

# AXA Framlington Health Fund

## AXA Framlington is a leading equity expertise within the AXA Investment Managers Group, with teams in London and Paris.

We are primarily a bottom-up, active equity manager. This fundamental approach to stock selection, combined with the experience of our team of fund managers, focuses on delivering long-term investment performance for our clients. We offer competitive products backed up with excellent service. Our structure and size creates a dynamic environment for our fund managers. This encourages a high level of personal responsibility in which both individual flair and teamwork flourish.

AXA Framlington funds under management exceed £49.7 billion (as at 30 April 2017).

### Investment objective and policy

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

The Fund invests in shares of listed healthcare companies including producers of pharmaceuticals, biotechnology firms, medical device and instrument manufacturers, distributors of healthcare products, care providers and managers and other healthcare services companies, which the Manager believes will provide above-average returns. The Fund invests in companies of any size which can be based anywhere in the world albeit the Fund tends to be biased towards the US, as this is where the majority of healthcare related companies are based. The Manager selects shares based upon analysis of a company's financial status, quality of its management, expected profitability and prospects for growth.

The Fund may also invest in other transferable securities and units in collective investment schemes. The Fund may use derivatives for Efficient Portfolio Management. Use may be made of borrowing, cash holdings, hedging and other investment techniques permitted in the applicable Financial Conduct Authority rules.

### Review

The six month period ending 30 April 2017 saw solid returns from the MSCI World Healthcare Index. A relief rally in pharma and biotech stocks following Donald Trump's election in mid-November fuelled performance with a Republican-controlled Congress taken as a positive for healthcare and likely to lower the possibility of aggressive drug price legislation. Momentum gathered pace in February with expectations for reflation and belief that a more benevolent tax system would drive strategic activity among corporates (i.e. capital deployment, business development, mergers and acquisitions (M&A)).

Regardless of corporate tax reform in the US, we continue to highlight the relatively low gearing levels of the largest US and European pharma companies, along with large medtech and biotech companies. We believe these companies have more than \$400 billion of M&A firepower at their disposal and expect management teams to take advantage of low interest rates and strong balance sheets to increase scale, drive efficiencies, add new technologies and/or expand areas of expertise.

Healthcare reform in the US remains on the agenda with the Republican's "Repeal and Replace" proposal finally making it through the House of Representatives. At time of writing, the Congressional Budget Office was yet to publish updated projections on the impact of the American Healthcare Act (AHCA), particularly on future numbers of uninsured Americans. The Senate is likely to make significant changes to the proposal passed by the House, and as such we await a final draft before drawing any firm conclusions for our investment portfolio. While pricing structures will need to adapt to the growing cost pressures in the US healthcare system we continue to believe that companies that produce innovative medicines/devices/solutions, addressing unmet medical needs are less likely to suffer from pricing pressure compared with those companies producing undifferentiated products.

Against this backdrop, the healthcare sector marginally outperformed the broader equity market indices, with the MSCI World Healthcare Index delivering a +5.1% return in sterling terms over the review period compared to a return of +4.8% for the MSCI World Index. On a relative basis, the AXA Framlington Health Fund marginally underperformed its comparative benchmark, the MSCI World Healthcare Index, by -0.4% (Z Acc Unit Class, net of fees) over the six months to 30 April 2017.

This underperformance was primarily driven by two small cap holdings (Foamix and Endologix) which suffered delays to the approval and launch of critical new products. In the case of Foamix, the company reported mixed results in March from Phase 3 clinical trials for its acne therapy resulting in a significant pullback in its share price. Despite the setback we still believe there is a viable drug in development but market launch is likely to be delayed 12 months. In the case of Endologix, the company suffered from a temporary CE mark (indicating products conform to EU health and safety directives) suspension for some of its products and brief shipment holds due to manufacturing issues, which were subsequently resolved. The Fund continues to be positioned to exploit the opportunities from new innovations across the healthcare market which is generally concentrated in the small-mid cap arena. This has proven a difficult strategy from a performance point of view during stock market volatility, but

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we believe these are the assets which will drive longer term outperformance.

