



Groupama
ASSET MANAGEMENT



AXIOM
ALTERNATIVE INVESTMENTS

London, 21 May 2018

Almost a year after its launch Groupama Axiom Legacy 21 has surpassed the €350 million mark

Leading subordinate financial debt fund Groupama Axiom Legacy 21 announces that it has reached €364 million in assets under management (as at May 11th, 2018), one month before its first-year anniversary.

The fund, whose management is delegated by Groupama Asset Management to the financial specialists at Axiom Alternative Investments, targets subordinated "legacy" debt, which issuers should call when they lose their regulatory capital status (by the end of 2021 for banks and by the end of 2026 for insurance companies). This specific asset class is proving particularly popular with investors and still has a large target market of approximately €150 billion of securities in Europe, offering numerous investment opportunities.

Groupama Axiom Legacy 21 seeks to achieve an annualized return equal to or higher than the three-month Euribor +3% (after deduction of management fees), over a recommended minimum investment horizon of four years.

Capitalizing on investment opportunities offered by the transformation of the financial sector

The fund's management strategy relies on the historical transition of the European banking sector towards a new cycle (change in economic models, favorable interest rate environment for financial institutions) and the implementation of the new Basel III and Solvency 2 regulations.

The Basel III agreements redefine the regulatory requirements for banks to strengthen their capital. Thus, a new format of subordinated debt (the AT1, Additional Tier 1 *) was created to replace the old Legacy debt Instruments, which was deemed too favorable to investors.

The Basel Committee has set a transitional period from Basel II to Basel III until 2021, for banks to meet the new capital requirements in terms of CET1 ** (Common Equity Tier 1). During this period, banks are encouraged to replace their existing legacy debt with new AT1 debt thus creating many opportunities for arbitrage. On the insurers' side, the regulatory transition from Solvency 1 to Solvency 2, which will last until 2026 and which leads to the disqualification of the old securities



About the Groupama Group - With its three brands - Groupama, Gan and Amaguiz - the Groupama group is one of the leading mutual insurance groups in France, with activities in the insurance, banking and services sectors in eleven countries. The group has 13 million clients and 32,600 employees around the world, with a turnover of 13.6 billion euros. You can follow all the latest news from Groupama on the group's website (www.groupama.com) and Twitter account (@GroupeGroupama).



About Axiom Alternative Investments - Axiom Alternative Investments is an independent asset management company, specialist in financial assets, created in 2009 that combines the complementary expertise of asset managers and former investment bankers specialising in financing operations. The company, which is owned by its founders, manages above €1.3 billion through a range of open-ended funds and mandates covering all instruments issued by European financial institutions (senior debt, non-preferred senior debt, subordinated debt and equity). You can find out more on our website (www.axiom-ai.com) or on our Twitter page (@axiomai1)



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from the regulatory capital, has created a new subordinated debt format (Additional Tier 1) * and complex rules that provide further opportunities.

Composed mostly of subordinated debt issued by banks and insurance company portfolios, Groupama Legacy 21's strategy is built around four key areas:

- Discounted securities, orphaned instruments that will lose their regulatory capital eligibility during the transition period and that offer possible capital gains when called or bought back by the issuer,
- "Fixed-to-fixed" securities, which have the specificity of having fixed coupons associated with moderate volatility and which may take the form of preference shares,
- "Long Calls" securities, the first call date of which falls after the end of the transition period offering potential attractive returns as well as capital gains when bought back by the issuer,
- Securities issued by financial institutions whose credit is improving and which offer potential for the valuation of the prices of their bonds.

Towards a new threshold of €800 million of assets under management

Since its inception on May 31st, 2017, Groupama Axiom Legacy 21 delivered a return of 3.55% (share P, as of 11/05/2018***). In a market environment affected by the return of volatility and normalization of central bank monetary policies, the fund's strategy has delivered on its expectations, thanks to a relatively low rate risk (duration below two), an attractive yield and a unique choice of investment grade issuers.

