

AXA FRAMLINGTON UK MID CAP FUND - GBP

INVESTMENT RESEARCH NOTE
FEBRUARY 2024

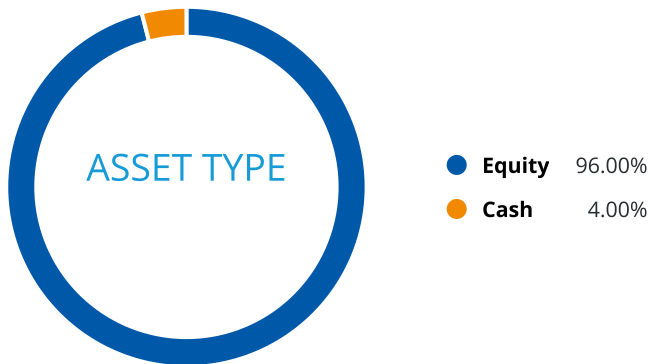
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SUMMARY

Axa Framlington has its origins in the investment boutique Framlington, which was acquired by French Insurance Company AXA IN 2008. Globally, AXA manages over 800bn euros of assets. Axa Framlington is best known for a range of UK Equity products, global thematic funds and multi-asset distribution products. They run in excess of £4bn in UK equities, across the 'Growth' & 'Income' teams.

Christopher St. John has been the Fund Manager since launch. He joined AXA Investment Managers in 2005 as a portfolio manager focusing on UK small and mid caps, and launched the dedicated Mid Cap fund in 2011. Previous to AXA, He worked at F&C progressing to lead fund manager on four UK small cap funds. He is supported on the fund by a co-FM. There are no dedicated analysts, but St.John can draw on the experience of the UK Income team and the global thematic teams at AXA. As of Feb 2020, the fund AUM was £378m, with a strategy capacity of up to £1.5bn.

The fund is a long-only, quality growth focused UK equity strategy, focusing on mid-caps. Stock ideas are derived from a traditional bottom-up stock-picking approach. Ideas are conviction-led, with a long-term investment horizon and hence low turnover relative to peers. Holdings range between 60-70 names, while average turnover is under 40% p.a. with upto a 7 year holding period. c.91% of the fund can be liquidated within 10 days, only 35% in one day. The funds single largest shareholder has a 40% stake, a risk to consider for investors.



INVESTMENT PROCESS

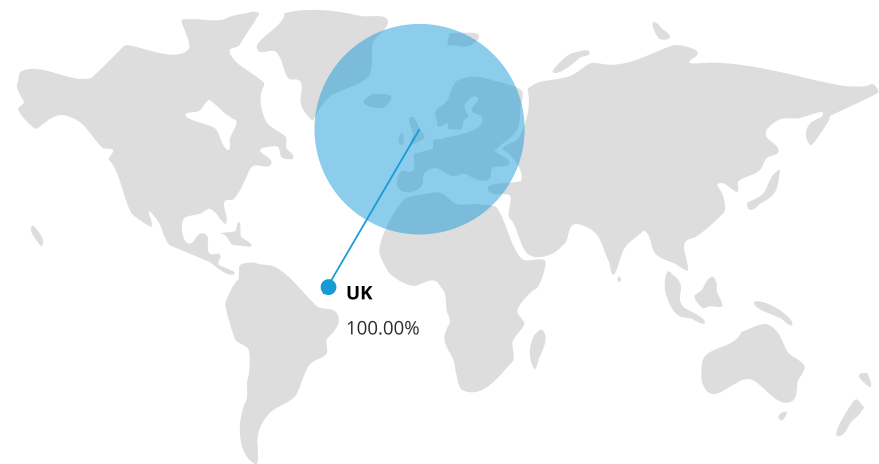
The fund has a concentrated profile, a small number of holdings, strong growth tilt, and high beta, drawdown and volatility vs its comparator. The process is best described as GARP (growth at a reasonable price) with a strong focus on balance sheet strength, economic resilience and key managerial, operational and market strengths.

Both St. John and Harlow describe themselves as 'active stock pickers', adopting a fundamental and traditional bottom-up approach to stockpicking. Long term themes such as automation and demographics are often the starting point for the stock selection process. There is a strong preference for structural and top line growth, long term thematic tailwinds, disruptors, strong balance sheets and cash flows, high ROCE, compound returns and strong compounding dividend growth. They aim to have a 5-7 yr investment time horizon with low turnover. They avoid value stocks, asset heavy and cyclical sectors, blue sky ,concepts, highly indebted balance sheets, commodity, property, or ideas that involve playing the macro cycle. The process is focused on companies with long term revenue growth drivers and the belief that over the longer term, markets will re-rate these quality companies. Sector allocations have been fairly consistent over time.The traditional process includes regular company meetings with management, seen as key to help build up understanding and relationships. Companies are discussed by the team around a number of key strengths and attractions as investments, rather than a more analytical or numerical approach. Position sizing is conviction-led, with a maximum 4% per security. The fund can invest across the full 250 Index market cap range. The limit to sizing limits concentration risk among the top ten holdings. 1 year attribution analysis points to key sector contributions from industrial and technology, although that has changed today to industrials and financials with technology exposure reduced. This reflects the bottom-up focus rather than having a sector bias.

