

# AXA's Emerging Markets Fund

## Fund performance<sup>1, 2, 3</sup>

Fund return at 31 August 2011

	1 month %	3 months %	1 year %	3 years % pa	5 years % pa
Distribution	0.0	0.0	0.0	n/a	n/a
Growth	-7.0	-12.3	-12.0	n/a	n/a
<b>Total</b>	<b>-7.0</b>	<b>-12.3</b>	<b>-12.0</b>	<b>n/a</b>	<b>n/a</b>
Benchmark	-6.6	-11.2	-9.4	-2.3	1.3

## Market and fund review

Equities in the emerging and developed markets declined in August and dived into negative territory for the year to date. The US sovereign credit-rating downgrade, US debt-ceiling concerns and continued instability in the euro-area economy weighed heavily on investor confidence. During the month, emerging-market equity funds saw net outflows as investor risk aversion intensified. The benchmark MSCI Emerging Markets (EM) Index declined 6.6% in the month, in Australian dollar terms. Performance was down across all regions of the developing world. Asia lost the most ground, with South Korea's export dependent economy hit the hardest by the global economic slowdown. The EMEA region retreated, as Russia's commodities oriented economy was hurt by the drop in oil prices. Latin America also lost ground, as high interest rates in Brazil slowed economic growth. Sector performance was mostly negative in August. Industrials depreciated the most because of declining confidence in global economic conditions. Telecom was the only sector that advanced modestly, due in part to key players in Latin America having decent earnings seasons.

AXA's Emerging Markets Fund underperformed its benchmark in August.

Detractors included Taiwanese technology holding Powertech, and Chinese companies China Yurun Food and Zhongsheng in the automotive industry. China Yurun Food remained under pressure due to concerns over corporate governance, food safety and negative outlook for the second half of the year. Despite the lack of any company specific news, Zhongsheng shares fell due to concerns over auto sales in China. Powertech detracted as weak consumer demand caused the inventory de-stocking of customers. Contributors included two Brazilian holdings. Financials holding Banco do Brasil gained, thanks to a 22% increase in profits and a looser monetary policy, as the Brazilian central bank lowered its policy rate by half a percent. Gas and petrochemical holding company Ultrapar gained on solid growth in Brazil's car fleet.

AllianceBernstein point out that it is clear that macroeconomic conditions worldwide have deteriorated since earlier in the year and the challenges facing the world are indeed daunting, with ballooning government budget deficits in the US, sovereign debt and fiscal challenges in Europe, and inflation concerns and tighter monetary policies in many emerging-markets economies. However, AllianceBernstein continue to focus their portfolio on companies with strong business fundamentals, as they believe emerging market companies are more attractive than their developed-market counterparts due to their spending discipline and strong balance sheets. Further, AllianceBernstein remain positive of emerging companies as they have grown faster over the last six years and expect it will remain robust on strong domestic demand and exports. Finally, AllianceBernstein indicated that they do not underestimate the challenges that lie ahead, and their research is focused on owning the most attractive growth and value equity opportunities in the emerging markets.

1 Past performance is not necessarily indicative of future performance. Performance figures are calculated using exit prices, are net of management fees, ongoing fees and expenses, assume distributions are reinvested and tax is not deducted. The Growth return reflects changes in the capital value of units, while the Distribution return reflects total distributions paid from the Fund.

2 The benchmark is the Morgan Stanley Capital International (MSCI) Emerging Markets Index (net dividends reinvested) before fees in Australian dollar terms.

3 AXA's Emerging Markets Fund, issued by National Mutual Funds Management Ltd, is available by way of PDS which you can obtain from your financial adviser or by calling 1800 780 085. You should read the PDS before making an investment decision.



## Sector allocation at 31 August 2011

	Portfolio Benchmark	
	%	%
Energy	15.8	14.3
Materials	15.1	15.0
Industrials	6.0	7.0
Consumer Discretionary	12.1	7.9
Consumer Staples	3.7	7.3
Health Care	0.6	1.0
Information Technology	13.9	11.7
Telecom. Services	2.0	8.1
Utilities	2.4	3.5
Financials	25.9	24.2
Liquidity & Other	2.5	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## Top 10 holdings at 31 August 2011

	Country	Portfolio %	Benchmark %
Samsung Electronics	KOR	4.4	2.4
Petro. Brasileiro	BRA	3.4	2.7
Vale	BRA	3.4	2.5
Gazprom	RUS	3.0	1.8
Lukoil	RUS	2.0	0.9
Banco Do Brasil	BRA	1.8	0.3
CNOOC Ltd	CHI	1.5	1.0
KGHM	POL	1.5	0.2
Samsung Engineering	KOR	1.5	0.2
America Movil	MEX	1.5	1.4
<b>Totals</b>		<b>24.0</b>	<b>13.4</b>
<b>Total Number of holdings</b>		<b>211</b>	<b>821</b>

## Country Allocation at 31 August 2011

	Portfolio %	Benchmark %
Brazil	17.0	15.3
Korea	16.1	14.4
China	14.0	17.3
Russia	9.4	6.7
Taiwan	8.4	11.0
India	7.8	6.9
South Africa	5.5	7.9
Turkey	3.6	1.3
Hong Kong	2.9	
Indonesia	2.6	2.8
Mexico	2.5	4.6
Thailand	1.5	1.9
Poland	1.5	1.6
Chile	1.0	1.7
United Kingdom	1.0	0.0
Qatar	0.9	0.0
Malaysia	0.5	3.2
Czech Republic	0.4	0.4
Canada	0.4	0.0
Kazakhstan	0.4	0.0
Singapore	0.4	0.0
Mongolia	0.3	0.0
Israel	0.3	0.0
Ukraine	0.2	0.0
Argentina	0.2	0.0
Peru	0.2	0.6
United Arab Emir	0.2	0.0
Egypt	0.2	0.3
Kuwait	0.2	0.0
Sweden	0.2	0.0
Oman	0.1	0.0
United States	0.1	0.0
Other	0.0	2.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

**Fund size at 31 August 2011:** \$4.4 million

**Inception date:** July 2010

**Investment objective:** The objective of the Fund is to provide unit holders with long-term capital growth and to outperform the Morgan Stanley Capital International (MSCI) Emerging Markets Index by 3% per annum over full market cycles (before fees).

**Investment manager:** Investment manager of the Fund is AllianceBernstein Australia Limited ABN 53 095 022 718, AFSL No. 230698 (AllianceBernstein). The Emerging Markets Fund is managed by Alliance Bernstein Blend Strategies and takes advantage of Alliance Growth and Bernstein Value Equities.

### Important information

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