Counter balancing the two holdings mentioned above, the Fund did benefit from its overweight positions in managed care, medical device and diagnostics equipment companies. Notable performance was derived from our mid-cap medical devices holdings such as Hologic, Wright Medical and Globus Medical along with Anthem, Centene and Cigna in the managed care arena.

At the industry level, the Fund has also benefitted from its significant underweight position in large cap pharmaceutical companies, particularly in the US, with a preference instead for the faster growing biotech and specialty pharma sectors. Several of our biotech holdings contributed strongly to performance such as Incyte, Celgene and Amgen. In addition, many of our non-US stock holdings have contributed positively, including Ipsen in France and Hikma in Jordan. As stated, not holding a number of key benchmark US large cap pharmaceutical stocks such as Johnson & Johnson, Pfizer and Merck also helped contribute positively to relative performance.

## Outlook

On 24 April 2017 the AXA Framlington Health fund celebrated its 30 year anniversary. Despite the recent turmoil from the fall-out of the US presidential elections, the long-term growth drivers of the sector remain intact: ageing populations, increasing frequency of lifestyle diseases (obesity, diabetes) and growing demand in emerging markets.

The healthcare sector remains, at its core, a sector driven by science and innovation. Company pipelines are strong, with the global healthcare industry seemingly on the cusp of another innovation wave driven by advances in genomics, robotics and diagnostic testing/imaging. The plummeting cost of sequencing technology, from the \$3 billion spent 14 years ago by the original Human Genome Project, to as little as \$1,000 today, has expanded our understanding of disease biology and led to the emergence of potentially curative gene therapies. Tremendous innovation is taking place in oncology with data from several products in the field of immune-oncology, whereby the body's own immune system is harnessed to attack cancer cells. Digital health, the application of technology in the delivery and administration of care, is also an area of excitement. Whether it be wearable

technologies transmitting real time data on a patient's blood glucose levels or analysis of big data to identify patients at risk of a medical emergency, digital health looks set to offer significant growth potential.

Although it may take time for the return of more bullish sentiment, the Fund continues to be managed with a longer term investment horizon focusing on healthcare companies that have strong innovation characteristics, as this, in our view, will drive above market secular growth. As ever, we believe stock picking will be the key to delivering strong investment returns.

**Dani Saurymper**

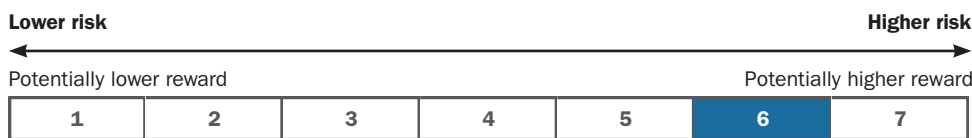
**30 April 2017**

Source of all performance data: AXA Investment Managers and Lipper to 30 April 2017.

# AXA Framlington Health Fund

## Risk and reward profile

The Fund invests primarily in the shares of quoted companies on worldwide financial markets drawn from companies in the healthcare and medical services and product companies. As the Fund invests in a single sector it has the potential to be more volatile than a fund which invests in a more diversified portfolio of equities across a range of sectors. As many of these investments will be made in non sterling denominated listed equities, the value of the fund will not only be impacted by the market risk associated with investing in equities but also by exchange rate movements between those currencies and sterling in which the fund is based. The Fund also invests a limited proportion in emerging and newer markets which may involve a higher risk than investing in established markets. Such investments may involve a higher degree of risk than established markets due to heightened geopolitical risk in such countries (see below) and potential large currency volatility. The Fund's investment in companies fulfilling current medical needs is regarded as adopting a positive ethical stance, although investors should be aware that pharmaceutical companies are required by law to test their products on animals before entering clinical trials. Investors should consider carefully whether this investment risk is suitable for them. The value of investments and the income from them is not guaranteed and can go down as well as up.



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. 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 sudden and significant variation, which may result in substantial gains or losses.

### Additional risks

**Currency Risk:** the Fund holds investments denominated in currencies other than the base currency of the Fund. As a result, exchange rate movements may cause the value of investments (and any income received from them) to fall or rise affecting the Fund's value.

**Single Sector Risk:** as this Fund is invested in a single sector, the Fund's value will be more closely aligned with the performance of that sector and it may be subject to greater fluctuations in value than more diversified funds.

