage by trade tariffs. In addition, the auto industry suffered from the introduction of new testing standards following new emissions standards. Italy tried to introduce a budget that breached EU rules. French President Macron saw a dramatic collapse in popularity as some of his policies had a material impact on rural communities. This led to a series of demonstrations, which damaged confidence.

The UK economy is dominated by the ongoing saga of Brexit. The House of Commons was very divided with a combination of avid Brexiteers, members who accepted the decisions of the people and members who are arguing for another referendum as current proposals are unpalatable. Prime Minister Theresa May has doggedly ploughed her path with virtually no prospect of her proposal agreement receiving approval. At the year-end, the likely outcome was very unclear.

Given this background, it is not surprising that growth was subdued. Some investment decisions were delayed. Despite this, the numbers in employment increased and there were some signs of wage increases. This strength allowed the Bank of England to raise interest rates again by 0.25% to 0.75%. The future course of interest rates will be Brexit-outcome dependent.

As growth expectations peaked in the early months of the year, these were clear threats of a rise in inflation. In addition, to wage increases, the rise in the price of oil and other commodities began to cause price rises. The Brent oil price peaked at over $80 in early October and then collapsed to around $60 at the year-end.

The change in expectations for growth rates and potential interest rate rises was well illustrated by the US 10-year Treasury yield. From a start point of 2.5%, rates rose to above 3.25% in the Autumn. As economic indication deteriorated, rates fell to around 2.9%.

The change in economic outlook was also reflected in the yield of riskier bonds as credit spreads widened. This was more noticeable in the sub-investment area of the market. In addition, certain sectors such as retail, real estate and oil-related bonds saw pressure.

For many of the bonds held in the portfolio, the period saw their prices fall more than wiping out their annual increase. Financial related bonds were more adversely affected. Bonds such as AA, Arrow Global, E-sure, TP ICAP and Generali saw significant weakness. As always, any bond where the underlying issuer has poor trading was badly affected. This was evident in Debenhams and Dignity Finance. In the latter case, the holding was increased after the weakness. New holdings were purchased in Amigo Loans, BAT, Care UK, Credit Agricole, Direct Line, Go Ahead and New River Retail and Regional REIT bonds. The Premier Foods bonds were redeemed, and a new bond was issued which was purchased. The CLS, Grainger, HSS Financing bonds and Lone Star Resources were redeemed. During the year, relatively high levels of cash and short-dated gilts were held, which limited the downside.

Many of the equity holdings held up well and produced positive returns for the year. The property related shares saw weakness. New holdings were purchased Hipgnosis Songs, LXI REIT, M&G Credit Income and Tufton Oceanic Assets.

Over the year, the Fund produced an overall return of -1.55% (Z Acc Gross), ahead of that of the strategic bond sector which fell 2.16%.

Outlook

The outcome of the Brexit process will have a large influence on the UK economy. We believe a ‘no-deal’ Brexit would probably lead to a UK recession and a rise in corporate stress. This outcome would likely have an adverse impact on Europe. There is also political stress in the US with the government in partial shutdown. This, coupled with the country’s relationship with China, will largely depend on President Trump, who is unpredictable. Following weakness, many bonds are beginning to offer attractive running yields. High volatility is likely to persist producing some interesting opportunities.

George Luckraft
15 December 2018

Source of all performance data: AXA Investment Managers and Lipper to 15 December 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, net of withholding tax. Performance is representative of Z Acc Class.

Portfolio Changes

For the year ended 15 December 2018

Major Purchases	Cost (£)
BAT International Finance 2.5% 09/09/52	10,187,618
Direct Line Insurance 4.75% Perpetual	9,695,375
Amigo Luxembourg 7.625% 15/01/24	9,405,016
Premier Foods Finance 6.25% 15/10/23	7,647,849
UK Treasury 3.75% 07/09/19	7,199,960
Lloyds Bank 5.75% 09/07/25	6,209,540
Care UK Health & Social Care FRN 5.8129% 15/07/19	5,990,500
Scottish Widows 7% 16/06/43	5,925,445
Investec Bank 4.25% 24/07/28	5,460,211
Go-Ahead 2.5% 06/07/24	4,924,250
Other purchases	106,117,459
Total purchases for the year	**178,763,223**

Major Sales	Proceeds (£)
Premier Foods Finance 6.5% 15/03/21	8,638,125
Lonestar Resources America 8.75% 15/04/19	4,931,942
Provident Financial 8% 23/10/19	4,860,000
Investec Bank 9.625% 17/02/22	3,645,390
Barclays Variable Perpetual	3,000,000
Grainger 5% 16/12/20	2,741,550
HSS Financing 6.75% 01/08/19	2,720,000
Enterprise Funding 3.5% 10/09/20	1,070,000
Keystone Financing 9.5% 15/10/19	950,570
Carador Income Fund	634,605
Other sales	1,666,521
Total sales for the year	**34,858,703**

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 bonds issued by companies (predominantly UK companies) which the Manager believes will provide above-average income. The Fund may also invest in bonds issued by governments and shares of companies. The Manager selects bonds and shares based upon analysis of a company's financial status, quality of its management, expected profitability and prospects for growth.

CREDIT RISK

All bonds have a potential credit risk, in that the issuer could default on its obligations to pay income and/or capital. An issuer default would likely result in a large drop in the value of that bond. The value of a bond will also be affected by the perceived credit risk of the issuer, including changes to credit ratings and the general level of aversion to credit risk in the market. Generally, an increased level of perceived credit risk leads to a fall in the value of the bond, and vice versa. Credit risk can be measured by ratings assigned to issuers of bonds by third party credit rating agencies. The largest credit rating agencies are Moody's, Standard & Poor's and Fitch Ratings. Each credit rating agency uses different designations. The highest designation (Aaa (Moody's), AAA (Standard & Poor's and Fitch Ratings)) are intended to represent a lower probability of default of the issuer. The credit rating agencies designate "investment grade" bonds as Baa3 or above (Moody's) or BBB- or above (Standard & Poor's or Fitch Ratings). See further below under "High yield bonds risk".

Internal investment guidelines are set, if necessary, to ensure credit risk is maintained within a range deemed suitable based on the Fund's investment objectives and investment policy. These guidelines could include credit quality indicators, measures of sensitivity to credit spread moves and diversification measures.

HIGH YIELD BOND RISK

High yield bonds (also known as sub-investment grade bonds) are fixed interest securities issued by companies with lower credit ratings (Ba1 and below (Moody's) or BB+ and below (Standard & Poor's and Fitch Ratings)). They are potentially more risky than investment grade bonds which have higher ratings. The issuers of high yield bonds will be at greater risk of default or ratings downgrades. The capital value of a funds investment in high yield bonds and the level of income it receives may fall as a result of such issuers ceasing to trade. A Fund will endeavour to mitigate the risks associated with high yield bonds, by diversifying their holdings by issuer, industry and credit quality.

This is an inherent risk for funds invested within high yield bonds. Internal investment guidelines (which may include measures of credit quality, measures of sensitivity to credit spread moves and diversification measures), scenario testing as well as other regular monitoring seek to ensure the level of the risk is aligned with the Fund's investment objectives and investment policy.

