

## Axiom Sustainable Financial Bonds

### Investment objective

The investment objective of the Fund is to yield a return net of management fees that is equal to or greater than the performance of its benchmark, the BofA Contingent Capital Index (coupons reinvested), over a minimum investment horizon of 3 years. **The fund incorporates Environmental, Social and Governance (ESG) characteristics**, with a focus on climate change through the use of the **Axiom Climate Readiness Score (ACRS)**. The Fund thus seeks to invest in financial institutions that are leaders in the integration of climate change considerations. The Fund falls within the scope of Article 8 of the SFDR Regulation.



**Towards Sustainability**

By **Febelfin**

**SFDR : Article 8**

**ACRS : 43%** vs 34% for the universe

**ESG : 81** vs 68 for the universe (out of 100)

### KEY FIGURES AND RISK ANALYSIS

Net assets	33M€
Volatility since inception	8.32%
Yield to call	2.83%
Yield to maturity <sup>1</sup>	4.55%
Sharpe ratio since inception	0.67

Modified Duration	2.14
Credit sensibility	2.81
Average rating by issuers (WARF)	A
Average rating by instruments (WARF)	BBB-
Number of positions	67

### PERFORMANCES AND LATEST NET ASSETS VALUES

	Class B (USD)	Class C (EUR)	Class D (EUR)	Class M (CHF)	Class R (EUR)
Last NAV	-	1401.5	-	-	1363.1
Monthly performance		-0.55%			-0.59%

### PERFORMANCE – C CLASS



Past performance does not guarantee future results.

### PERFORMANCE TREND – C CLASS

1 month	3 months	YTD	1 year	3 years	5 years	Since inception
-0.55%	0.08%	4.16%	10.45%	6.30%	5.84%	5.23%

### MONTHLY PERFORMANCES SINCE THE LAUNCH ON THE C CLASS

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Year
2015			0.60%	0.65%	0.02%	-1.25%	2.07%	-0.49%	-2.06%	3.06%	0.58%	0.05%	3.16%
2016	-3.08%	-5.75%	4.12%	1.46%	1.87%	-2.87%	4.16%	1.78%	-1.10%	2.21%	-1.39%	3.26%	4.17%
2017	1.44%	1.76%	0.93%	2.52%	0.60%	-0.77%	1.84%	-0.01%	0.38%	2.81%	-0.04%	0.29%	12.33%
2018	2.02%	-0.87%	-1.28%	0.33%	-2.64%	-0.77%	1.81%	-0.65%	0.38%	-1.64%	-2.29%	-0.62%	-6.13%
2019	3.15%	1.26%	0.05%	2.46%	-1.83%	3.47%	0.64%	0.19%	1.05%	1.26%	0.88%	1.15%	14.50%
2020	1.13%	-1.93%	-15.61%	8.21%	2.57%	1.53%	1.08%	2.64%	-0.29%	0.25%	4.67%	1.31%	3.71%
2021	-0.18%	1.19%	0.94%	1.11%	0.18%	0.47%	0.31%	0.52%	0.11%	-0.55%			4.16%

<sup>1</sup> Performance less than a month. <sup>1</sup> Yield in perpetuity of the portfolio, excluding cash, in all currencies. The yield in perpetuity is the rate of return on the portfolio assuming the securities are not redeemed and held in perpetuity | <sup>3</sup> Past performance does not guarantee future results. | <sup>4</sup> Annualized performances

## MONTHLY COMMENTARY



**ADRIAN PATURLE**  
Portfolio Manager

On the financial markets, the month of October was marked by a slight widening of spreads (Subfin from 110 at the start of the month to 115 on 10/29) as well as by a rise in rates (German 10-year down from -0.2 to -0.09%, 10 years US from 1.49% to 1.60%).

This growing stress is explained by the new communication from central bankers open to tapering faster than initially expected as well as by growing inflationary pressures.

On the other hand, the equity market performed well during October. The banking sector performance was supported by excellent 3rd quarter results and a 5 year postponement in implementation of Basel IV

The fund suffered from a fall (-3%) of its largest position : La Banque Postale (7.7%). Indeed, the bank announced a total take over of CNP bringing S&P to downgrade its rating.