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

## FUND FACTS

Lead Fund Manager	Dani Saurymper
Sector	Specialist
Comparative benchmark	MSCI World Healthcare
Date of establishment	27 Feb 1987
Fund size at 30 Apr 2017	£550m
Fund size at 31 Oct 2016	£543m
Minimum investments	
Minimum Initial Investment	A: £1,000,000 R: £1,000 Z: £100,000
Minimum subsequent purchase/redemption	A: £5,000 R: £100 Z: £5,000
Net yield	
A Acc	0.42%
R Inc / Acc	Nil / Nil
Z Inc / Acc	0.34% / 0.34%
Unit type	Inc/Acc
Number of stocks	59
Initial charge	A: Nil R: 5.50% Z: Nil
Annual management charge	A: 0.65% R: 1.50% Z: 0.75%
Ongoing charges**	
A Acc	0.72%
R Inc / Acc	1.57% / 1.57%
Z Inc / Acc	0.82% / 0.82%
Accounting dates (interim)	30 Apr
Accounting dates (annual)	31 Oct
Distribution dates (interim)	30 Jun
Distribution dates (annual)	31 Dec

All data, source: AXA Investment Managers as at 30 April 2017.  
\*\*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>

## Top five purchases

### Six months ending 30 April 2017

Boston Scientific

Ipsen

Cosmo Pharmaceuticals

Amicus Therapeutics

Supernus Pharmaceuticals

## Top five sales

### Six months ending 30 April 2017

Amgen

AbbVie

Vertex Pharmaceuticals

Stryker

Fresenius Medical Care

# AXA Framlington Health Fund

## Five year discrete annual performance % \*

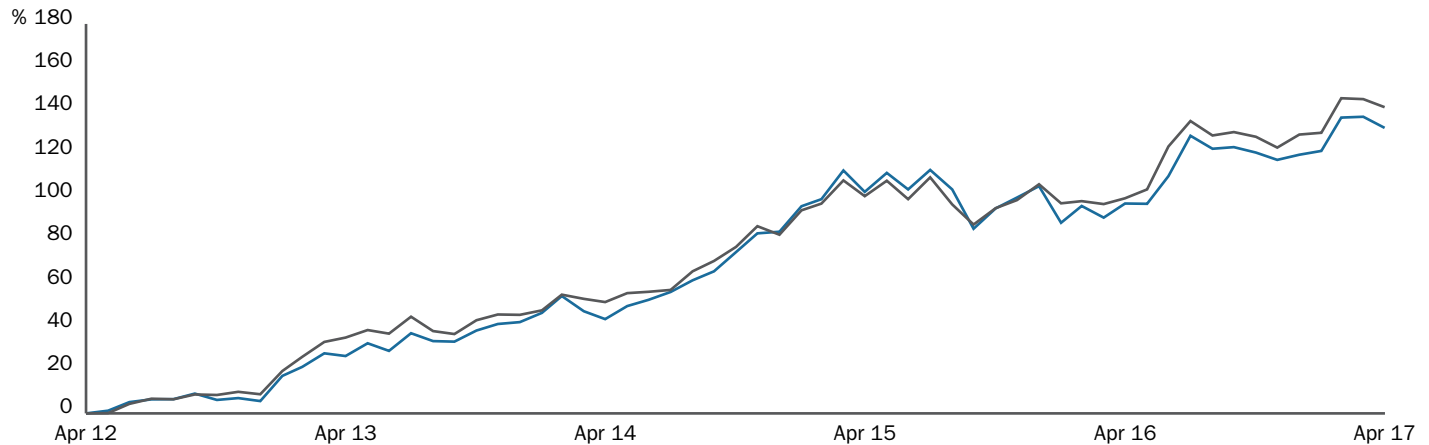
Apr 12 to Apr 13	Apr 13 to Apr 14	Apr 14 to Apr 15	Apr 15 to Apr 16	Apr 16 to Apr 17
+26.51%	+13.49%	+40.96%	-2.66%	+17.75%

Past performance is not a guide to future performance. Sources: AXA Investment Managers and Lipper as at 30 April 2017. Basis: Single Price NAV, with net revenue reinvested, net of fees in GBP. Performance is representative of R Acc class.

