

AXIOM EUROPEAN FINANCIAL DEBT FUND LIMITED

Closed-end Guernsey fund invested in regulatory capital securities in Europe. Seeking opportunities presented by the Basel III and Solvency II transitions. A diversified approach across subordinated debt issued by financials, investing in 5 sub-strategies. Target return of 10% p.a. over 7 years.

KEY METRICS AND RISK ANALYSIS

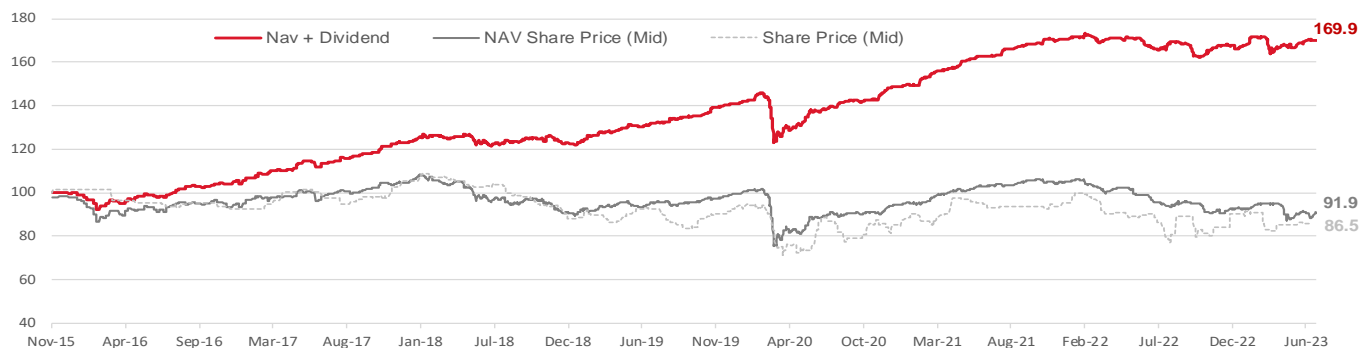
| | | | |
|---|------------|--|--------|
| Share price (mid) (GB pence) | 86.50 | Modified duration | 1.66 |
| NAV per share (daily) (GB pence) | 91.85 | Sensitivity to credit | 3.26 |
| Dividends paid over last 12 months (GB pence) | 6.00 | Positions | 90 |
| Shares in issue | 91 852 904 | Average price at end of the month ¹ | 85.34 |
| Market capitalisation (GBP mn) | 79.45 | Running yield (GBP) | 7.89% |
| Total net assets (GBP mn) | 84.37 | Yield to perpetuity (GBP) ² | 11.44% |
| Premium / (Discount) | (5.82) | Yield to call (GBP) ³ | 14.29% |

Top 10 Holdings

| Security | Strategy | % NAV |
|---|--------------|-------|
| Intesa Sanpaolo SpA 7.75% Perp (Var) | Liq. RV | 2.47% |
| Deutsche Bank AG 4.625% 10/30/27 Perp (Var) | Liq. RV | 2.40% |
| Barclays PLC 9.250% Perp (Var) | Liq. RV | 2.15% |
| Volksbank Wien AG 7.750% Perp (Var) | Less Liq. RV | 2.09% |
| Banco Santander SA 3.625% (Var) | Liq. RV | 2.02% |
| Lloyds Banking Group plc 8.500% Perp (Var) | Liq. RV | 2.01% |
| Societe Generale SA 7.875% Perp (Var) | Liq. RV | 1.95% |
| KBC Group NV 4.25% Perp (Var) | Liq. RV | 1.94% |
| Aareal Bank AG 7.321% Perp (Var) | Liq. RV | 1.82% |
| Co-Operative Bank Finance PLC 9.500% 04/25/29 (Var) | Rest. | 1.75% |

RETURNS EVOLUTION SINCE INCEPTION⁴

Performance since inception (rebased at 100)



