

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	4.93
NAV per share (daily) (GB pence)	105.67	Sensitivity to credit	5.57
Dividends paid over last 12 months (GB pence)	6.00	Positions	87
Shares in issue	91 852 904	Average price at end of the month ¹	116.92
Market capitalisation (GBP mn)	85.88	Running yield (GBP)	7.84%
Total net assets (GBP mn)	97.06	Yield to perpetuity (GBP) ²	8.34%
Premium / (Discount)	(11.52)%	Yield to call (GBP) ³	7.74%

Top 10 Holdings

Security	Strategy	% NAV
Shawbrook Group PLC 7.875% Perp	Midcap Orig.	4.05%
Promontia MMB SASu 8.000% Perp	Midcap Orig.	3.85%
West Bromwich Building Society 3.000% Perp	Rest.	3.76%
International Personal Finance PLC 9.750% 11/12/25	Rest.	3.71%
Ulster Bank Ireland DAC 11.750% Perp	Special situation	3.38%
Deutsche Bank AG 7.125% Perp	Liq. RV	3.27%
Co-Operative Bank Finance PLC 9.500% 04/25/29	Rest.	3.22%
Cassa di Risparmio di Asti SpA 9.250% Perp	Midcap Orig.	3.14%
Piraeus Bank SA 9.750% 06/26/24	Rest.	3.01%
OneSavings Bank PLC 9.125% 05/25/22	Midcap Orig.	2.93%

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
1.97%	4.02%	9.30%	23.84%	9.62%	7.32%

	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%				15.85%

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

The month of September saw a rebound in volatility across rates and equities as markets adjusted for broadening supply constraints and a more hawkish Fed. In China, manufacturing activity was hindered by a worsening power crunch due to low coal and gas inventories facing strong global demand. Growth expectations for Q4 2021 were unchanged in Europe but lower in the US. The Subfin index closed the month 10bps wider at 110bps while the yield on 10-year Treasuries was 20bps higher at 1.50%.

The deteriorating health of the Chinese property market led some investors to question European banks' exposures to the sector. Banks with meaningful presence in the region include HSBC, Standard Chartered, UBS and Credit Suisse. All report no direct balance sheet exposures to Evergrande and less than 1.5% of loans exposed to Mainland Chinese real estate, most of which is IG rated. Similarly, concerns were raised as a wave of defaults hit independent European energy suppliers struggling to manage the sudden increase in prices. However, these companies are often small and capital-light, with close to zero bank financing.

On the M&A front, SocGen is reportedly considering buying ING Retail activities in France, while Groupama announced it would exit the Orange Bank joint-venture. In the Netherlands, ABN hired advisors to identify an acquisition target, presumably in wealth management. Rumours around the future of Monte Paschi continued to flow, with a portfolio transfer to Unicredit now appearing as the most likely option.

The regulatory agenda remained crowded. The EC sent a draft proposal to extend the State aid Temporary Framework to 30 June 2022, emphasizing the need to avoid any cliff-edge effects. This should be positive for banks' asset quality. In parallel, it put forward directives with regards to the Fundamental Review of Solvency II and the resolution of insurance groups. In aggregate, it should be neutral for insurers' capital, as the short-term relief from lower risk weights for some investments is compensated by the phasing-out of transitory measures on interest rates. Final calibration of Basel IV is still being discussed, with the EC insisting that it should not lead to significant aggregate increase in capital requirements.

Fund activity

In Midcap, we participated in the new OneSavings Bank AT1 issue and bought some Brit Insurance legacy Tier 2s. We also added to our holdings of OLB AT1s.

In Restructuring, we were involved in the DDM senior debt tap issue. We also bought Novo Banco seniors, as we expect the conflict with the Resolution Fund to be resolved in favor of the bank.

In the Relative Value buckets, we kept increasing our allocation to UK pure perpetuals. We put in place a short on SOCGEN 5.625% 2045 (USF8586CBU56), as the instrument contains a regulatory par call that could be exercised as soon as 2025. Indeed, the bond is governed by English law, and may lose its capital eligibility in 2025 if there is no mutual recognition of bail-in powers by the UK by 2025.

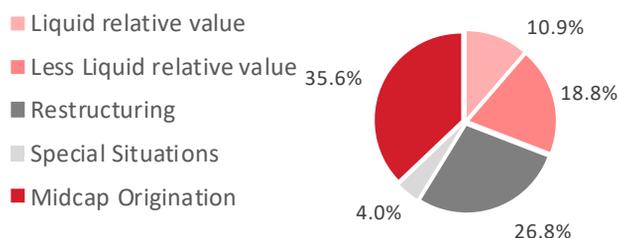


Antonio Roman
Portfolio Manager

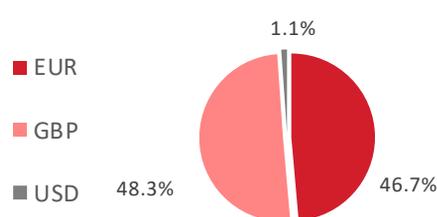


Gildas Surry
Portfolio Manager

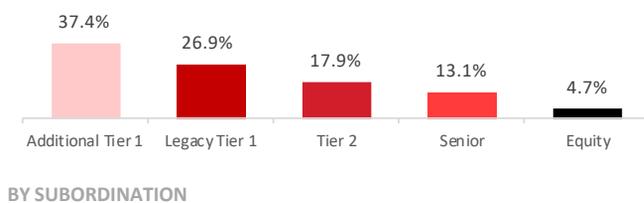
STRATEGY ALLOCATION (as % of total net assets)¹



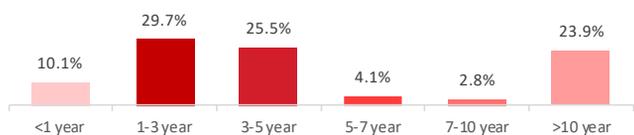
DENOMINATION (as % of total net assets)¹



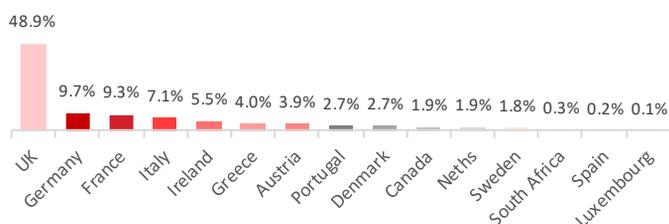
PORTFOLIO BREAKDOWN (as % of total net assets)



BY 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.

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