CONVERTIBLE BONDS RISK

The Fund may invest in convertible bonds which are fixed interest securities issued by companies which may be converted either at a stated price or stated rate for shares in the issuing company at specified times during the life of the convertible bonds. Although to a lesser extent than with fixed interest securities generally, the market value of convertible securities tends to decline as interest rates rise. Because of the conversion feature, the market value of convertible securities also tends to vary with fluctuations in the market value of the underlying shares. Convertible bonds may also have call provisions and other features which may give rise to the issuing company forcibly converting them to shares. The value and performance of the Fund may also be adversely affected as a result.

Investments in convertible bonds are subject to the same interest rate, credit and prepayment risks associated with comparable conventional corporate bonds. The Net Asset Value of the Fund may be adversely affected as a result of such risks.

This is an inherent risk for funds invested within convertible bonds. Internal investment guidelines, 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.

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.

INTEREST RATE RISK

Interest rate risk is the risk that the market value of bonds held by the Fund could fall as a result of higher market rates (yields). Yields can change as a result of, among other things, the economic and inflation outlook which also affects supply and demand as well as future interest rate expectations, without necessarily a change in official central bank short term interest rates. Higher yields result in a decline in the value of bonds. Conversely, lower yields tend to increase the value of bonds. Duration (a measure based on the coupon and maturity payments schedule of a bond) is an important concept in understanding how the price of that bond might change for a 1% move in its redemption yield. A bond with a longer duration is more sensitive to a change in yields and, generally speaking, will experience greater volatility in its market value than bonds with shorter durations.

Internal investment guidelines are set if necessary to ensure interest rate risk is maintained within a range deemed suitable based on the Fund's investment objectives and investment policy. These guidelines could include measures of sensitivity to changes of interest rates.

PREPAYMENT AND EXTENSION RISK

Prepayment risk is the risk associated with the early unscheduled return of capital (i.e., repayment of the debt) by the issuer on a bond. Prepayment generally occurs in a declining interest rate environment. When capital is returned early, no future interest payments will be paid on that part of the capital. If the bond was purchased at a premium (i.e., at a price greater than the value of the capital), the return on the bond will be less than what was estimated at the time of purchase.

The opposite of prepayment risk is extension risk which is the risk of a bond's expected maturity lengthening in duration due to a slowdown in prepayments of capital. Extension risk is mainly the result of rising interest rates. If the bond was purchased in anticipation of an early repayment of capital, an extension of the maturity could impact the price of the bond.
The portfolio tends to hold a mixture of callable and non-callable positions.

RISK AND REWARD PROFILE

Lower Risk Higher Risk

Potentially lower reward Potentially higher reward

1	2	3	4	5	6	7

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 15 December 2018, the price of Z Accumulation units, with net income reinvested, rose by +27.24%. The IA sterling Strategic Bond Index (Net Return) increased by +16.31% over the same time period. During the same period, the price of Z Income units, with zero income reinvested, rose by +0.28% (Source: AXA Investment Managers and Lipper) (Prices in GBP).

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

Date	AXA Framlington Managed Income Z Acc Gross	IA sterling Strategic Bond NR
15 Dec 2013 to 15 Dec 2014*	+6.30%	+5.66%
15 Dec 2014 to 15 Dec 2015	+1.61%	+0.15%
15 Dec 2015 to 15 Dec 2016	+10.49%	+6.17%
15 Dec 2016 to 15 Dec 2017	+8.30%	+5.82%
15 Dec 2017 to 15 Dec 2018	-1.55%	-2.16%

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

* Performance Calculation: Single price basis (NAV) from 22/09/2014 and bid prices 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 (Gross)	5.22%	Z Inc (Gross)	5.21%
R Acc (Gross)	5.13%	Z Acc (Gross)	5.12%

CHARGES

	Initial Charge	Annual Management Charge
R	Nil	1.00%
Z	Nil	0.50%

ONGOING CHARGES**

R Inc (Gross)	1.09%	Z Inc (Gross)	0.59%
R Acc (Gross)	1.09%	Z Acc (Gross)	0.59%

**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 Managed Income 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 Net+ 15/12/2018 (p)	R Inc Net+ 15/12/2017 (p)	R Inc Net+ 15/12/2016 (p)	R Acc Net+ 15/12/2018 (p)	R Acc Net+ 15/12/2017 (p)	R Acc Net+ 15/12/2016 (p)
Opening net asset value per unit†	142.26	138.41	132.17	986.56	912.12	830.28
Return before operating charges^	1.76	12.79	15.98	12.27	84.96	101.85
Operating charges	(1.27)	(1.57)	(1.48)	(8.93)	(10.52)	(9.47)
Return after operating charges^	0.49	11.22	14.50	3.34	74.44	92.38
Transfer to gross unit class	(138.40)	-	-	(989.90)	-	-
Distributions	(4.35)	(7.37)	(8.26)	(30.90)	(49.29)	(52.70)
Retained distributions on accumulation units	-	-	-	30.90	49.29	42.16
Closing net asset value per unit†	**-**	**142.26**	**138.41**	**-**	**986.56**	**912.12**
*^after direct transaction costs of:	0.00	0.01	0.01	0.02	0.05	0.06
Performance						
Return after charges	0.34%	8.10%	10.97%	0.34%	8.16%	11.13%
Other information						
Closing net asset value†	-	6,014,881	6,597,643	-	35,868,994	32,751,878
Closing number of units	-	4,228,144	4,766,696	-	3,635,771	3,590,745
Operating charges	-	1.09%	1.09%	-	1.09%	1.09%
Direct transaction costs*	0.00%	0.01%	0.01%	0.00%	0.01%	0.01%
Prices						
Highest unit price #	144.30	146.50	142.70	1,001.00	994.90	925.40
Lowest unit price #	138.30	139.60	128.50	983.50	919.80	806.90

Comparative Tables (Continued)

	R Inc Gross			R Acc Gross		
Change in net assets per unit	**15/12/2018 (p)**	**15/12/2017 (p)**	**15/12/2016 (p)**	**15/12/2018 (p)**	**15/12/2017 (p)**	**15/12/2016 (p)**
Opening net asset value per unit†	112.85	109.80	104.84	166.92	154.36	138.80
Return before operating charges^	(1.05)	10.13	12.68	(1.63)	14.34	17.14
Operating charges	(1.14)	(1.24)	(1.16)	(1.76)	(1.78)	(1.58)
Return after operating charges^	(2.19)	8.89	11.52	(3.39)	12.56	15.56
Distributions	(5.61)	(5.84)	(6.56)	(8.44)	(8.34)	(8.87)
Retained distributions on accumulation units	-	-	-	8.44	8.34	8.87
Closing net asset value per unit†	**105.05**	**112.85**	**109.80**	**163.53**	**166.92**	**154.36**
*^after direct transaction costs of:	0.00	0.01	0.01	0.00	0.01	0.01
Performance						
Return after charges	-1.94%	8.10%	10.99%	-2.03%	8.14%	11.21%
Other information						
Closing net asset value†	5,404,951	64,244	38,512	35,850,092	1,292,398	1,212,607
Closing number of units	5,145,001	56,929	35,076	21,922,662	774,261	785,574
Operating charges	1.09%	1.09%	1.09%	1.09%	1.09%	1.09%
Direct transaction costs*	0.00%	0.01%	0.01%	0.00%	0.01%	0.01%
Prices						
Highest unit price #	114.50	115.70	113.60	169.40	168.40	156.50
Lowest unit price #	107.20	110.70	102.10	164.30	155.70	135.20

