



# **AXA Ethical Fund**

Short Report

For the year ending 31 October 2008

AXA Investment Managers is a dedicated investment manager within the AXA Group, a world leader in financial protection and wealth management. Our aim is to develop close relationships with our customers and to provide them with outstanding investment solutions backed up with exceptional customer service.

As a 'multi-expert' investment manager, we aim to offer investment expertise across a broad range of asset classes that few of our competitors can match, but we focus on specific areas within each asset class where we can add real value for our clients.

Our total funds under management now exceed £385 billion (as at 31 October 2008).

# Fund Information

## Investment objective and policy

To achieve capital growth over the medium to long term. To achieve its objective the Ethical Fund will invest predominantly in the UK. Investments will be concentrated in companies whose products, services or method of operation are considered not to be detrimental to the global community and would generally exclude any companies whose method of operation or products are considered to be destructive to the environment or to have damaging effects on health, human rights or human dignity.

## Fund facts

Lead fund manager		<b>Richard Marwood</b>
Sector		<b>UK All Companies</b>
Benchmark		<b>FTSE All-Share Index Ethically Adjusted</b>
Launch date		<b>5 May 1998</b>
Fund size	at 31 Oct 2008	<b>£39m</b>
	at 31 Oct 2007	<b>£70m</b>
Minimum investments (R Class)		<b>£1,000 lump sum £50 per month</b>
Net Yield	(R Class)	<b>4.19%</b>
Share type		<b>Accumulation</b>
Number of stocks		<b>141</b>
Initial charge	(R Class)	<b>5.00%</b>
Annual charge	(R Class)	<b>1.50%</b>
Total expense ratio	(R Class)	<b>1.68%</b>
Accounting date	(interim)	<b>30 Apr</b>
	(annual)	<b>31 Oct</b>
Distribution date	(income)	<b>n/a</b>

All data, source: AXA IM as at 31 October 2008.

## Review and Outlook

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Equity markets reached new peaks at the end of October 2007, but the 12 months since that point have been a very turbulent period in the financial markets. The FTSE All Share fell by 34.36% as the global economy was impacted by the credit crisis. A litany of negative developments during the course of the year dealt a heavy blow to the confidence in the financial sector. In the USA, following the collapse of Lehman, the Treasury created a plan called the Troubled Asset Relief Programme to alleviate stress in the debt markets. Similarly in the UK, the Government announced plans to inject £37billion into the UK banks and the IMF was called in to provide support and advice to a number of countries. More recently, in an attempt to create some stability, several Governments got together to co-ordinate a reduction of interest rates. Since then, there has been some evidence emerging of an easing of lending.

During the course of the year commodities have been as volatile as equity markets. For example, oil reached a peak of \$145 per barrel during the summer of 2008 and closed the period under review at \$67 per barrel, which was

a 30% decline over the year. Emerging countries, which had driven the strong demand for commodities are still growing, albeit at a slower pace than previously and this slow down of growth has reduced their demand for goods. At the start of the period, there were widespread worries of rising inflation but these fears are abating as the economic slow down progresses and commodity prices subside.

Towards the end of the period we saw a number of companies cut dividends or downgrade expectations for future payments.

The Fund outperformed its ethically screened universe of permissible stocks, returning -46.3% compared to the benchmark return of -48.9% (Source: Morningstar, prices are mid, with net income reinvested) but performed behind the broader market, due to a lack of exposure to the Oil and Pharmaceutical sectors, most of which are excluded by the Fund's ethical policy. Please note however that past performance is not a guarantee of future returns. The value of investments may go down as well as up, and you may receive less back than you invested.

Over the year, activity was limited to small incremental moves within the permissible sectors. There was no major sector or stock moves of note to report on.

In the near term there is a real prospect for a continuation of unsettled markets seen since the beginning of the year. As companies look to restore balance sheets we expect to see more companies re-base their dividends. Currently, expectations are high for a further reduction in short term interest rates.