Net Annualized Returns

| | 1 month | 3 months ⁶ | | | 6 months ⁶ | | 1 year ⁶ | | 3 years ⁶ | | Since launch ⁶ | | |
|------|---------|-----------------------|---------|--------|-----------------------|--------|---------------------|--------|----------------------|--------|---------------------------|--------|--------|
| | 1.65% | 4.10% | | | 2.42% | | 3.48% | | 7.70% | | 5.21% | | |
| | Jan | Feb | Mar | April | May | June | Jul | Aug | Sep | Oct | Nov | Dec | Total |
| 2015 | | | | | | | | | | | 0.19% | -1.48% | -1.29% |
| 2016 | -4.02% | -4.59% | 3.57% | 1.16% | 2.62% | -1.97% | 2.83% | 1.69% | -0.21% | 2.06% | -1.6% | 1.91% | 3.1% |
| 2017 | 2.67% | 0.93% | 1.12% | 2.01% | 1.72% | -1.41% | 1.86% | 0.58% | 1.76% | 2.72% | 1.31% | 0.23% | 16.14% |
| 2018 | 3.12% | -0.7% | -1.95% | 1.14% | -5.84% | -0.72% | 1.6% | -1.26% | 2.43% | -1.54% | -2.68% | -1.44% | -8.00% |
| 2019 | 3.36% | 2.30% | 0.29% | 2.53% | -1.58% | 2.29% | 0.30% | 0.75% | 0.97% | 2.22% | 1.77% | 1.12% | 16.98% |
| 2020 | 1.99% | -0.87% | -19.95% | 5.24% | 3.68% | 4.27% | 1.90% | 1.88% | -0.32% | 0.53% | 5.03% | 1.48% | 1.73% |
| 2021 | -0.16% | 3.78% | 2.45% | 2.15% | 1.65% | 1.27% | 0.83% | 1.19% | 1.97% | 0.18% | -0.45% | 1.23% | 16.87% |
| 2022 | 0.33% | -1.80% | 0.03% | -0.85% | -0.95% | -4.15% | 0.41% | 1.64% | -4.41% | 0.95% | 1.98% | 0.60% | -6.32% |
| 2023 | 2.26% | 1.38% | -5.09% | 0.64% | 1.77% | 1.65% | | | | | | | 2.42% |

¹ Bonds only ² The yield to perpetuity is the yield of the portfolio converted in GBP with the hypothesis that securities are not reimbursed and kept to perpetuity. ³ The yield to call is the yield of the portfolio converted in GBP at the anticipated reimbursement date of the bonds. ⁴ Past performance does not guarantee future results. ⁵ Annualized performance dividends reinvested. ⁶ Performance with dividends reinvested



MARKET COMMENTARY



Antonio Roman
Portfolio Manager



Gildas Surry
Portfolio Manager

Banks outperformed in June with the SX7R returning +7.31% against +2.41% for the SXXR. The Subfin tightened by 15 bps to end the month at 160 bps. UK bonds underperformed as the BOE hiked 50 bps contrary to consensus expectations of a 25 bps move.

Central bankers met in Sintra to discuss the inflation outlook against a backdrop of conflicting economic data. Powell made the case that a soft landing was possible as inflation seemed to be moderating while the economy looked resilient. Despite weak European PMIs, Christine Lagarde reasserted that inflation risks are on the upside. Indeed, the ECB projections may be optimistic as they assume that real wages will catch-up to pre-pandemic levels, but without causing a wage-price spiral. In emerging markets, inflation seems to have subsided, with rate cuts expected in Mexico, Brazil, Poland and Czechia.

In the US, the Fed Stress Test results were generally positive, allowing many large banks to announce increased dividends. The aggregate 2.3pt CET1 loss compares to a 2.7pt drop in the FY22 stress test thanks to higher pre-provision profitability. Unrealized losses on bond portfolios were not problematic as the stress test assumed a disinflationary recession with c. 400 bps rate cuts. The average cumulative loss rate on commercial real estate in the adverse scenario was 8.8%, and 17.7% on credit cards.

In Europe, ECB Supervisory Chair, Andrea Enria, highlighted that the amount of unrealised losses on balance sheets of European banks are “in the ballpark of EUR 70bn”, compared to “north of 620bn” for US banks. Recently, the IMF estimated that the unrealised losses account for 50 bp of European banks’ CET1 vs. 250 bp for US banks. Banks repaid close to €500bn TLTRO funds, led by Italian banks with more than €120bn. The MRO and LTRO facilities increased by c. €18bn and €4bn, demonstrating that banks did not need to replace central bank funding to maintain healthy liquidity ratios.