Comparative Tables (Continued)

Change in net assets per unit	Z Inc Net+ 15/12/2018 (p)	Z Inc Net+ 15/12/2017 (p)	Z Inc Net+ 15/12/2016 (p)	Z Acc Net+ 15/12/2018 (p)	Z Acc Net+ 15/12/2017 (p)	Z Acc Net+ 15/12/2016 (p)
Opening net asset value per unit†	119.96	116.12	110.33	157.60	144.99	131.31
Return before operating charges^	1.52	10.76	13.38	1.97	13.52	16.17
Operating charges	(0.58)	(0.72)	(0.68)	(0.77)	(0.91)	(0.82)
Return after operating charges^	0.94	10.04	12.70	1.20	12.61	15.35
Transfer to gross unit class	(117.30)	-	-	(158.80)	-	-
Distributions	(3.60)	(6.20)	(6.91)	(4.50)	(7.85)	(8.36)
Retained distributions on accumulation units	-	-	-	4.50	7.85	6.69
Closing net asset value per unit†	**-**	**119.96**	**116.12**	**-**	**157.60**	**144.99**
*^after direct transaction costs of:	0.00	0.01	0.01	0.00	0.01	0.01
Performance						
Return after charges	0.78%	8.64%	11.51%	0.76%	8.70%	11.69%
Other information						
Closing net asset value†	-	95,276,340	61,166,092	-	269,800,936	176,505,337
Closing number of units	-	79,424,013	52,674,470	-	171,198,842	121,736,673
Operating charges	-	0.59%	0.59%	-	0.59%	0.59%
Direct transaction costs*	0.00%	0.01%	0.01%	0.00%	0.01%	0.01%
Prices						
Highest unit price #	121.70	123.50	119.70	160.10	158.90	147.00
Lowest unit price #	117.20	117.10	107.30	157.30	146.20	127.70

Comparative Tables (Continued)

Change in net assets per unit	Z Inc Gross 15/12/2018 (p)	Z Inc Gross 15/12/2017 (p)	Z Inc Gross 15/12/2016 (p)	Z Acc Gross 15/12/2018 (p)	Z Acc Gross 15/12/2017 (p)	Z Acc Gross 15/12/2016 (p)
Opening net asset value per unit†	119.96	116.12	110.32	166.77	153.43	137.28
Return before operating charges^	(1.09)	10.73	13.40	(1.63)	14.30	17.01
Operating charges	(0.67)	(0.71)	(0.68)	(0.96)	(0.96)	(0.86)
Return after operating charges^	(1.76)	10.02	12.72	(2.59)	13.34	16.15
Distributions	(5.98)	(6.18)	(6.92)	(8.45)	(8.31)	(8.79)
Retained distributions on accumulation units	-	-	-	8.45	8.31	8.79
Closing net asset value per unit†	**112.22**	**119.96**	**116.12**	**164.18**	**166.77**	**153.43**
*^after direct transaction costs of:	0.00	0.01	0.01	0.00	0.01	0.01
Performance						
Return after charges	-1.47%	8.63%	11.53%	-1.55%	8.69%	11.76%
Other information						
Closing net asset value†	121,087,309	7,087,957	5,224,649	382,557,681	18,195,533	12,274,382
Closing number of units	107,898,603	5,908,604	4,499,246	233,016,247	10,910,416	7,999,957
Operating charges	0.59%	0.59%	0.59%	0.59%	0.59%	0.59%
Direct transaction costs*	0.00%	0.01%	0.01%	0.00%	0.01%	0.01%
Prices						
Highest unit price #	121.80	122.80	120.20	169.40	168.10	155.60
Lowest unit price #	114.50	117.10	107.50	164.90	154.70	133.80

† 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.

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

+ Net unit classes converted into gross unit classes at 12 October 2018.

Portfolio Statement

The AXA Framlington Managed Income Fund portfolio as at 15 December 2018 consisted of the following investments, which are ordinary shares unless otherwise stated.

Holding			Market value (£)	Total net assets (%)
		UNITED KINGDOM: 89.17% (15/12/2017: 86.04%)		
		BASIC MATERIALS: 1.71% (15/12/2017: 2.05%*)		
		Industrial Metals & Mining: 1.71% (15/12/2017: 2.05%*)		
£7,500,000		Rio Tinto Finance 4% 11/12/29	8,612,145	1.58
$900,000		Shanta Gold 13.5% 13/04/19	704,245	0.13
			9,316,390	**1.71**
		CONSUMER DISCRETIONARY: 0.88% (15/12/2017: 1.20%)		
		Media: 0.88% (15/12/2017: 1.20%)		
£2,600,000		Eros International 6.5% 15/10/21	2,300,090	0.42
£4,750,000		Johnston Press 8.625% 01/06/19	2,492,562	0.46
			4,792,652	**0.88**
		CONSUMER GOODS: 2.94% (15/12/2017: 0.00%)		
		Food Producers: 1.35% (15/12/2017: 0.00%)		
£7,500,000		Premier Foods Finance 6.25% 15/10/23	7,338,750	1.35
257,143	[1]	Sorbic International	-	-
£230,000	[1]	Sorbic International 10% 31/12/14	-	-
			7,338,750	**1.35**
		Tobacco: 1.59% (15/12/2017: 0.00%)		
£13,250,000		BAT International Finance 2.5% 09/09/52	8,642,142	1.59
			8,642,142	**1.59**
		CONSUMER SERVICES: 1.60% (15/12/2017: 4.45%*)		
		General Retailers: 0.62% (15/12/2017: 3.19%)		
£5,000,000		Debenhams 5.25% 15/07/21	3,369,200	0.62
			3,369,200	**0.62**
		Travel & Leisure: 0.98% (15/12/2017: 1.26%*)		
£5,000,000		EI 6% 06/10/23	5,315,650	0.98
			5,315,650	**0.98**