**Richard Marwood**

**31 October 2008**

## **Risk profile**

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Due to the ethical constraints placed on this Fund, which excluded over half of the FTSE All-Share index, the value of the Fund may fluctuate more than a fund which is invested in a more diversified portfolio of UK equities. The value of investments and the income from them is not guaranteed and can go down as well as up.

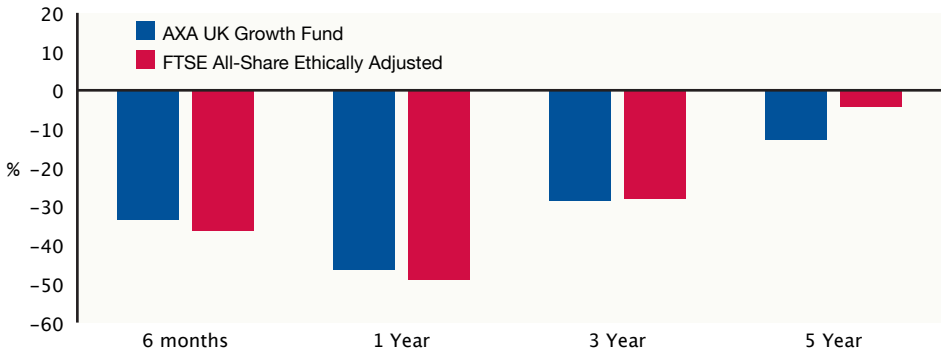
## Five year discrete annual performance %

Oct 03 to Oct 04	Oct 04 to Oct 05	Oct 05 to Oct 06	Oct 06 to Oct 07	Oct 07 to Oct 08
-3.8	-2.2	-1.4	-6.8	-46.3

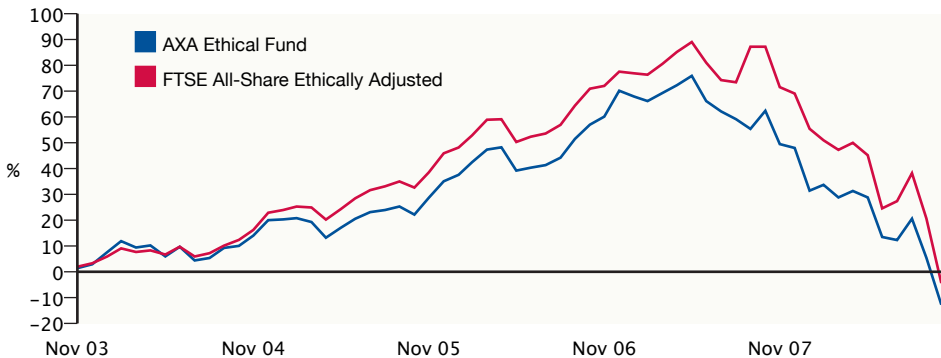
Past performance is not a guide to future performance. Source: Morningstar, prices are mid, with net income reinvested, in sterling terms to 31 October 2008

## Cumulative fund performance versus benchmark

as at 31 October 2008



as at 31 October 2008



Past performance is not a guide to future performance. Source: Morningstar, prices are mid, with net income reinvested, in sterling terms to 31 October 2008

## Summary of historic prices and distributions

Year	Share class	Share type	Highest share price (pence)	Lowest share price (pence)	Distribution per share (pence)
2008*	I	Accumulation (net)	124.9	66.37	3.603
2008*	R	Accumulation (net)	119.1	63.00	2.917
2007	I	Accumulation (net)	147.4	119.6	2.382
2007	R	Accumulation (net)	140.9	114.1	1.645
2006	I	Accumulation (net)	141.9	110.1	2.465
2006	R	Accumulation (net)	136.0	105.8	1.844
2005	I	Accumulation (net)	112.0	93.23	1.702
2005	R	Accumulation (net)	107.8	90.03	1.185
2004	I	Accumulation (net)	93.21	83.81	1.705
2004	R	Accumulation (net)	90.62	81.21	1.236

