

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)	93.50	Modified duration	4.91
NAV per share (daily) (GB pence)	105.86	Sensitivity to credit	5.52
Dividends paid over last 12 months (GB pence)	6.00	Positions	91
Shares in issue	91 852 904	Average price at end of the month ¹	117.16
Market capitalisation (GBP mn)	85.88	Running yield (GBP)	7.34%
Total net assets (GBP mn)	97.23	Yield to perpetuity (GBP) ²	8.05%
Premium / (Discount)	(11.68)%	Yield to call (GBP) ³	8.17%

Top 10 Holdings

Security	Strategy	% NAV
Shawbrook Group PLC 7.875% Perp	Midcap Orig.	4.09%
Promontia MMB SASu 8.000% Perp	Midcap Orig.	3.77%
West Bromwich Building Society 3.000% Perp	Rest.	3.72%
Ulster Bank Ireland DAC 11.750% Perp	Special situation	3.39%
Co-Operative Bank Finance PLC 9.500% 04/25/29	Rest.	3.23%
Cassa di Risparmio di Asti SpA 9.250% Perp	Midcap Orig.	3.06%
International Personal Finance PLC 9.750% 11/12/25	Rest.	2.57%
Nottingham Building Society 7.875% Perp	Midcap Orig.	2.54%
Coventry Building Society 12.125% Perp	Less Liq. RV	2.41%
AnaCap Financial Europe SA 5.000% 08/01/24	Rest.	2.37%

RETURNS EVOLUTION SINCE INCEPTION⁴

Performance since inception (rebased at 100)



Net Annualized Returns

	1 month	3 months	6 months	1 year	3 years ⁵	Since launch ⁵
	0.18%	3.34%	7.19%	23.40%	10.29%	7.26%

	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%	-1.60%	1.91%	3.10%
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%	-0.70%	-1.95%	1.14%	-5.84%	-0.72%	1.60%	-1.26%	2.43%	-1.54%	-2.68%	-1.44%	-8.00%
2019	3.36%	2.30%	0.29%	2.53%	-1.59%	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%			16.05%

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

 MARKET COMMENTARY

Market commentary

October delivered strong returns for equities, with European stocks reaching record highs on the back of persistent inflows. The bank index (SX7R) returned +6.49% vs. +4.67% for the broader STOXX 600. In a remarkable shift, markets started to question central banks' ability to keep ultra-accommodative policies amid broadening inflation. Short-term rates rose dramatically in the UK, Australia and Canada, but also in Europe and the US. The Subfin closed the month 3bps wider at 113bps, while the yield on 10y US Treasuries rose by 7bps to 1.55%.

With no signs of supply constraints easing, and wage surveys pointing to a pick-up in salaries, the likelihood of having inflation above 2% over a 3-year horizon is now such that some central banks are choosing to walk away from the transitory narrative in favour of a more balanced approach. Rising short-term rates strongly benefit banks, especially when levels are close to the lower bound and liquidity is in surplus. European banks' earnings would rise on average by 30% after a 100bps parallel shift in rates, with the most sensitive banks doubling their earnings.

The Q3 results released so far were good, with no bank missing on a profit before tax basis. Net interest income was broadly in line, while fund distribution fees and CIB were much better than expected. There were no negative surprises on the cost side. On aggregate, capital was 25bps higher than expected, due to lower credit migration. Capital return commitments led to good trading performance.

On the regulatory front, the Basel IV full implementation date was pushed further to 2030, while the ultimate impact on risk weighted assets appears much lower than originally thought, at around 6-8%.

Crédit Agricole cleaned-up its legacy stock, redeeming their EUR CMS and two smaller USD deals, as well as the old Credit Lyonnais TMOs.

Fund activity

In MidCap, we opened a position in specialist mortgage lender Together, as well as in the UK subsidiary of Investec, a wealth manager and private bank with operations mainly in the UK and South Africa.

In Restructuring, we took part in the new Piraeus green senior preferred issue, while we reduced our allocation to the Tier 2s.

In the Relative Value buckets, we kept adding to our allocation of UK pure perpetuals. We also increased our allocation to some French discos and CMS-like securities. We closed our position in Deutsche Bank AT1s.

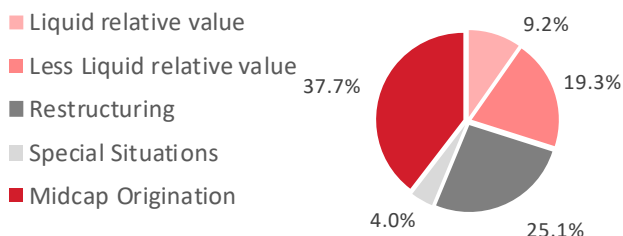


Antonio Roman
Portfolio Manager

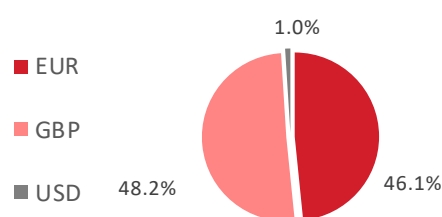


Gildas Surry
Portfolio Manager

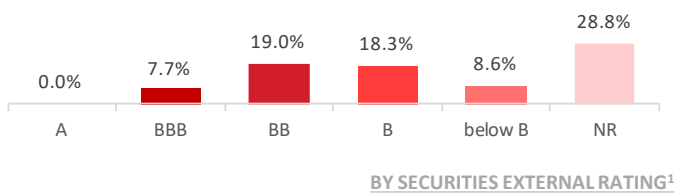
STRATEGY ALLOCATION (as % of total net assets)¹



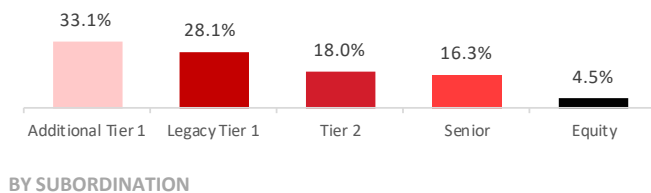
DENOMINATION (as % of total net assets)¹



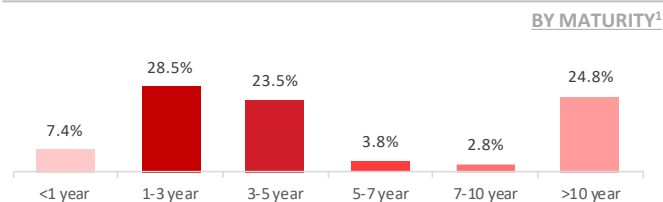
PORTFOLIO BREAKDOWN (as % of total net assets)



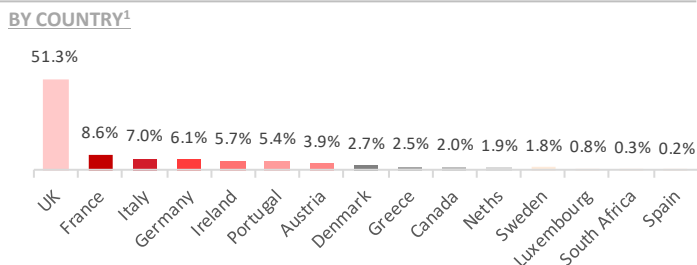
BY SECURITIES EXTERNAL RATING¹



BY SUBORDINATION



BY MATURITY¹



BY COUNTRY¹

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



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