

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

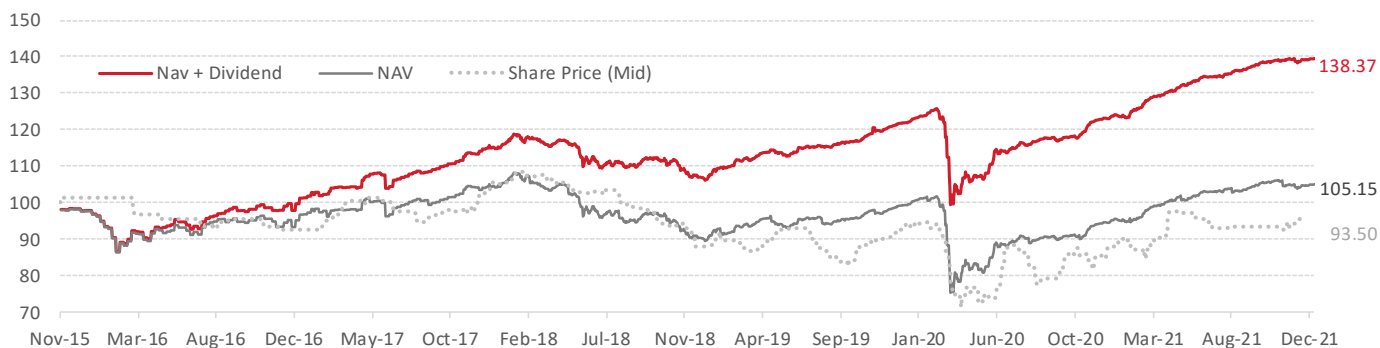
Share price (mid) (GB pence)	95.50	Modified duration	3.08
NAV per share (daily) (GB pence)	105.15	Sensitivity to credit	5.56
Dividends paid over last 12 months (GB pence)	6.00	Positions	84
Shares in issue	91 852 904	Average price at end of the month ¹	113.62
Market capitalisation (GBP mn)	87.72	Running yield (GBP)	5.95%
Total net assets (GBP mn)	96.59	Yield to perpetuity (GBP) ²	6.23%
Premium / (Discount)	(9.18)%	Yield to call (GBP) ³	6.70%

Top 10 Holdings

Security	Strategy	% NAV
Co-Operative Bank Finance PLC 9.500% 04/25/29	Rest.	4.26%
West Bromwich Building Society 3.000% Perp	Rest.	3.80%
Promontia MMB SASu 8.000% Perp	Midcap Orig.	3.76%
Ulster Bank Ireland DAC 11.750% Perp	Special situation	3.41%
Shawbrook Group PLC 7.875% Perp	Midcap Orig.	3.29%
Cassa di Risparmio di Asti SpA 9.250% Perp	Midcap Orig.	3.03%
Nottingham Building Society 7.875% Perp	Midcap Orig.	2.58%
International Personal Finance PLC 9.750% 11/12/25	Rest.	2.56%
Coventry Building Society 12.125% Perp	Less Liq. RV	2.41%
Investec PLC 6.750% Perp	Midcap Orig.	1.95%

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 ⁵	Since launch ⁵							
	1.23%	0.93%	5.03%	17.31%	12.11%	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%	-1.58%	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%

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

Market commentary

Risk assets performed well in December despite central banks turning more hawkish. The Fed doubled the pace of tapering and raised expectations to three rate hikes for 2022, while the Bank of England increased deposit rates for the first time since the start of the pandemic. As the Omicron variant looked increasingly unlikely to result in more lockdowns, investors shifted their focus to the strong growth outlook and excess liquidity. The SX7R returned +6.09% versus +5.49% for the SXXR. The yield on 10y US Treasuries moved up 7bps to 1.51%. The SubFin index tightened from 129bps to 108bps.