**LAURA RAMIREZ**  
ESG Analyst

The fund invested in a Tier 2 Green bond issued by Triodos Bank, the first green bond issued by the Bank. We decided to support this issuance for two main reasons : First, the loans eligibility criteria will be based on the EU taxonomy requirements, which guarantees a good minimum level of "greenness" in their use of proceeds. Second, the eventual use of proceeds to cover capital losses won't be associated to defaults from corporates in high-carbon industries. Indeed, the lending book of the bank has no exposure to the fossil fuels sector, its sectoral exposure is tilted towards sectors with a minor climate impact (e.g. arts and culture, recreation) and sustainable activities (e.g. low-carbon technologies, organic farming). The green nature of the issuance can therefore be preserved.

Related, this month we saw important announcements regarding the integration of climate-related risks on banks capital requirements in Europe. First, the EU commissions published a Banking Package that proposes amendment to the Capital Requirements Regulation, including one that brings closer the EBA's deadline to do an analysis of the prudential treatment of ESG risks to June 2023 (two years earlier). The legislative package will now be discussed by the European Parliament and Council. Second, the Bank of England Prudential Regulation Authority announced it would examine whether changes to bank capital buffers might be necessary to manage the impact of climate change, and it would publish its findings by the end of 2022.

## RESEARCH AND MANAGEMENT TEAM



**David BENAMOU**  
Managing Partner  
Chief Investments Officer



**Jérôme LEGRAS**  
Managing Partner  
Head of Research



**Antonio ROMAN**  
Portfolio Manager



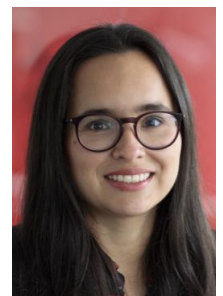
**Adrian PATURLE**  
Partner  
Portfolio Manager



**Gildas SURRY**  
Partner  
Portfolio Manager



**Paul GAGEY**  
Portfolio Manager



**Laura RAMIREZ**  
ESG Analyst

## RISKS

The significant risks for the Fund not reflected in the risk indicator (SRRI) are:

**Counterparty risk:** There is the possibility that credit institutions may not be able to honour their commitments.

**Credit risk:** Investors are exposed to the risk of default on the bonds included in the portfolio. This risk can affect up to 100% of the portfolio. The realisation of this risk may result in a decrease in the net asset value of the fund.

**Liquidity risk:** this risk arises from the difficulty or impossibility of selling securities held in the portfolio when necessary and at the portfolio's valuation price, due to the limited size of the market or insufficient trading volumes in the market such as but not limited to pandemics and natural disasters.

For more information on the risks, please consult the funds' prospectus..

## OUR ESG AND CLIMATE APPROACH

### GENERAL METHODOLOGY

The selection is based on the following ESG tools :

- **Exclusion policy** : determines the exclusions we make due to proven controversies, non-adherence to major initiatives such as the PRB (Principle for Responsible Banking) and sector or thematic restrictions.
- **ACRS - Axiom Climate Readiness Score** : in-house climate rating methodology.
- **ESG Database** : analysis of ESG factors and their rating.

The combination of all these tools allows us to offer a fund with an ESG score higher than that of issuers in the top three quartiles of its investment universe.

### OUR CLIMATE METHODOLOGY

The fund is targeting leading issuers in terms of climate change integration. It evaluates issuers based on :

#### Corporate Engagement

Sets the priority level given to climate change by the board and top management, the company's climate strategy, and corresponding objectives, as well as the degree of transparency of communication and the means deployed to address climate change.

#### Climate Risk and Opportunities

Assesses the processes and tools used to identify, measure and mitigate the issuer's exposure to climate-related risks, as well as its approach to seizing opportunities arising from the energy transition.

#### Climate Contribution

Assesses the share of the issuer's investments and/or loans in companies or financial instruments that seek to contribute to the "greening" of the economy as well as the products or solutions offered that aim to combat climate change. In the case of banks, Axiom AI is computing an ITR metric (Implied Temperature Rise) <sup>1</sup>.