On the credit front, after three months of inactivity post Credit Suisse, the European AT1 market reopened with a €1bn deal by BBVA and €220m by Bank of Cyprus. Demand for the deals was strong with books covered several times. In other news, Santander extended a USD Senior Preferred security, which is the first extension of a Yankee senior. Barclays announced its intention to redeem its “discos” at a 10 points premium to market prices.

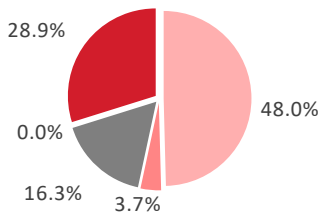
Fund activity

In Liquid Relative Value, we bought AT1s of Royal London, Van Lanschot, BNPP, Piraeus and Barclays. We added to Unicredit Cashes. Finally, we bought Ethias Tier 2.

In Midcap Origination, we reduced Shawbrook AT1s.

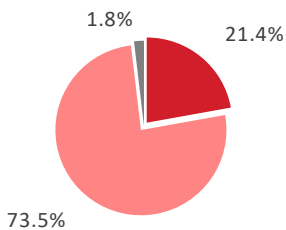
STRATEGY ALLOCATION (as % of total net assets)¹

- Liquid relative value
- Less liquid relative value
- Restructuring
- Special situations
- Midcap origination

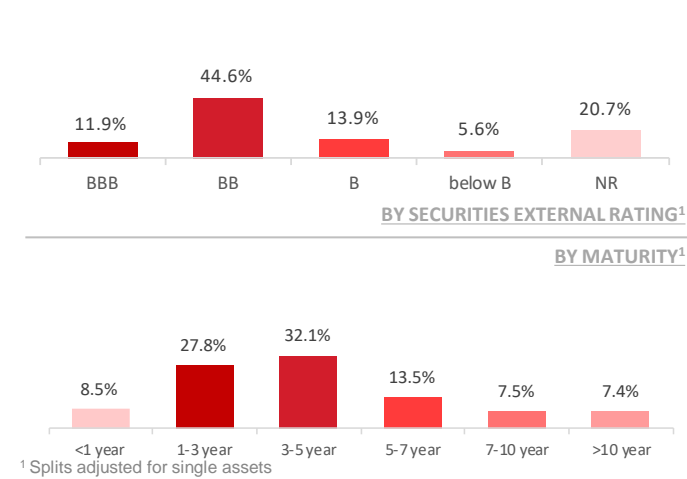


DENOMINATION (as % of total net assets)¹

- GBP
- EUR
- USD



PORTFOLIO BREAKDOWN (as % of total net assets)



¹ Splits adjusted for single assets

INFORMATION ON THE FUND

| | |
|--|---|
| ISIN / Ticker: | GG00BTC2K735 / AXI LN Equity |
| Currency ² : | GBP |
| Countries: | UK |
| Fund type: | Guernsey closed-end fund |
| Fund inception date: | 5 November 2015 |
| Minimum initial subscription: | 1 share |
| Subscription / repurchases conditions ³ : | Under CREST settlement procedure |
| Management fees ⁴ : | 1% p.a. of NAV, subj. to 1.5% TER cap |
| Performance fees ⁴ : | 15% p.a. of Total Shareholder Return in excess of 7% p.a. |

² Currency exposure is systematically hedged. ³ CREST is the computerized settlement system operated by Euroclear UK and Ireland Limited which facilitates the transfer of title to shares in uncertificated form. ⁴ All details of the expenses incurred by the fund are available in the Prospectus.

RESEARCH AND MANAGEMENT TEAM

David Benamou
Managing Partner
Chief Investment

Jérôme Legras
Managing Partner
Head Of Research
Department

Antonio Roman
Portfolio Manager

Adrian Paturle
Partner
Portfolio Manager

Gildas Surry
Partner
Portfolio Manager

Gilles Frisch
Portfolio Manager

Paul Gagey
Portfolio Manager

SERVICE PROVIDERS

Investment Manager
Axiom AI SARL
Investment Adviser
Axiom AI UK Branch
Broker
Winterflood Securities
Registrar
Link Market Services (Guernsey)
Limited
Administrator
Elysium Fund Management
Depository
CACEIS France
Auditor
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