Holding			Market value (£)	Total net assets (%)
		FINANCIALS: 70.59% **(15/12/2017: 67.66%*)**		
		Banks: 8.56% **(15/12/2017: 6.42%)**		
£1,000,000		Bank of Ireland 13.375% Perpetual	1,927,500	0.35
£438,000		Barclays Bank 7.125% Perpetual	462,090	0.08
£4,500,000		Barclays 7% Perpetual	4,387,500	0.81
£4,250,000		Barclays 5.875% Perpetual	3,840,937	0.70
£4,000,000		Credit Agricole 7.5% Perpetual	4,149,280	0.76
£10,250,000		HSBC Bank Capital Funding 5.862% Perpetual	10,442,316	1.92
£5,500,000		Investec Bank 4.25% 24/07/28	5,320,359	0.98
£1,500,000	1	Lambay Capital Securities 6.25% Perpetual	-	-
£5,750,000		Lloyds Bank 5.75% 09/07/25	5,997,388	1.10
£1,312,000		Lloyds Banking 7.625% Perpetual	1,346,519	0.25
£1,162,000		Lloyds Banking 7.875% Perpetual	1,244,792	0.23
£4,540,000		OneSavings Bank 9.125% Perpetual	4,522,975	0.83
£3,000,000		Santander 7.375% Perpetual	3,005,580	0.55
			46,647,236	**8.56**
		Diversified Financials: 3.06% **(15/12/2017: 3.39%)**		
£5,824,000		Close Brothers 4.25% 24/01/27	6,003,146	1.10
£11,500,000		TP ICAP 5.25% 26/01/24	10,695,575	1.96
			16,698,721	**3.06**
		Equity Investment Instruments: 6.41% **(15/12/2017: 5.56%*)**		
2,500,000		Axiom European Financial Debt Fund	2,225,000	0.41
2,600,000		BioPharma Credit	2,194,967	0.40
1,000,000		Blackstone GSO Loan Financing	728,039	0.13
390,000		Chelverton Small Cos Dividend Trust	682,500	0.13
1,500,000		CVC Credit Partners European Opportunities	1,657,500	0.30
2,181,773		Fair Oaks Income	1,424,860	0.26
1,600,000		Foresight Solar Fund	1,728,000	0.32
1,500,000		Funding Circle SME Income Fund	1,260,000	0.23
1,861,698		GCP Asset Backed Income Fund	1,954,783	0.36
558,509		GCP Asset Backed Income Fund	562,418	0.10
1,200,000		Greencoat UK Wind	1,495,200	0.28
1,997,550		Hadrians Wall Secured Investments	1,917,648	0.35
2,000,000		Hipgnosis Songs Fund	2,140,000	0.39
2,000,000		Impact Healthcare^	2,020,000	0.37
2,450,000		John Laing Environmental Assets	2,548,000	0.47
2,250,000		NextEnergy Solar Fund	2,486,250	0.46
100,000		P2P Global Investments	797,000	0.15
3,001,922		RM Secured Direct Lending	3,001,922	0.55
1,500,000		SQN Asset Finance Income Fund	1,410,000	0.26
3,250,000		Tufton Oceanic Assets	2,691,940	0.49
			34,926,027	**6.41**

Holding			Market value (£)	Total net assets (%)
		Financial Services: 9.36% (15/12/2017: 6.63%*)		
£9,250,000		Amigo Luxembourg 7.625% 15/01/24	9,045,020	1.66
91,174	1	Claremont Partners	-	-
5,250,000		Duke Royalty	2,310,000	0.42
3,500,000		GLI Finance	297,500	0.05
£3,000,000		Intermediate Capital 6.25% 19/09/20	3,123,900	0.57
£4,600,000		Ladbrokes Group Finance 5.125% 16/09/22	4,766,796	0.88
£2,500,000		Ladbrokes Group Finance 5.125% 08/09/23	2,534,525	0.47
£1,000,000		Lendinvest Secured Income 5.375% 06/10/23	982,500	0.18
3,000,000		M&G Credit Income Investment Trust	3,060,000	0.56
£7,000,000		NGG Finance 5.625% 18/06/73	7,385,000	1.36
£4,167,000		Provident Financial 7% 04/06/23	4,185,057	0.77
2,000,000		Real Estate Credit Investments	3,300,000	0.61
£2,000,000		Scottish Widows 5.5% 16/06/23	2,168,782	0.40
£5,000,000		Scottish Widows 7% 16/06/43	5,734,912	1.05
2,750,000		VPC Specialty Lending Investments	2,095,500	0.38
			50,989,492	**9.36**
		General Financials: 25.92% (15/12/2017: 28.83%*)		
£11,000,000		AA Bond 5.5% 31/07/22	8,833,000	1.62
£1,200,000		APQ Global 3.5% 30/09/24	1,140,000	0.21
£11,000,000		Arrow Global Finance 5.125% 15/09/24	9,792,200	1.80
£4,500,000		Burford Capital 5% 01/12/26	4,388,265	0.80
£3,700,000		Burford Capital 6.5% 19/08/22	3,838,528	0.70
$3,000,000		Burford Capital Finance 6.125% 12/08/25	2,324,785	0.43
£1,499,000	1	Cattles 6.875% 17/01/14	-	-
£8,000,000		Centrica 5.25% 10/04/75	7,850,000	1.44
£380,000		Coventry Building Society 12.125% Perpetual	710,600	0.13
£6,500,000		Dignity Finance 4.6956% 31/12/49	5,763,940	1.06
£1,000,000		First Hydro Finance 9% 31/07/21	1,176,850	0.22
£6,000,000		Friends Life 8.25% 21/04/22	7,028,989	1.29
£4,000,000		Imperial Brands Finance 4.875% 07/06/32	4,379,613	0.80
€3,500,000		International Personal Finance 5.75% 07/04/21	2,787,219	0.51
£5,823,400		International Personal Finance 6.125% 08/05/20	5,593,376	1.03
£3,650,000		Intu SGS Finance 4.25% 17/09/30	3,549,888	0.65
£10,000,000		Legal & General 5.875% Perpetual	10,001,500	1.84
£2,328,000		Lendinvest Secured Income 5.25% 10/08/22	2,289,588	0.42
£7,500,000		Marston's Issuer 5.641% 15/07/35	6,131,250	1.12
£6,000,000		Nationwide Building Society 6.875% Perpetual	6,044,520	1.11
£1,000,000		Nationwide Building Society 6.25% Perpetual	1,098,580	0.20
£2,750,000		Paragon Banking 6.125% 30/01/22	2,840,255	0.52
£9,000,000		Prudential 5% 20/07/55	8,989,507	1.65
£1,285,000		Rothschild Continuation Finance 9% Perpetual	1,580,589	0.29
2,500,000		Sdcl Energy Efficiency Income Trust	2,500,000	0.46
£5,000,000		Stonegate Pub Co Financing 4.875% 15/03/22	4,827,300	0.89
£7,000,000		UK Treasury 3.75% 07/09/19	7,149,030	1.31
£18,500,000		UK Treasury 4.5% 07/03/19	18,652,810	3.42
			141,262,182	**25.92**

