

AXA Framlington Monthly Income Fund (the “Fund”)

We are writing to you in relation to your investment in the Fund.

The Covid19 pandemic has caused companies to carefully review and reconsider the funding and capital resources available to them. The main priority is conserving liquidity to ensure that their business has the best chance to survive the current economic downturn. Inevitably companies have been forced to review their dividend policies. This has included companies not paying previously declared dividends.

The Fund has a 6th March year end. At that date, the balance of the income received or to be received by the Fund for that accounting year by way of company dividends (including amounts where the dividend payment for that year has been declared but not yet been received) is calculated and identified for payment to unitholders of record as of that date. This is common practice for equity funds. However, as a result of the current economic downturn some previously declared dividend payments were cancelled by companies. This meant that the monthly distribution for the period ending 6th March and paid by the Fund on 6th April 2020 was higher than it should have been as the Fund did not receive all of the anticipated dividend payments for that period. As a consequence of this overpayment, no income will be distributed for the monthly distribution period ending 6th April 2020 and paid 6th May 2020. Ultimately this overpayment should not affect the value of any investment a unitholder maintains in the Fund.

Many of the dividend paying companies of the past are not dividend payers of the present but we would expect them to be dividend payers of the future assuming the world economy gets back on its feet. If this is the case it does not make sense for the Fund to sell all the holdings which have temporarily suspended paying dividends. Governments are encouraging companies that have accessed any government support to retain capital by refraining from paying dividends. The clearest sector where this has happened is the banking sector. The Fund is markedly underweight this area of the market when compared to its benchmark, the FTSE All Share index. Companies in the insurance sector are also being asked by governments to consider their dividend policies, with companies at present responding differently. Currently, the Fund’s largest holdings in the insurance sector, Legal & General and Phoenix, are intending to pay their dividends while Aviva has cancelled its dividend.

The oil sector is also a substantial contributor to the historic dividends of the market and there is some doubt as whether this will continue if the current oil price persists for a sustained period. The Fund is underweight this sector when compared to its benchmark and some of the Fund's holdings in this sector may ultimately benefit from support to the US gas price as a result of reduced shale oil drilling.

In conclusion, while there will be no distribution by the Fund for the month of April, the Fund continues to hold shares of companies in its portfolio which are paying dividends which means that the Fund should be able to resume paying distributions. However, any distributions are unlikely to be at prior levels. There remains a considerable degree of uncertainty as to how long the effects of the Covid19 pandemic will endure and the severity of them. Accordingly, in this environment, companies will continue to be cautious in managing their balance sheets and capital resources.

We will keep you updated as the situation develops.

Yours sincerely



John Stainsby
on behalf of
AXA Investment Managers UK Limited