More information on our climate approach is available upon request | <sup>1</sup> ITR (Implied Temperature Rise) - This is a measure of implied temperature rise, also known as the 2° alignment metric, is a forward-looking metric that attempts to estimate a global temperature rise associated with the greenhouse gas emissions of entities in a portfolio or investment strategy. Axiom AI calculates the RTI based on an analysis of banks corporate lending portfolios.

The estimates presented here cannot be compared to other ESG or climate funds as they are based on a proprietary methodology developed by Axiom AI. In addition, our methodology relies on third party data from ESG/Climate data providers. Data providers may apply different models that may contain inaccurate or incomplete data. In case of insufficient data, ESG data providers may resort to estimates and approximations using internal methodologies that may be subjective. As the portfolio manager relies on this data for investment decisions, such uncertainty in data collection can have a negative impact on portfolio performance. For more information on the assumptions related to our ACRS methodology, please contact us.

## KEY ESG INDICATORS

### KEY METRICS

Selection rate<sup>2</sup> : 49%

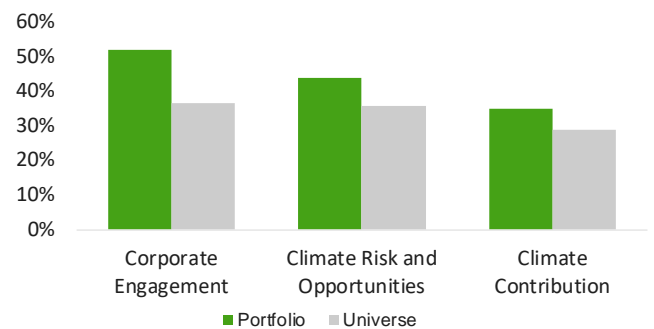
	ACRS	°C <sup>1</sup>	ESG
Portfolio rating	43%	2.69	81
Universe rating	34%	2.71	69
# of companies in the universe	62	41	69
# of companies in the portfolio	29	20	27

<sup>2</sup> Percentage of the universe excluded for ESG reason

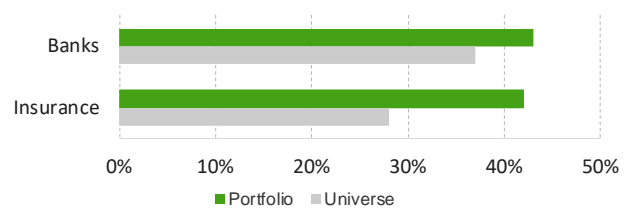
### TOP 5 POSITIONS RANKED BY ACRS

Issuers	CNTY	ACRS	°C	ESG
La Banque Postale	FR	53.0%	2.26	NA
AXA	FR	52.0%	NA	95.88
Standard Chartered	UK	49.0%	2.93	81.61
AVIVA	UK	47.0%	NA	57.54
BNP	FR	46.0%	2.76	92.41