Holding		Market value (£)	Total net assets (%)
	Insurance: 7.24% (15/12/2017: 6.78%)		
£540,242	BrightHouse Finco 9% 15/05/23	426,791	0.08
£2,500,000	Brit Insurance 6.625% 09/12/30	2,503,375	0.46
£1,540,402	Delamare Finance 5.5457% 19/02/29	1,724,711	0.32
£11,000,000	Direct Line Insurance 4.75% Perpetual	8,978,310	1.65
£750,000	Ecclesiastical Insurance 8.625% Perpetual	1,027,500	0.19
£6,000,000	esure 6.75% 19/12/24	6,164,580	1.13
£6,000,000	Liverpool Victoria Friendly Society 6.5% 22/05/43	6,316,150	1.16
293,333	Phoenix	1,652,345	0.30
£5,563,000	Phoenix 6.625% 18/12/25	5,673,008	1.04
£2,650,000	Phoenix Life 7.25% Perpetual	2,726,188	0.50
£2,000,000	RSA Insurance 7.375% Perpetual	2,260,000	0.41
		39,452,958	**7.24**
	Non-equity Investment Instruments: 1.03% (15/12/2017: 1.38%*)		
1,000,000	Duet Real Estate Finance	500	-
228,404	Honeycomb Investment Trust	2,535,284	0.46
2,500,000	SQN Secured Income Fund	2,275,000	0.42
1,000,000	Tufton Oceanic Assets	804,396	0.15
		5,615,180	**1.03**
	Real Estate: 9.01% (15/12/2017: 8.67%*)		
£2,250,000	A2D Funding 4.75% 18/10/22	2,424,712	0.44
£1,600,000	A2D Funding II 4.5% 30/09/26	1,764,416	0.32
£4,000,000	CRH Finance 4.125% 02/12/29	4,372,224	0.80
1,500,000	Ediston Property Investment^	1,494,000	0.27
£1,500,000	Helical Bar Jersey 4% 17/06/19	1,501,260	0.28
£1,800,000	Intu Jersey 2 2.875 01/11/22	1,520,478	0.28
£3,000,000	Kennedy Wilson Europe Real Estate 3.95% 30/06/22	2,991,480	0.55
1,640,000	LXI^	1,968,000	0.36
290,000	NewRiver^	624,950	0.11
£4,750,000	NewRiver 3.5% 07/03/28	4,495,716	0.83
£1,725,560	Peterborough Progress Health 5.581% 02/10/42	1,948,986	0.36
£1,500,000	Primary Health Properties 5.375% 23/07/19	1,514,670	0.28
£3,000,000	Principality Building Society 7% Perpetual	3,008,940	0.55
5,500,000	PRS^	5,368,000	0.99
1,250,000	Regional^	1,170,000	0.21
£4,750,000	Regional 4.5% 06/08/24	4,720,930	0.87
£6,310,714	Tesco Property Finance 3 5.744% 13/04/40	7,081,442	1.30
£1,075,000	UNITE 6.125% 12/06/20	1,128,632	0.21
		49,098,836	**9.01**
	HEALTH CARE: 1.24% (15/12/2017: 0.20%)		
	Health Care Equipment & Services: 1.09% (15/12/2017: 0.00%)		
£6,000,000	Care UK Health & Social Care FRN 5.8129% 15/07/19	5,943,060	1.09
		5,943,060	**1.09**

Holding			Market value (£)	Total net assets (%)
		Pharmaceuticals & Biotechnology: 0.15% (15/12/2017: 0.20%)		
£800,000		BUPA Finance 6.125% Perpetual	834,720	0.15
			834,720	**0.15**
		INDUSTRIALS: 3.06% (15/12/2017: 2.70%)		
		Aerospace & Defense: 0.32% (15/12/2017: 0.40%*)		
2,175,000		DP Aircraft I	1,766,884	0.32
			1,766,884	**0.32**
		Construction & Materials: 1.11% (15/12/2017: 1.34%*)		
£1,900,000		Balfour Beatty Preference Shares 9.675% 01/07/20	2,014,000	0.37
£4,000,000		Travis Perkins 4.375% 15/09/21	4,015,640	0.74
			6,029,640	**1.11**
		Electronic & Electrical Equipment: 0.15% (15/12/2017: 0.21%)		
600,000		Strix	807,600	0.15
			807,600	**0.15**
		Industrial Engineering*: 0.11% (15/12/2017: 0.14%)		
£575,000		Six Hundred 8% 14/02/20	602,180	0.11
£2,875,000	1	Six Hundred Warrants 14/02/20	-	-
			602,180	**0.11**
		Industrial Transportation: 1.28% (15/12/2017: 0.49%*)		
2,051,454		Amedeo Air Four Plus	2,154,027	0.40
£5,000,000		Go-Ahead 2.5% 06/07/24	4,803,779	0.88
			6,957,806	**1.28**
		Support Services: 0.09% (15/12/2017: 0.12%)		
£500,000		Intercede 8% 29/12/21	500,000	0.09
			500,000	**0.09**
		OIL & GAS: 4.48% (15/12/2017: 4.54%)		
		Oil & Gas: 4.48% (15/12/2017: 4.54%)		
£6,766,409		EnQuest 7% 15/04/22	5,061,815	0.93
£2,993,000		Petrobras Global Finance 6.625% 16/01/34	2,997,879	0.55
£9,500,000		Premier Oil 5% 31/05/21	9,249,390	1.70
$9,250,000		Tullow Oil 6.25% 15/04/22	7,098,027	1.30
			24,407,111	**4.48**

Holding			Market value (£)	Total net assets (%)
		TECHNOLOGY: 0.16% (15/12/2017: 0.21%*)		
		Software & Computer Services: 0.16% (15/12/2017: 0.21%*)		
414,054		Nektan	2,901	-
£887,190		Nektan 10% 29/04/20	887,190	0.16
			890,091	**0.16**
		TELECOMMUNICATIONS: 2.06% (15/12/2017: 2.48%)		
		Fixed Line Telecommunications: 1.89% (15/12/2017: 2.48%)		
£1,500,000		Cable & Wireless International Finance 8.625% 25/03/19	1,511,670	0.28
£9,000,000		TalkTalk Telecom 5.375% 15/01/22	8,774,280	1.61
			10,285,950	**1.89**
		Mobile Telecommunications: 0.17% (15/12/2017: 0.00%)		
34,539,545		Avanti Communications	918,752	0.17
			918,752	**0.17**
		UTILITIES: 0.45% (15/12/2017: 0.55%*)		
		Electricity: 0.24% (15/12/2017: 0.18%*)		
533,546		Aggregated Micro Power	533,546	0.10
£750,000		Aggregated Micro Power Infrastructure 8% 17/10/36	757,500	0.14
			1,291,046	**0.24**
£1,150,000		Active Energy 8% 12/03/22	1,150,000	0.21
			1,150,000	**0.21**
		EUROPE: 4.24% (15/12/2017: 4.89%)		
£7,250,000		Assicurazioni Generali 6.416% Perpetual	6,996,250	1.28
537,258		Carador Income Fund	299,523	0.06
£9,000,000		Electricite de France 6% Perpetual	8,774,046	1.61
$2,000,000		Global Liman Isletmeleri 8.125% 14/11/21	1,507,550	0.28
£1,100,000	1	Parmalat Capital Finance 9.375% Perpetual	-	-
£5,500,000		RWE 7% Perpetual	5,527,500	1.01
			23,104,869	**4.24**

Holding		Market value (£)	Total net assets (%)
	USA: 1.39%		
	(15/12/2017: 2.93%)		
£7,000,000	Goldman Sachs 5.5% 12/10/21	7,600,436	1.39
		7,600,436	**1.39**

Investments as shown in the balance sheet	516,555,561	94.80
Net current assets	28,344,472	5.20
Total net assets	**544,900,033**	**100.00**

* Since the previous report industry classifications have been updated. Comparative figures have been updated where appropriate.