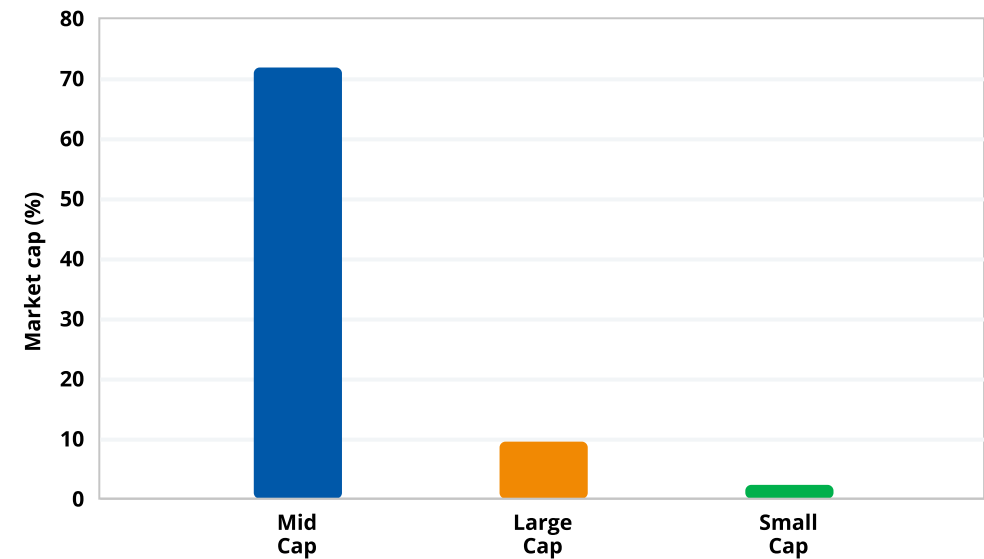
The fund has performed well vs the comparator and peers over the medium term. It has shown to deliver a better relative outcome over the past 3 years vs peers while matching the comparator in terms of drawdown and volatility, but with a far better return over this period. Ultimately investing in this fund means that you are backing the track record and skill set of the manager, rather than some formalised in-house process. There is a separate ESG team of 3 dedicated analysts. The fund is ESG aware rather than having the process embedded in the process. But ESG characteristics around the sustainability of business models are a common feature of holdings in the fund.

AGGREGATED NET EXPOSURE

REGIONAL EXPOSURE



EQUITY MARKET CAP (%)