Inflation kept beating expectations by a high margin. In the US, the inflation trend is now very worrying, with November YoY CPI approaching 7%. In Europe, the ECB is still pushing back against hikes, opening the room for surprises next year. Emerging markets have been ahead of the curve, as central banks in Russia, Mexico, Brazil and Central-Eastern Europe have raised interest rates aggressively to protect their currency and tame inflation. Only Turkey has opted for an accommodative policy, triggering a devaluation of the lira.

On the M&A front, BNP announced it had reached an agreement with BMO for the sale of Bank of the West for a total consideration of \$16.3bn (or 1.72x TBV) to be paid in cash. The transaction is expected to generate a net capital gain of €2.9bn and positive impact of 170bp in CET1. BNP will launch a €4bn share buyback to neutralize the EPS dilution.

The Bank of England published the results of its 2021 UK Stress Test. Virgin Money was included in the sample for the first time. Overall, all the banks showed good resilience to the stress scenarios with an aggregate low-point CET1 of 10.5%.

Fund Activity

In Midcap Origination, we reduced our exposure to challenger banks OneSavings and Shawbrook as well as NPL purchaser Anacap. In Liquid Relative Value, we bought Abanca's 7.5% AT1s.



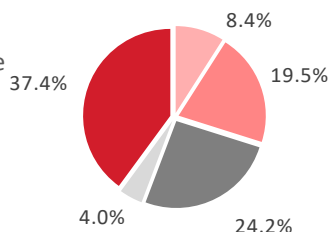
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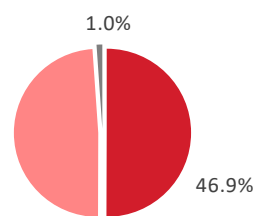
STRATEGY ALLOCATION (as % of total net assets)¹

- Liquid relative value
- Less Liquid relative value
- Restructuring
- Special Situations
- Midcap Origination

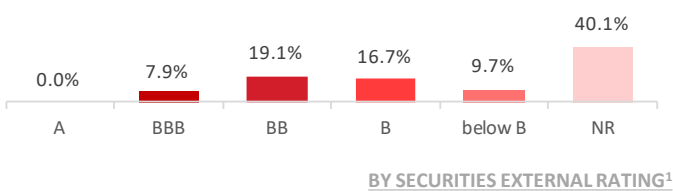


DENOMINATION (as % of total net assets)¹

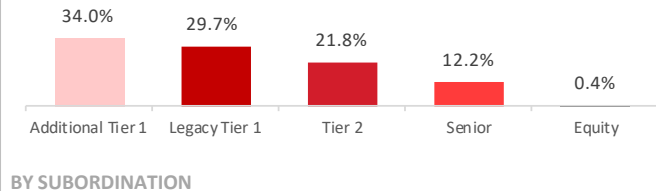
- EUR
- GBP
- USD



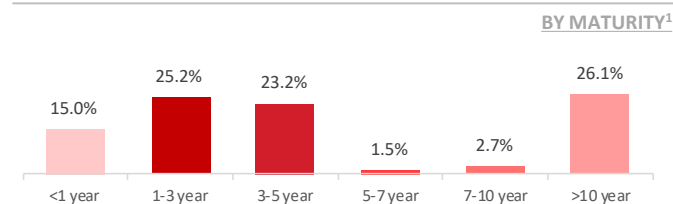
PORTFOLIO BREAKDOWN (as % of total net assets)



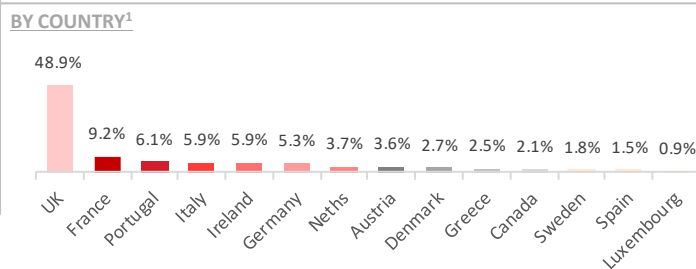
BY SECURITIES EXTERNAL RATING¹



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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CACEIS France
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