^ Real Estate Investment Trust (REIT).

SUMMARY OF FUND ASSETS

The following type of securities were held by the Fund at the year end:

		Total net assets (%)
Listed	- eligible markets	94.80
	- suspended [1]	-
Net current assets		5.20
Total net assets		**100.00**

[1] Nil valued/delisted/suspended securities not approved securities within the meaning of the Collective Investment Schemes Sourcebook. The regulations permit a maximum of 10% of the Fund to be invested in 10% of the Fund to be invested in unapproved securities. Securities classed as unapproved are those which are not admitted to an official listing in a member state or traded on under the rules of an eligible securities market, as laid down in the Prospectus.

Statement of Total Return

For the year ended 15 December

	Notes	£	2018 £	£	2017 £
Income					
Net capital (losses)/gains	3		(32,241,449)		11,990,125
Revenue	4	25,270,753		19,933,250	
Expenses	5	(3,114,295)		(2,466,664)	
Interest payable and similar charges		-		84	
Net revenue before taxation		22,156,458		17,466,670	
Taxation	6	(77,430)		(56,126)	
Net revenue after taxation			22,079,028		17,410,544
Total return before distributions			**(10,162,421)**		**29,400,669**
Distributions	7		(22,138,315)		(19,528,419)
Change in net assets attributable to unitholders funds from investment activities			**(32,300,736)**		**9,872,250**

Statement of Change in Net Assets Attributable to Unitholders

For the year ended 15 December

	£	2018 £	£	2017 £
Opening net assets attributable to unitholders		433,601,283		295,771,100
Amounts receivable on creation of units	149,912,962		141,258,574	
Amounts payable on cancellation of units	(21,429,735)		(28,733,881)	
Equalisation on conversions	(2,610,916)		-	
		125,872,311		**112,524,693**
Change in net assets attributable to unitholders from investment activities		(32,300,736)		9,872,250
Retained distribution on accumulation units		17,725,588		15,427,690
Unclaimed distribution		1,587		5,550
Closing net assets attributable to unitholders		**544,900,033**		**433,601,283**

Balance Sheet

As at 15 December

	Notes	2018 £	2017 £
ASSETS			
Fixed assets			
Investments		516,555,561	406,975,307
Current assets			
Debtors	8	13,678,828	9,663,104
Cash and bank balances	9	20,722,142	19,609,721
Total assets		**550,956,531**	**436,248,132**
LIABILITIES			
Provisions for liabilities	10	8,495	6,895~
Creditors			
Distribution payable		2,005,797	2,301,069
Other creditors	11	4,042,206	338,885~
Total liabilities		**6,056,498**	**2,646,849**
Net assets attributable to unitholders		**544,900,033**	**433,601,283**

~ Prior year figures have been restated to exclude deferred tax from other creditors.

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, 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 May 2014 and amended in June 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. Interest from debt securities is recognised as revenue using the effective interest method by reference to the purchase price. Dividends from Real Estate Investment Trusts ('REITs') are recognised as distributable income when the securities are quoted ex-dividend.

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 and management fees 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 an interest 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. Where special dividends are treated as revenue, they are included in the amount available for distribution.

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 capital 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 7 to 9 of the Manager's Report.

Price risk sensitivity

At 15 December 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 £25,827,778 (2017: £20,348,765) respectively.

Foreign currency risk sensitivity

Assuming all other factors remain stable, if GBP strengthens by 5% the resulting change in the net assets attributable to shareholders of the Fund would be a decrease of approximately £1,180,721 (2017: £1,161,228). A 5% weakening in GBP would have an equal but opposite effect.

Interest rate risk sensitivity

Changes in interest rates or changes in expectations of future interest rates may result in an increase or decrease in the market value of the investments held. A one percent increase in interest rates would have the effect of decreasing the return and the net assets by £23,233,711 (2017: £14,952,737). A one percent decrease would have the opposite effect.

Currency exposures
A proportion of the financial assets of the Fund are denominated in currencies other than Sterling, with the effect that the Fund's balance sheet and total return can be directly affected by currency movements.

2018	Monetary exposure	Non-Monetary exposure	Total
	£	£	£
Euro	124,390	3,515,258	3,639,648
US Dollar	(842,396)	20,817,177	19,974,781
Total	**(718,006)**	**24,332,435**	**23,614,429**

2017	Monetary exposure	Non-Monetary exposure	Total
	£	£	£
Euro	69,940	2,527,249	2,597,189
US Dollar	177,282	20,450,093	20,627,375
Total	**247,222***	**22,977,342***	**23,224,564***

* Prior year figures have been restated to exclude Sterling.

Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund's financial assets as at the balance sheet date was:

Currency	Floating Rate financial assets	Fixed Rate financial assets	Financial assets not carrying interest	Total
	£	£	£	£
2018				
Sterling	26,663,308	418,024,440	81,645,158	526,332,906
Euro	-	2,787,219	852,428	3,639,647
US Dollar	-	11,634,607	9,349,371	20,983,978
	26,663,308	**432,446,266**	**91,846,957**	**550,956,531**
2017				
Sterling	19,609,720	337,966,193	55,447,654	413,023,567
Euro	-	1,659,575	937,614	2,597,189
US Dollar	-	13,613,204	7,014,171	20,627,375
	19,609,720	**353,238,972**	**63,399,439**	**436,248,131**

The interest rate risk profile of the Fund's financial liabilities as at the balance sheet date was:

Currency	Floating Rate financial assets	Fixed Rate financial assets	Financial assets not carrying interest	Total
	£	£	£	£
2018				
Sterling	-	-	(5,047,301)	(5,047,301)
US Dollar	-	-	(1,009,197)	(1,009,197)
	-	**-**	**(6,056,498)**	**(6,056,498)**
2017				
Sterling	-	-	(2,646,848)	(2,646,848)
	-	**-**	**(2,646,848)**	**(2,646,848)**

Credit Rating	15 December 2018 Market Value £'000s	%	15 December 2017 Market Value £'000s	%
Total bonds BBB- credit rating and above	203,801,917	37.39	158,592,405	36.57
Total bonds below BBB- credit rating	168,507,475	30.95	133,281,108	30.75
Total bonds non-rated	104,855,664	19.25	65,847,459	15.21
Total value of bonds	**477,165,056**	**87.59**	**357,720,972**	**82.53**
Bonds	477,165,056	87.59	357,720,972	82.53
Equities	39,390,505	7.21	49,254,335	11.33
Total value of	**516,555,561**	**94.80**	**406,975,307**	**93.86**

3. Net capital (losses)/gains

The net (losses)/gains during the year comprise:

	2018 £	2017 £
(Losses)/gains on non-derivative securities	(32,197,361)	12,013,249
(Losses) on foreign currency exchange	(42,099)	(19,336)
Forward currency contracts	-	(2,654)
Transaction charges	(1,989)	(1,134)
Net capital (losses)/gains	**(32,241,449)**	**11,990,125**

4. Revenue

	2018 £	2017 £
UK dividends	1,394,027	1,134,797
REIT dividends	634,463	286,838
Overseas dividends	1,978,806	1,974,263
Interest on debt securities	21,212,397	16,535,267
Bank interest	50,957	2,085
HMRC Interest	103	-
Total revenue	**25,270,753**	**19,933,250**

5. Expenses

	2018 £	2017 £
Payable to the Manager		
Annual management charge	2,669,421	2,117,875
Registrar's fees	294,578	228,502
	2,963,999	**2,346,377**
Other expenses		
Audit fee	8,263	8,682
FCA fee	111	68
Safe custody charges	30,443	23,161
Trustee's fees	111,479	88,376
	150,296	**120,287**
Total expenses	**3,114,295**	**2,466,664**

Expenses include irrecoverable VAT where applicable.

