

27 July 2022

To: All Shareholders in the AXA Distribution Investment ICVC and AXA Fixed Interest Investment ICVC and all Unitholders in the AXA Framlington Unit Trusts

Dear Shareholder,

**60 DAYS' NOTICE OF CHANGES TO THE SUB-FUNDS OF EACH OF THE AXA DISTRIBUTION INVESTMENT ICVC AND AXA FIXED INTEREST INVESTMENT ICVC AND TO THE AXA FRAMLINGTON UNIT TRUSTS LISTED AT APPENDIX I TO THIS LETTER (each a "Fund" and together the "Funds")**

We, AXA Investment Managers UK Limited in our capacity as Authorised Corporate Director or Authorised Fund Manager of the Funds, are writing to you as an investor in one or more of the Funds, to give you notice of a change we are making to the Funds, the introduction of securities lending (also known as "stock lending").

This letter serves as a formal notice that we will make the change set out below on 1st October 2022.

We are required under the rules of the Financial Conduct Authority (the "FCA") to give you 60 days' notice of this change. **You do not need take any action, however we recommend that you read this letter.**

If you have any questions about the change set out below or require any further information, please contact 0345 777 55 11, or email AXA-IM@UK.DSTSYSTEMS.COM.

**1. What is stock lending?**

"Stock lending" refers to an arrangement by which the 'lender' temporarily transfers securities (shares or bonds) to another party (a 'borrower'). The borrower is obliged to return those securities (or securities of the same type and amount) to the lender at a later date or when requested to do so by the lender. A separate but related transaction is also undertaken by the borrower to provide collateral to the lender, to secure repayment to the lender, in case the borrower fails to return the loaned securities when required to do so. Collateral can take the form of cash, bonds and/or equities. The value of the collateral provided must exceed the value of the loaned securities, to ensure the lender has a 'safety cushion' to prevent loss if the borrower doesn't return the loaned securities when required. The borrower will pay the lender a fee in respect of and for the period of the securities lending transaction.

When stock lending is undertaken as an investment technique by authorised funds such as the Funds, the fund itself becomes the "lender" and some of the shares or bonds it owns as part of its scheme property are lent to another entity which becomes "the borrower". The rules and standards which the authorised funds must follow when engaging in stock lending are set out by the FCA. Further, the types of entities that can be "borrowers" are specified by the FCA, and include, for example brokers, dealers and other financial institutions. As the Funds are medium to long term investments, they often hold shares or bonds with no intention of selling them in the short term. Consequently the relevant Fund is able to lend its shares or bonds to a third party.

The borrower will pay the Fund a borrowing fee for the period for which the shares or bonds are on loan. This borrowing fee generated from the stock lending provides additional income for the Fund. The concept of stock lending is a relatively common one and systems have been developed across the financial services industry over the past years to facilitate it.

## **2. The Stock Lending Agent**

We have appointed our affiliate, AXA Investment Managers GS Limited, as the stock lending agent on behalf of the Funds. The stock lending agent, on behalf of each Fund, may lend the portfolio securities of a Fund via a securities lending programme, to permitted borrowers. The stock lending agent is entitled to a fee representing a portion (currently 25%) of the gross revenue arising from the stock lending transactions it enters into on behalf of a Fund. This fee will cover all of the stock lending agent's direct and indirect operational costs associated with implementing the securities lending programme on behalf of a Fund.

The remaining gross revenue (currently 75%) arising from these transactions will be retained by the relevant Fund. Any costs and expenses (including transaction costs and the fees of the lending agent) associated with entering into securities lending transactions will be paid by the lending agent out of the fee it is paid, please see below.

## **3. Control and Oversight of the Stock Lending Programme**

We have established various parameters to monitor and control securities lending transactions to ensure that they are appropriate for the Funds. These include for example maximum counterparty exposure and the kind of collateral which is acceptable. Up to 90% of net asset value of each Fund may be used in a securities lending transaction. However, in the ordinary course of the management of the Funds it is expected that approximately 30% of the net asset value of each Fund may be used in a securities lending transaction. As part of the change, we are updating the prospectus to reflect these requirements.

## **4. Why do we want to introduce stock lending?**

We wish to use stock lending in order to generate an additional source of income for the Funds with no additional costs. We currently use this method of generating income for our other fund ranges outside of the UK. While stock lending returns vary according to the specific securities a fund invests in and demand to borrow them, we believe that the use of stock lending could improve the prospects for future performance of the Funds. In our view introducing stock lending is, therefore, in the best interests of shareholders.

## **5. What does this mean for you?**

Introducing stock lending results in an increase to the charges payable out of the scheme property of the Fund, as we will take 25% of the income arising from stock lending, to be paid by us directly to the securities lending agent. However, as set out above we anticipate the use of stock lending will in turn generate more income for the Funds without creating any additional costs to the Fund, i.e. the 75% of any income made from stock lending which will be returned to the Funds.

Investors should note that the ACD will only use this technique if it considers that it would be appropriate to do so and that the degree of risk involved in the relevant transactions is acceptable and appropriate for the Fund in question. The ACD will only be using this technique as part of the Fund's use of "efficient portfolio management" techniques and not to assist in meeting the Fund's investment objectives. The proposed use of this investment technique will not change the investment objectives or policies of the Funds, the way they are managed or their risk profiles.

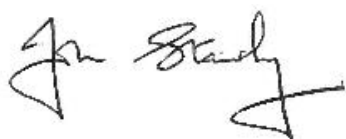
## **6. Costs**

We will be meeting all the costs associated with the introduction of stock lending.

## **7. Approvals**

The Financial Conduct Authority has confirmed by letter to Eversheds Sutherland (International) LLP, solicitors to AXA Investment Managers UK Limited, that the changes will not affect the authorisation of the Funds under The Open Ended Investment Companies Regulations 2001.

Yours sincerely,



John Stainsby

For and on behalf of AXA Investment Managers UK Limited

**As Authorised Corporate Director and Authorised Fund Manager of the Funds**

## THE FUNDS

### AXA DISTRIBUTION INVESTMENT ICVC

AXA Distribution Fund  
AXA Global Sustainable Distribution Fund  
AXA Defensive Distribution Fund  
AXA Ethical Distribution Fund  
AXA Lifetime Distribution Fund

### AXA FIXED INTEREST INVESTMENT ICVC

AXA ACT Carbon Transition Sterling Buy and Maintain Credit Fund  
AXA ACT Green Short Duration Bond Fund  
AXA Global Strategic Bond Fund  
AXA Global High Income Fund  
AXA Sterling Strategic Bond Fund  
AXA Sterling Corporate Bond Fund  
AXA US Short Duration High Yield Fund  
AXA Sterling Index Linked Bond Fund  
AXA Global Short Duration Bond Fund  
AXA Sterling Credit Short Duration Bond Fund

### AXA FRAMLINGTON UNIT TRUSTS

AXA ACT Framlington Clean Economy Fund  
AXA Framlington Japan Fund  
AXA Framlington American Growth Fund  
AXA Framlington Global Sustainable Managed Fund  
AXA Framlington Biotech Fund  
AXA Framlington Managed Income Fund  
AXA Framlington UK Equity Income Fund  
AXA Framlington Monthly Income Fund  
AXA Framlington Emerging Markets Fund  
AXA Framlington UK Mid Cap Fund  
AXA Framlington FinTech Fund  
AXA Framlington UK Select Opportunities Fund  
AXA Framlington Global Thematics Fund  
AXA Framlington UK Smaller Companies Fund  
AXA Framlington Global Technology Fund  
AXA Framlington UK Sustainable Equity Fund  
AXA Framlington Health Fund