\*to 31 October 2008

## Net asset value record

Share class	Share type	Net asset value per share as at 31 October 2008 (pence)	Net asset value per share as at 31 October 2007 (pence)
I	Accumulation (net)	73.29	135.7
R	Accumulation (net)	69.56	129.5

## Top ten holdings

### as at 31 October 2008

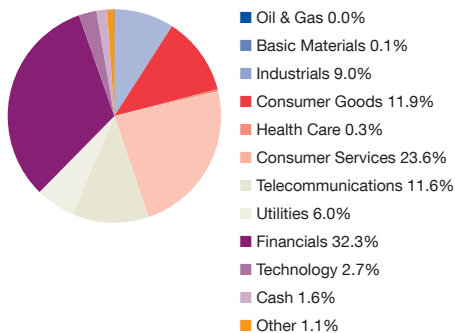
Vodafone	8.8
HSBC	7.4
Diageo	6.5
Tesco	5.8
National Grid	4.9
SABmiller	3.8
Standard Chartered	3.4
Reed Elsevier	2.9
Royal Bank of Scotland	2.4
Man Group	2.2

### as at 31 October 2007

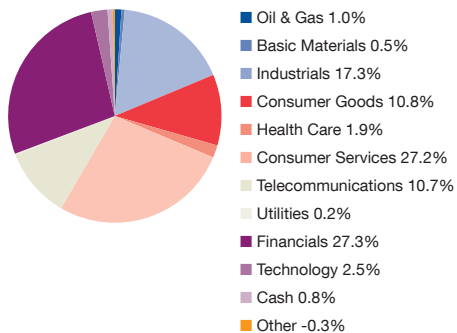
Vodafone	9.0
Tesco	6.8
Diageo	5.3
Barclays	4.3
SABmiller	3.3
HBOS	3.1
Man	1.7
Prudential	1.7
Marks & Spencer	1.6
Legal & General	1.5

## Portfolio breakdown

### As at 31 October 2008



### As at 31 October 2007



All data, source: AXA Investment Managers

# Additional Information

## Report and accounts

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The purpose of sending this Short Report for the Fund is to present you with a summary of how the Fund has performed during the accounting period in accordance with the FSA rules. If you wish to request further information it is available by requesting a copy of the more detailed long form accounts for the Fund. For a copy please write to AXA Administration Centre, PO Box 365, Bristol, BS34 8XZ or telephone customer services on 0845 300 0479. Copies of the annual and half yearly Report and Accounts for the AXA UK Investment Company ICVC, which include this Fund, are available free of charge on request to our customer services team who can be contacted on 0845 300 0479. Alternatively, this report can be downloaded from our website [www.axa-im.co.uk](http://www.axa-im.co.uk).

## Other information

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The Fund is a sub-Fund of the AXA UK Investment Company ICVC which is an open ended investment company authorised by the Financial Services Authority, and has a UCITS certificate. The Company is managed in accordance with the FSA Collective Investment Schemes Sourcebook.

The fees and charging information included relates to the R share class.

## European Savings Directive

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Where an investor is not a resident of the United Kingdom, or has moved to another prescribed country after investing with us, the regulations that implement the European Savings Directive require us to obtain additional customer information and report these details, and details of your investment, to Her Majesty's Revenue & Customs, should you be invested in a Fund with has a fixed interest or cash content totalling more than 15%. As at 31 October 2008, the AXA Ethical Fund's exposure to these asset types totalled 1.6% and it therefore does not currently fall under these requirements.



**Authorised corporate director**

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Authorised and regulated by the Financial Services Authority.

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**Fund accounting administrator**

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For more information on any AXA IM Fund please contact us via our website.  
Copies of the latest Manager's Report (long form) and Prospectus are available free  
of charge from AXA Administration Centre,  
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[www.axa-im.co.uk](http://www.axa-im.co.uk)