6. Taxation

a) Analysis of tax in the year:

	2018	2017
	£	£
Corporation tax	75,830	50,761
Overseas withholding tax	-	105
Income tax written off	-	1,727
Income tax: adjustment in respect of prior years	-	(26)
Total tax for the year	**75,830**	**52,567**
Deferred taxation (see note 6c)	1,600	3,559
Total tax for the year (see note 6b)	**77,430**	**56,126**

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	**22,156,458**	**17,466,670**
Corporation tax at 20%	4,431,292	3,493,334
Effects of:		
Additional created income generated from conversions	-	286
Income tax written off	-	1,727
Revenue not subject to taxation	(634,983)	(560,884)
Tax withheld on interest distributions	(3,718,879)	(2,878,416)
Irrecoverable overseas tax	-	105
Income tax: adjustment in respect of prior years	-	(26)
Total effects	(4,353,862)	(3,437,208)
Total tax charge for the year (see note 6a)	**77,430**	**56,126**

Authorised unit trusts are exempt from tax on capital gains.

c) Deferred taxation:

	2018	2017
	£	£
Provision at start of the year	6,895	3,336
Deferred tax charge in the year	1,600	3,559
Provision at the end of the year	**8,495**	**6,895**

d) Factors that may affect future tax charges:

At the year end, after offset against income taxable on receipt, there is no potential deferred tax asset in relation to surplus management expenses.

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
	£	£
1st Interim	4,430,324	3,518,339
2nd Interim	4,840,889	3,789,750
3rd Interim	5,128,560	3,941,091
Final	9,021,868	9,341,333
	23,421,641	20,590,513
Add: Income deducted on cancellation of units	367,973	399,117
Deduct: Income received on creation of units	(1,651,299)	(1,461,211)
Net distribution for the year	**22,138,315**	**19,528,419**
Equalisation on conversions	-	(84)
Total distributions	**22,138,315**	**19,528,335**
Reconciliation to net revenue after taxation:		
Net distribution for the year	22,138,315	19,528,419
Charges borne by capital account	(2,669,421)	(2,117,875)
Shortfall transfer to capital	(782)	-
Equalisation on conversions	2,610,916	-
Net revenue after taxation	**22,079,028**	**17,410,544**

8. Debtors

	2018	2017
	£	£
Amounts receivable on creation of units	4,913,215	2,729,911
Accrued revenue	8,760,113	6,915,679
Income tax recoverable	5,500	17,514
Total debtors	**13,678,828**	**9,663,104**

9. Cash and bank balances

	2018	2017
	£	£
Cash and bank balances	20,722,142	19,609,721
Total cash and bank balances	**20,722,142**	**19,609,721**

10. Provisions for liabilities

	2018	2017
	£	£
Deferred taxation	8,495	6,895~
Total for provisions for liabilities	**8,495**	**6,895~**

11. Other creditors

		2018	2017
		£	£
Amounts payable on cancellation of units		1,837,914	180,940
Purchases awaiting settlement		2,009,497	-
Accrued expenses	- Manager	112,861	98,076
	- Other	38,194	26,344~
Corporation tax payable		43,740	33,525
Total other creditors		**4,042,206**	**338,885~**

~ Prior year figures have been restated to exclude deferred tax from other creditors.

12. Unitholders' funds

The Fund currently has four unit classes in issue.

	R Inc Net+	**R Acc Net+**	**R Inc Gross**	**R Acc Gross**
Opening units in issue	4,228,143	3,635,771	56,929	774,261
Units issued	6,101,859	469,603	2,553,161	653,028
Units cancelled	(6,332,700)	(391,023)	(2,522,976)	(1,449,033)
Unit conversions	(3,997,302)	(3,714,351)	5,057,887	21,944,406
Closing units in issue	**-**	**-**	**5,145,001**	**21,922,662**

	Z Inc Net+	**Z Acc Net+**	**Z Inc Gross**	**Z Acc Gross**
Opening units in issue	79,424,013	171,198,842	5,908,604	10,910,416
Units issued	22,027,817	49,680,125	10,710,315	19,136,311
Units cancelled	(7,717,363)	(4,896,190)	(2,937,122)	(1,049,947)
Unit conversions	(93,734,467)	(215,982,777)	94,216,806	204,019,467
Closing units in issue	**-**	**-**	**107,898,603**	**233,016,247**

+ Net unit classes converted into gross unit classes at 12 October 2018.

13. Related parties

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 11 respectively.

At 15 December 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.

14. Portfolio Transaction Costs

2018

Analysis of purchases	Net purchase cost £	Commissions paid £	%	Taxes £	%	Total purchase cost £
Equity	15,847,993	179	-	2,812	0.02	15,850,984
Debt Instruments	151,360,855	-	-	-	-	151,360,855
Collective Investment Schemes	11,540,367	1,521	0.01	9,496	0.08	11,551,384
Total	**178,749,215**	**1,700**		**12,308**		**178,763,223**

2018

Analysis of sales	Net sale proceeds £	Commissions paid £	%	Taxes £	%	Total sale proceeds £
Equity	456,830	(121)	(0.03)	(5)	-	456,704
Debt Instruments	32,926,113	-	-	-	-	32,926,113
Collective Investment Schemes	1,475,886	-	-	-	-	1,475,886
Total	**34,858,829**	**(121)**		**(5)**		**34,858,703**

2017

Analysis of purchases	Net purchase cost £	Commissions paid £	%	Taxes £	%	Total purchase cost £
Equity	11,229,890	2,650	0.02	1,386	0.01	11,233,926
Debt Instruments	193,311,018	-	-	-	-	193,311,018
Collective Investment Schemes	3,703,500	1,194	0.03	2,296	0.06	3,706,990
Total	**208,244,408**	**3,844**		**3,682**		**208,251,934**

2017

Analysis of sales	Net sale proceeds £	Commissions paid £	%	Taxes £	%	Total sale proceeds £
Equity	4,392,347	(6,321)	(0.14)	(40)	-	4,385,986
Debt Instruments	80,673,992	-	-	-	-	80,673,992
Collective Investment Schemes	3,997,938	(7,160)	(0.18)	(22)	-	3,990,756
Total	**89,064,277**	**(13,481)**		**(62)**		**89,050,734**

Commission as a % of average net assets	0.00% (2017: 0.00%)
Taxes as a % of average net assets	0.00% (2017: 0.00%)

Portfolio dealing spread

The average portfolio dealing spread as at the year end was 1.22% (2017: 1.11%).