## Cumulative fund performance versus comparative benchmark \*

as at 30 April 2017.

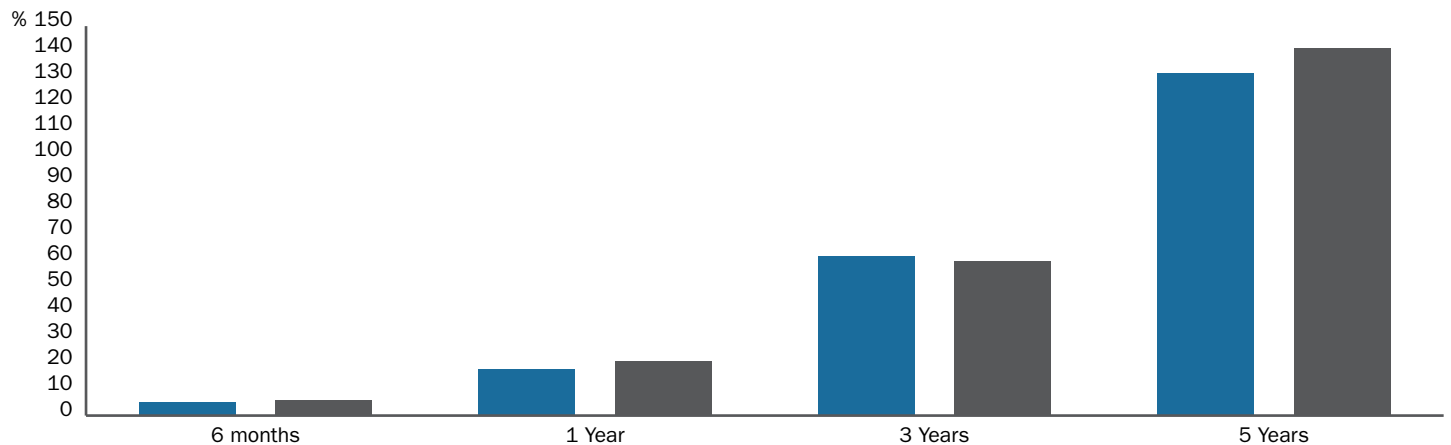
■ AXA Framlington Health Fund ■ MSCI World Healthcare (Total Return)



Past performance is not a guide to future performance. Sources: AXA Investment Managers and Lipper as at 30 April 2017. Basis: Single Price NAV, with net revenue reinvested, net of fees in GBP. Performance is representative of R Acc class.

as at 30 April 2017.

■ AXA Framlington Health Fund ■ MSCI World Healthcare (Total Return)



Past performance is not a guide to future performance. Sources: AXA Investment Managers and Lipper as at 30 April 2017. Basis: Single Price NAV, with net revenue reinvested, net of fees in GBP. Performance is representative of R Acc class.

\* Performance Calculation for all of the above: Single price basis (NAV) from 6 October 2014 and bid prices prior to this. To ensure consistent performance figures between bid and NAV prices, an adjustment factor has been applied.

## AXA Framlington Health Fund

## Comparative Tables

Change in net assets per unit	A Acc		
	30/04/2017	31/10/2016	31/10/2015
Opening net asset value per unit†	139.49	121.96	108.50
Return before operating charges^	8.91	18.46	14.46
Operating charges	(1.03)	(0.93)	(1.00)
Return after operating charges^	7.88	17.53	13.46
Distributions	-	(0.62)	(0.37)
Retained distributions on accumulation units	-	0.62	0.37
<b>Closing net asset value per unit†</b>	<b>147.37</b>	<b>139.49</b>	<b>121.96</b>
*^after direct transaction costs of:	0.08	0.13	0.08
<b>Performance</b>			
Return after charges	5.65%	14.37%	12.41%
<b>Other information</b>			
Closing net asset value†	1,498,834	1,202,090	1,696,019
Closing number of units	1,017,080	861,757	1,390,655
Operating charges	0.72%	0.72%	0.72%
Direct transaction costs*	0.06%	0.10%	0.07%
<b>Prices</b>			
Highest unit price #	155.50	150.10	135.80
Lowest unit price #	131.10	111.20	108.40