David Benamou, Chief Investment Officer at Axiom Alternative Investments said:

"The market depth of the Legacy segment is quite substantial, which allows our management team to identify attractive securities. Under current market conditions, the fund could reach €800 million in assets under management while preserving our management capabilities and investment agility."

Thierry Goudin, Head of Business Development at Groupama AM said:

"We are satisfied with the successful launch of the fund, both in terms of its performance in an uncertain market environment and in terms of progress of the assets under management. Professional investors are becoming increasingly more receptive to this type of thematic solution, whose specific characteristics offer attractive risk-adjusted returns."

* **Additional Tier 1:** new subordinated debt format eligible for regulatory capital under Basel III, both for the solvency ratio and (partially) for the leverage ratio. The coupons are discretionary and the nominal value may be reduced either by converting into bonds ("contingent convertible bonds" or "Coco") or by reducing the nominal value which may subsequently be restored.



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**** Common Equity Tier 1:** in the framework of Bale III, the Common Equity Tier 1 is the most robust form of regulatory capital, which mainly comprises capital (including shares) and undistributed reserves with certain deductions from “capital stock” (such as deferred tax assets). The ratio of CET1 is the ratio between the Common Equity Tier 1 capital and the Risk Weighted Assets (RWA), in other words the risk weighting. Therefore, the CET 1 does not include subordinated debt.

***** Please note that as the fund was launched in 2017, the performances here after are presented on a period inferior to the fund’s recommended period of investment of 4 years. Past performance does not guarantee future results**

Description	Groupama Axiom Legacy 21
Code ISIN	FR0013251881 unit P
Classification	Fixed Income (Subordinated Financial Debt)
Legal status	OPCVM
Benchmark	Euribor 3 months +300bps
Type of investment fund	UCITS
Capitalization/ Distribution	C
Bloomberg code	GRAL21P Equity
Total Net Assets	EUR364m as at 11/05/2018
NAV valuation period	Daily
Subscriptions / redemptions	Every day up to 11:00:00, Paris time - NAV unknown - Settlement D+3
Maximum management fees (%)	0.70 %
Entry charge (%)	Paid into the UCITS: None Not paid into the UCITS: 5%
Outperformance commission (%)	10% incl. tax above the Euribor + 3% net of management fees
Redemption charge (%)	Paid into the UCITS: None Not paid into the UCITS: None
Custodian bank	CACEIS BANK, Paris Branch

Disclaimer:

Before investing, each investor must read the prospectus or the key investor information document (KIID) of the UCITS. These documents and other periodical documents can be obtained free of charge on request from Groupama AM or on our website www.groupama-am.fr. This non-contractual document does not, under any circumstances, constitute a recommendation, request for offers, an offer to buy or sell or an arbitrage offer, and may in no case be interpreted as such. The commercial teams of Groupama Asset Management and its subsidiaries are at your service if you wish a personal financial recommendation.



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About GROUPAMA ASSET MANAGEMENT, Investment Manager

As a leading player in France for institutional investors with €99.8 billion in assets (as at 31/12/2017) Groupama Asset Management is now the 9th largest asset management company in France. A subsidiary of Groupama, the 1st mutual insurance company in France, it allows its professional investor customer base to benefit from its actively responsible multi-valued management: a proactive approach focused on long-term management and based on a strong research capacity.

About Axiom Alternative Investments

Axiom Alternative Investments has been created in 2009 and is an independent asset management company that combines the complementary expertise of asset managers and former investment bankers specialising in financing operations.

As a specialist in the financial sector, the company now manages above €1.3 billion through a range of open-ended funds and mandates covering all instruments issued by European financial institutions (senior debt, non-preferred senior debt, subordinated debt and equity). The company is regulated by the AMF, FCA and SEC.

Axiom Alternative Investments markets its funds to institutional clients, Private banks, Family Offices and Asset Management Advisors. The company is based in Paris and London.

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