Not Applicable



Not Applicable

OVERALL PERFORMANCE

● AXA Framlington UK Mid Cap Z Acc ● UK Equity 250 TR GBP

GROWTH (%) - OVER 1 YEAR

14 Feb 2023 - 13 Feb 2024



GROWTH (%) - FROM INCEPTION

7 Mar 2011 - 13 Feb 2024



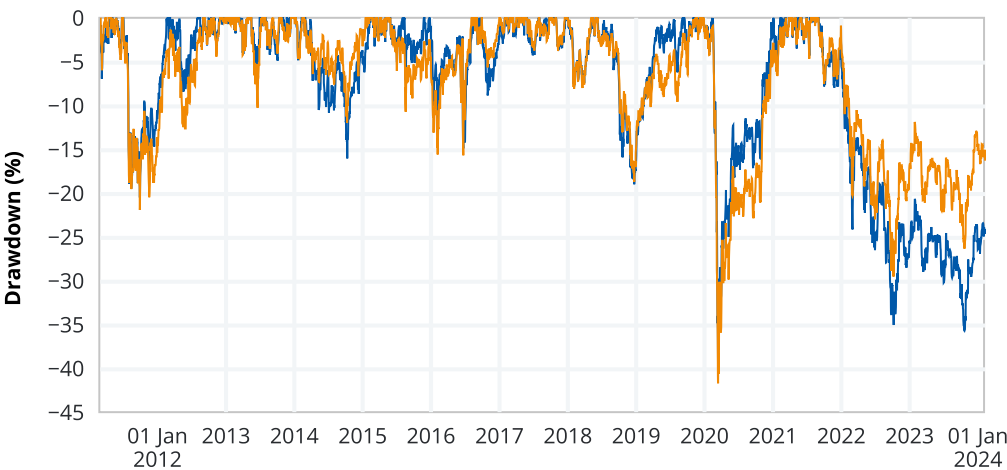
DRAWDOWN (%) - OVER 1 YEAR

14 Feb 2023 - 13 Feb 2024



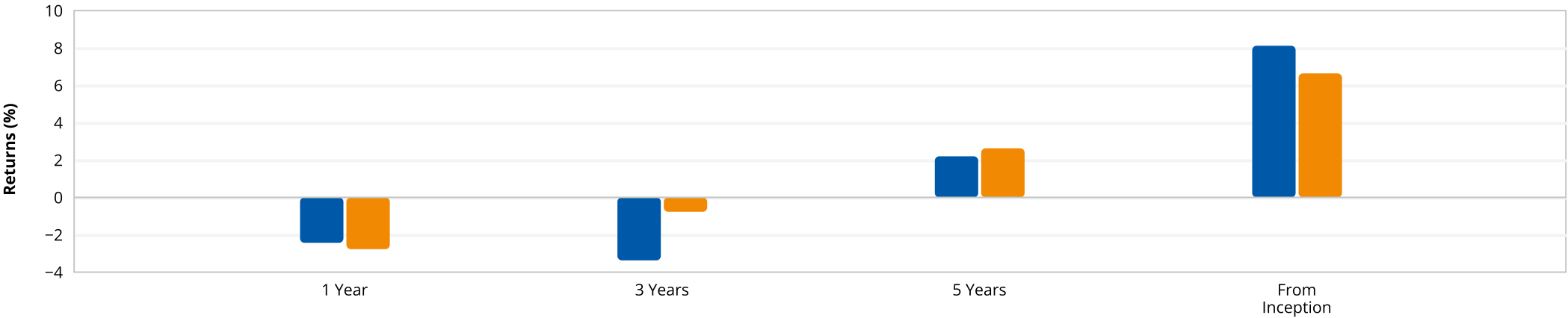
DRAWDOWN (%) - FROM INCEPTION

7 Mar 2011 - 13 Feb 2024



RETURNS

● AXA Framlington UK Mid Cap Z Acc ● UK Equity 250 TR GBP



MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2024	0.18	-1.51											-1.33
2023	4.12	1.49	-4.54	2.66	-3.06	-1.58	2.37	-1.46	-1.67	-7.52	7.84	7.42	4.99
2022	-8.28	-5.79	2.64	-2.70	-0.17	-10.64	9.38	-8.14	-11.11	4.48	8.62	-3.18	-24.44
2021	-2.92	4.07	2.20	4.60	3.81	-0.71	3.28	4.22	-3.16	-1.29	-2.90	4.57	16.30
2020	-2.67	-9.31	-18.57	12.33	4.28	0.35	0.35	3.07	-2.42	-1.03	9.42	6.28	-1.86
2019	8.70	1.67	1.37	7.06	-1.93	1.32	0.86	-1.29	2.47	0.22	4.56	6.97	36.28

Capped to 6 years.

ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
AXA Framlington UK Mid Cap Z Acc	-2.43	-3.37	2.20	8.12
UK Equity 250 TR GBP	-2.77	-0.77	2.63	6.64

CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
AXA Framlington UK Mid Cap Z Acc	-2.42	-9.71	11.46	173.41
UK Equity 250 TR GBP	-2.76	-2.29	13.82	129.14

● AXA Framlington UK Mid Cap Z Acc ● UK Equity 250 TR GBP

PERFORMANCE - OVER 1 YEAR

14 Feb 2023 - 13 Feb 2024

	●	●
RETURNS (%)	-2.43	-2.77
VOLATILITY (%)	15.96	14.97
ALPHA	-0.19 *	
BETA	1.09 *	1.00
CORRELATION	0.97 *	1.00
SHARPE RATIO	-0.39	-0.39
SORTINO RATIO	-0.57	-0.58
MAX DRAWDOWN (%)	-17.52	-14.68

*Calculated over a 3 year period where history permits.

PERFORMANCE - FROM INCEPTION

7 Mar 2011 - 13 Feb 2024

	●	●
RETURNS (%)	8.12	6.64
VOLATILITY (%)	17.05	16.46
ALPHA	0.11	
BETA	1.01	1.00
CORRELATION	0.95	1.00
SHARPE RATIO	0.42	0.35
SORTINO RATIO	0.57	0.48
MAX DRAWDOWN (%)	-40.05	-41.70

SIMPLE STRESS TEST DRAWDOWN (%)

14 Feb 2023 - 13 Feb 2024



Stress test notes

The chart shows the calculated drawdown over the last year. The Review Point is the fund intervention point. Any drawdown above this line indicates a typical drawdown in a normal market cycle. Should the drawdown hit the review point, then this indicates that market conditions may be abnormal. This is the point that we would consider taking immediate action for an extreme market event.

DISCLAIMER

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