Change in net assets per unit	R Inc			R Acc		
	30/04/2017	31/10/2016	31/10/2015	30/04/2017	31/10/2016	31/10/2015
Opening net asset value per unit†	1,759.36	1,556.92	1,392.01	1,759.50	1,554.93	1,392.11
Return before operating charges^	119.90	227.77	189.78	119.92	230.32	187.70
Operating charges	(28.33)	(25.33)	(24.87)	(28.34)	(25.75)	(24.88)
Return after operating charges^	91.57	202.44	164.91	91.58	204.57	162.82
Distributions	-	-	-	-	-	-
Retained distributions on accumulation units	-	-	-	-	-	-
<b>Closing net asset value per unit†</b>	<b>1,850.93</b>	<b>1,759.36</b>	<b>1,556.92</b>	<b>1,851.08</b>	<b>1,759.50</b>	<b>1,554.93</b>
*^after direct transaction costs of:	0.99	1.61	1.05	0.99	1.63	1.05
<b>Performance</b>						
Return after charges	5.20%	13.00%	11.85%	5.20%	13.16%	11.70%
<b>Other information</b>						
Closing net asset value†	17,330,288	16,521,544	41,182,772	247,015,906	247,625,202	287,248,687
Closing number of units	936,300	939,066	2,645,149	13,344,449	14,073,644	18,473,448
Operating charges	1.57%	1.58%	1.57%	1.57%	1.58%	1.57%
Direct transaction costs*	0.06%	0.10%	0.07%	0.06%	0.10%	0.07%
<b>Prices</b>						
Highest unit price #	1,955.00	1,894.00	1,736.00	1,955.00	1,894.00	1,736.00
Lowest unit price #	1,654.00	1,411.00	1,391.00	1,654.00	1,411.00	1,391.00

## AXA Framlington Health Fund

## Comparative Tables

Change in net assets per unit	Z Inc +			Z Acc		
	30/04/2017	31/10/2016	31/10/2015	30/04/2017	31/10/2016	31/10/2015
Opening net asset value per unit†	114.73	100.76	100.00	228.82	200.33	178.34
Return before operating charges <sup>^</sup>	7.38	15.28	2.08	14.72	30.24	23.12
Operating charges	(0.97)	(0.90)	(1.09)	(1.93)	(1.75)	(1.13)
Return after operating charges <sup>^</sup>	6.41	14.38	0.99	12.79	28.49	21.99
Distributions	-	(0.41)	(0.23)	-	(0.81)	(0.40)
Retained distributions on accumulation units	-	-	-	-	0.81	0.40
<b>Closing net asset value per unit†</b>	<b>121.14</b>	<b>114.73</b>	<b>100.76</b>	<b>241.61</b>	<b>228.82</b>	<b>200.33</b>
* <sup>^</sup> after direct transaction costs of:	0.06	0.11	0.07	0.13	0.21	0.14
<b>Performance</b>						
Return after charges	5.59%	14.27%	0.99%	5.59%	14.22%	12.33%
<b>Other information</b>						
Closing net asset value†	36,763,419	35,646,111	10,198,464	247,255,056	241,632,634	176,880,572
Closing number of units	30,347,954	31,068,982	10,121,343	102,335,520	105,601,275	88,294,844
Operating charges	0.82%	0.83%	0.82%	0.82%	0.83%	0.82%
Direct transaction costs*	0.06%	0.10%	0.07%	0.06%	0.10%	0.07%
<b>Prices</b>						
Highest unit price #	127.80	123.90	112.60	255.00	246.20	223.20
Lowest unit price #	107.80	91.83	90.03	215.10	182.50	178.20

+ Launched 19 January 2015.

† 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.

<sup>^</sup> Operating charges include indirect costs incurred in the maintenance and running of the fund, as disclosed (but not limited to) 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, which are offset (where applicable) against any dilution adjustment applied within the accounting period. Direct transaction costs are stated after deducting dilution adjustments that relate to direct transaction costs.