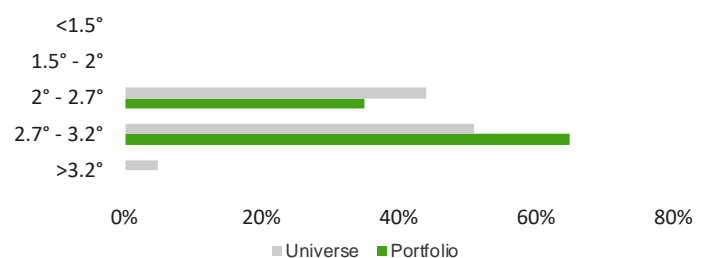
### ACRS BY PILLAR



### ACRS BY TYPE OF FINANCIAL INSTITUTION

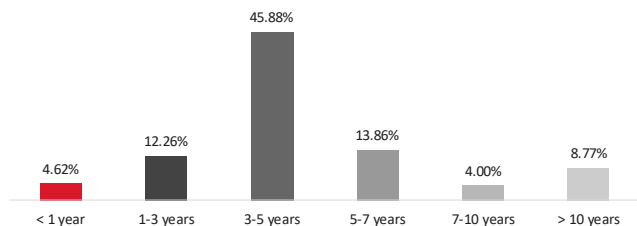


### SPLIT BY IMPLIED TEMPERATURE RISE <sup>1</sup>



## PORTFOLIO SPLIT (as % of assets)

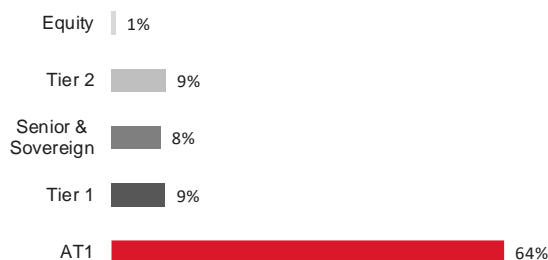
### BY MATURITY <sup>1</sup>



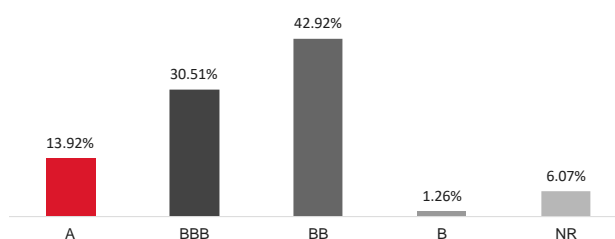
### TOP 5 ISSUERS <sup>4</sup>

LA BANQUE POSTALE	7.72%
STANDARD CHARTERED	7.66%
BNP PARIBAS	5.98%
AVIVA	5.51%
AXA	5.43%

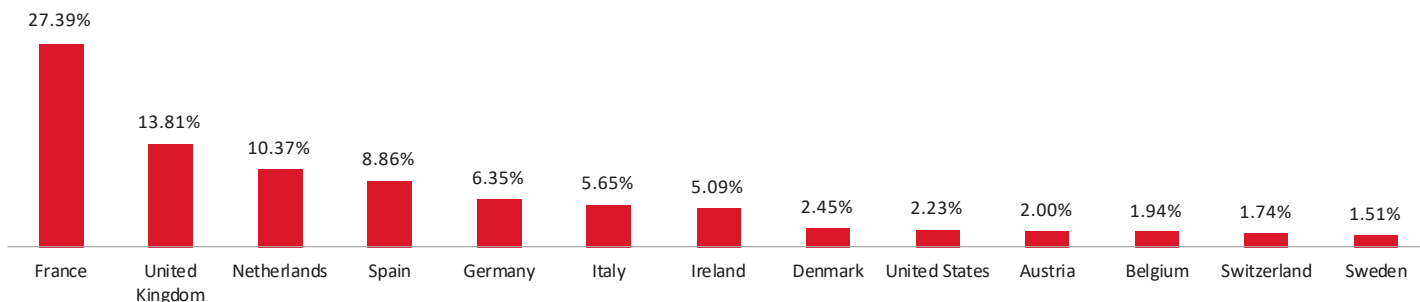
### BY SUBORDINATION <sup>3</sup>



### BY RATING <sup>2</sup>



### BY COUNTRY



<sup>1</sup> Breakdown in % of bonds and equities excluding all derivatives other than single-name CDS | <sup>2</sup> Rating of bonds, excluding unrated instruments | <sup>3</sup> AT1 - Additional Tier 1 and RT1 - Restricted Tier 1 | <sup>4</sup> Rating of bonds, excluding unrated instruments

## FUND INFORMATION

Type :	Lux SICAV
Registered countries	CH – FR – LU – UK
Subscription / Redemption	Before 12:00 / Settlement D+3

Name	ISIN	Currency <sup>10</sup>	Allocation	Inception date	Min 1st subscription	Management fees <sup>11</sup>	Performance fees
Class B	LU2174487863	USD	Capitalisation	-	60K	0.80%	None
Class C	LU1876458750	EUR	Capitalisation	16/03/2015	50K	0.80%	None
Class D	LU2342935918	EUR	Distribution	-	50K	0.80%	None
Class M	LU1876459139	CHF	Capitalisation	-	70K	0.80%	None
Class R	LU1876458834	EUR	Capitalisation	19/05/2015	50K	1.30%	None

<sup>10</sup> Currency exposure is systematically hedged | <sup>11</sup> Details of the costs incurred by the Fund can be found in the prospectus

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