15. Fair value disclosure

	15 December 2018		15 December 2017	
	Assets £	Liabilities £	Assets £	Liabilities £
Valuation technique				
Level 1^	103,967,575	-	71,054,730	-
Level 2^^	412,587,986	-	332,924,537	-
Level 3^^^	-	-	2,996,040	-
Total	**516,555,561**	**-**	**406,975,307**	**-**

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

^^ 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.

^^^ 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.

16. Commitments, contingent liabilities and contingent assets

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

17. Post balance sheet events

There are no significant post balance sheet events which require adjustment or disclosure at the year end.

Distribution Tables

For the year ended 15 December 2018

		Gross revenue	Equalisation	Distribution payable/paid Current year	Prior year
R Inc Net+					
1st Interim	Group 1	1.450	-	1.450	1.450
	Group 2	0.822	0.628	1.450	1.450
2nd Interim	Group 1	1.450	-	1.450	1.450
	Group 2	0.204	1.246	1.450	1.450
3rd Interim	Group 1	1.450	-	1.450	1.450
	Group 2	-	1.450	1.450	1.450
Final	Group 1	-	-	-	3.015
	Group 2	-	-	-	3.015
R Acc Net+					
1st Interim	Group 1	10.300	-	10.300	9.500
	Group 2	4.772	5.528	10.300	9.500
2nd Interim	Group 1	10.300	-	10.300	10.000
	Group 2	2.503	7.797	10.300	10.000
3rd Interim	Group 1	10.300	-	10.300	10.000
	Group 2	-	10.300	10.300	10.000
Final	Group 1	-	-	-	19.788
	Group 2	-	-	-	19.788
R Inc Gross					
1st Interim	Group 1	1.300	-	1.300	1.250
	Group 2	0.320	0.980	1.300	1.250
2nd Interim	Group 1	1.300	-	1.300	1.450
	Group 2	-	1.300	1.300	1.450
3rd Interim	Group 1	1.300	-	1.300	1.450
	Group 2	0.444	0.856	1.300	1.450
Final	Group 1	1.705	-	1.705	1.689
	Group 2	0.552	1.153	1.705	1.689
R Acc Gross					
1st Interim	Group 1	1.900	-	1.900	1.800
	Group 2	0.842	1.058	1.900	1.800
2nd Interim	Group 1	1.900	-	1.900	1.900
	Group 2	0.967	0.933	1.900	1.900
3rd Interim	Group 1	1.900	-	1.900	1.900
	Group 2	0.458	1.442	1.900	1.900
Final	Group 1	2.741	-	2.741	2.739
	Group 2	0.882	1.859	2.741	2.739

				Distribution payable/paid	
		Gross revenue	Equalisation	Current year	Prior year
Z Inc Net+					
1st Interim	Group 1	1.200	-	1.200	1.200
	Group 2	0.435	0.765	1.200	1.200
2nd Interim	Group 1	1.200	-	1.200	1.200
	Group 2	-	1.200	1.200	1.200
3rd Interim	Group 1	1.200	-	1.200	1.200
	Group 2	-	1.200	1.200	1.200
Final	Group 1	-	-	-	2.596
	Group 2	-	-	-	2.596
Z Acc Net+					
1st Interim	Group 1	1.500	-	1.500	1.450
	Group 2	0.589	0.911	1.500	1.450
2nd Interim	Group 1	1.500	-	1.500	1.450
	Group 2	0.044	1.456	1.500	1.450
3rd Interim	Group 1	1.500	-	1.500	1.450
	Group 2	-	1.500	1.500	1.450
Final	Group 1	-	-	-	3.504
	Group 2	-	-	-	3.504
Z Inc Gross					
1st Interim	Group 1	1.400	-	1.400	1.300
	Group 2	0.588	0.812	1.400	1.300
2nd Interim	Group 1	1.400	-	1.400	1.500
	Group 2	0.477	0.923	1.400	1.500
3rd Interim	Group 1	1.400	-	1.400	1.500
	Group 2	0.330	1.070	1.400	1.500
Final	Group 1	1.778	-	1.778	1.879
	Group 2	0.536	1.242	1.778	1.879
Z Acc Gross					
1st Interim	Group 1	1.900	-	1.900	1.750
	Group 2	0.951	0.949	1.900	1.750
2nd Interim	Group 1	1.900	-	1.900	1.900
	Group 2	0.511	1.389	1.900	1.900
3rd Interim	Group 1	1.900	-	1.900	1.900
	Group 2	0.230	1.670	1.900	1.900
Final	Group 1	2.753	-	2.753	2.760
	Group 2	0.972	1.781	2.753	2.760

(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.

+ Net unit classes converted into gross unit classes at 12 October 2018.

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

	Group 2 Units from	to	Group 1 & 2 units paid/transferred
1st Interim	16.12.17	15.03.18	15.05.18
2nd Interim	16.03.18	15.06.18	15.08.18
3rd Interim	16.06.18	15.09.18	15.11.18
Final	16.09.18	15.12.18	15.02.19

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
27th March 2019

Josephine Tubbs
Authorised Signatory
27th March 2019

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 MANAGED INCOME FUND FOR THE ANNUAL ACCOUNTING PERIOD TO 15 DECEMBER 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
NatWest Trustee and Depositary Services Limited
27th March 2019

Report of the Independent Auditor

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF THE AXA FRAMLINGTON MANAGED INCOME FUND

OPINION

We have audited the financial statements of AXA Framlington Managed Income Fund ("the Fund") for the year ended 15 December 2018 which comprise the Statement of Total Return, the Statement of Change in Net Assets attributable to Unitholders, the Balance Sheet, Distribution Tables and the related Notes 1 to 17, 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 15 December 2018 and of the net revenue and net losses 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 OF 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.

CONCLUSION 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 37, 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
27th March 2019

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. 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:

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

(1) Excluding social charges.
(2) Fixed Pay amount is based on post compensation review 2016 data.
(3) 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.

(4) Number of employees includes Permanent and Temporary contracts excluding internships.

Remuneration to Identified Employee:

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			
	Risk Takers	Senior Management	Total
Fixed Pay and Variable Remuneration ('000 GBP)	88,640	113,414	202,054
Number of employees	233	113	346

UK Identified Employee Remuneration:

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			
	Risk Takers	Senior Management	Total
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 15 December 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
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Authorised and regulated by the Financial Conduct Authority.

Trustee
NatWest Trustee and Depositary Services Limited*
Trustee and Depositary Services
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Authorised and regulated by the Financial Conduct Authority.

Fund Accounting Administrator
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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 ‘NatWest Trustee and Depositary Services Limited’. The change became effective on the 15th October 2018.