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

## AXA Framlington Health Fund

## Top ten holdings as at 30 April 2017

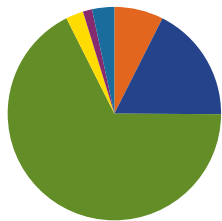
Company	Sector	%
Roche	Swiss Equities	5.24
UnitedHealth	US Equities	4.81
GlaxoSmithKline	UK Equities	4.68
Allergan	US Equities	4.50
Celgene	US Equities	4.18
Gilead Sciences	US Equities	3.67
Medtronic	US Equities	3.64
Eli Lilly	US Equities	2.79
Thermo Fisher Scientific	US Equities	2.69
Shire	Irish Equities	2.46

## Top ten holdings as at 31 October 2016

Company	Sector	%
Roche	Swiss Equities	5.02
GlaxoSmithKline	UK Equities	4.56
Allergan	US Equities	4.26
Gilead Sciences	US Equities	4.26
UnitedHealth	US Equities	4.17
Celgene	US Equities	3.99
Medtronic	US Equities	3.72
Eli Lilly	US Equities	3.55
AbbVie	US Equities	3.33
Amgen	US Equities	3.31

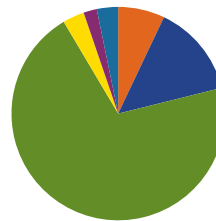
## Portfolio breakdown

as at 30 April 2017



Sector	%
United Kingdom	7.44
Europe (Ex UK)	17.65
North America	67.49
Japan	2.66
Middle East	1.39
Net Current Assets (incl cash)	3.37

as at 31 October 2016



Sector	%
United Kingdom	7.06
Europe (Ex UK)	14.06
North America	70.36
Japan	3.27
Middle East	2.02
Net Current Assets (incl cash)	3.23

All data, source: AXA Investment Managers unless otherwise stated.

## Important information

### The Manager

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

*Authorised and regulated by the Financial Conduct Authority. Member of the IA.*

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

International Financial Data Services Limited and International Financial Data Services (UK) Limited  
IFDS House  
St Nicholas Lane  
Basildon  
Essex SS15 5FS

### Trustee

National Westminster Bank plc  
Trustee and Depositary Services  
Younger Building  
1st Floor

3 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.*

### Auditor

Ernst & Young LLP  
Ten George Street  
Edinburgh, EH2 2DZ

*Authorised and regulated by the Financial Conduct Authority.*

### Legal advisers:

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One Wood Street  
London EC2V 7WS

### Dealing and Correspondence

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**+44 1268 443976**

Our lines are open Monday to Friday between 9am and 5:30pm

**For more information on any AXA Framlington unit trust please contact us via our website or telephone number.**

Copies of the latest Manager's Report (long form) and Prospectus are available free of charge from the administration office: PO Box 10908, Chelmsford, CM99 2UT.

## ADDITIONAL INFORMATION

### Report and accounts

The purpose of sending this Short Report for the Fund is to give you a summary of how the Fund has performed during the accounting period in accordance with the Collective Investment Schemes Sourcebook (COLL). If you would like any additional information about the Fund you can request a free of charge copy of the more detailed long form accounts for the Fund. For a copy of this, please contact our dedicated customer services team on 0345 777 5511.

### UCITS V Directive

The UCITS V Directive was implemented into national law on the 18 March 2016. The Directive aims to increase the level of protection already offered to investors in UCITS and to improve investor confidence in UCITS. It aims to do so by enhancing the rules on the responsibilities of depositaries, including a strict liability regime making the depositary liable for the avoidable loss of a financial instrument held in custody and by introducing remuneration policy requirements for UCITS fund managers.

### AXA IM Coal Policy

Effective 30 June 2017, AXA Investment Managers has implemented a policy to divest from companies that derive more than 50% of their revenues from coal-related activities, specifically mining and electric utilities companies. Should you require further information on this matter please contact AXA Investment Managers UK Ltd.

The value of investments and the income from them can fluctuate and investors may not get back the amount originally invested. Past performance is not a guide to future performance. AXA Framlington is an expertise of AXA Investment Managers UK Limited. Issued by AXA Investment Managers UK Ltd registered in England No. 01431068. The registered office address is 7 Newgate Street, London EC1A 7NX. AXA Investment Managers UK Ltd (119368) is authorised and regulated by the Financial Conduct Authority under the account shown. A member of the IA. Telephone calls may be recorded or monitored for quality assurance purposes.

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