

## 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

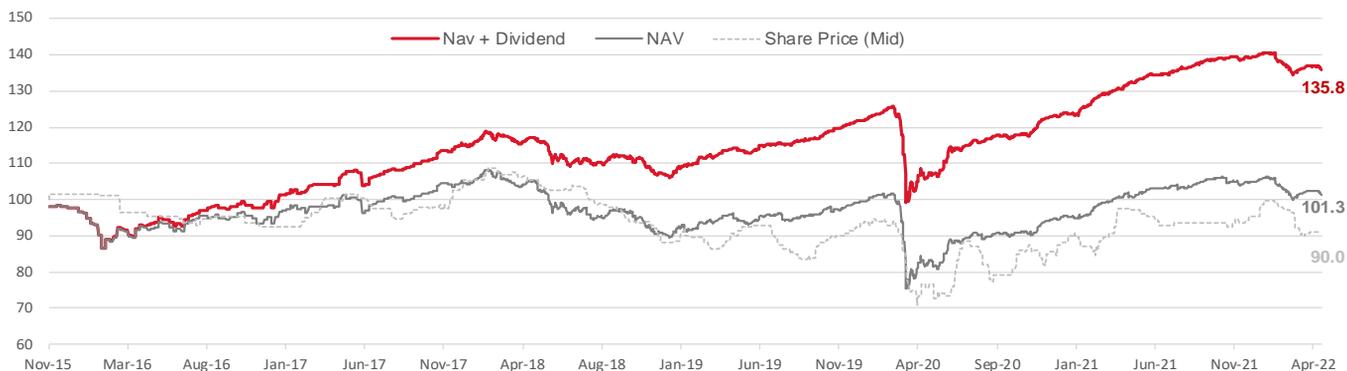
|   |            |  |        |
|---|------------|--|--------|
| Share price (mid) (GB pence)                  | 90.00      | Modified duration                              | 4.93   |
| NAV per share (daily) (GB pence)              | 101.26     | Sensitivity to credit                          | 6.54   |
| Dividends paid over last 12 months (GB pence) | 6.00       | Positions                                      | 93     |
| Shares in issue                               | 91 852 904 | Average price at end of the month <sup>1</sup> | 106.6  |
| Market capitalisation (GBP mn)                | 82.67      | Running yield (GBP)                            | 8.36%  |
| Total net assets (GBP mn)                     | 93.01      | Yield to perpetuity (GBP) <sup>2</sup>         | 9.73%  |
| Premium / (Discount)                          | (11.12)    | Yield to call (GBP) <sup>3</sup>               | 10.13% |

### Top 10 Holdings

| Security  | Strategy          | % NAV |
|---|-------------------|-------|
| Co-Operative Bank Finance PLC 9.500% 04/25/29 (Var) | Rest.             | 4.25% |
| West Bromwich Building Society 3.000% Perp          | Rest.             | 4.01% |
| Promontia MMB SASu 8.000% Perp (Var)                | Midcap Orig.      | 3.68% |
| Ulster Bank Ireland DAC 11.750% Perp                | Special Situation | 3.52% |
| Cassa di Risparmio di Asti SpA 9.250% Perp (Var)    | Midcap Orig.      | 3.45% |
| Shawbrook Group PLC 7.875% Perp (Var)               | Midcap Orig.      | 3.33% |
| Nottingham Building Society 7.875% Perp             | Midcap Orig.      | 2.62% |
| eSure Group PLC 6.000% Perp (Var)                   | Midcap Orig.      | 2.45% |
| International Personal Finance PLC 9.750% 11/12/25  | Rest.             | 2.39% |
| Coventry Building Society 12.125% Perp              | Less Liq. RV      | 2.32% |

### RETURNS EVOLUTION SINCE INCEPTION<sup>4</sup>

Performance since inception (rebased at 100)



### Net Annualized Returns

|      | 1 month | 3 months <sup>6</sup> | 6 months <sup>6</sup> | 1 year <sup>6</sup> | 3 years <sup>6</sup> | Since launch <sup>6</sup> |       |        |        |        |        |        |        |
|------|---------|-----------------------|-----------------------|---------------------|----------------------|---------------------------|-------|--------|--------|--------|--------|--------|--------|
|      | -0.85%  | -2.64%                | -1.58%                | 5.63%               | 8.19%                | 6.42%                     |       |        |        |        |        |        |        |
|      | 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% |
| 2022 | 0.33%   | -1.80%                | 0.03%                 | -0.85%              |                      |                           |       |        |        |        |        |        | -2.32% |

<sup>1</sup> Bonds only <sup>2</sup> 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. <sup>3</sup> The yield to call is the yield of the portfolio converted in GBP at the anticipated reimbursement date of the bonds. <sup>4</sup> Past performance does not guarantee future results. <sup>5</sup> Annualized performance dividends reinvested. <sup>6</sup> Performance with dividends reinvested

 MARKET COMMENTARY


**Antonio Roman**  
Portfolio Manager



**Gildas Surry**  
Portfolio Manager

### Market commentary

April was another down month for risk assets. Stocks were led lower by the technology sector and cyclicals. The SXXP returned -0.57% while the SX7P and SX7E respectively ended the month at -2.08% and -3.40%. The Subfin widened to 195 bps. Amid higher long-term inflation expectations, Germany and US 10Y yields respectively climbed above 0.9% and 2.9%.

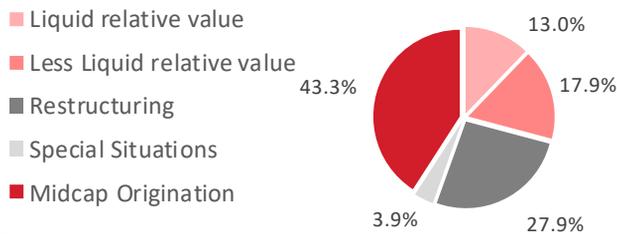
In defiance of the prevailing pessimistic mood, European banks had an excellent start to the reporting season. On aggregate, revenues were 7% higher than expected - the strongest positive surprise in years - while earnings were 25% better. On a Y/Y basis, revenues grew by more than 8%. Net interest income was supported by dynamic lending book growth and stable or increasing margins. Costs were in line overall, which came as a relief in the current environment. There was no evidence of deterioration in asset quality: non-performing loans continued to decrease, and defaults remained significantly below average. Banks nonetheless took precautionary provisions in light of geopolitical and monetary policy risks. Capital ratios took a transitory hit from mark-to-market losses in bonds not accounted at cost.

As analysts revise their expectations for the year upwards, the sector keeps trading at depressed levels. The SX7E is valued at 6.7x next year earnings (and 5.9x 2023 earnings), which contrasts with a median level of 9.0x and a maximum of 12x over the last decade. Only twice was the P/E lower: in the middle of the 2011/2012 Eurozone crisis and at the onset of the pandemic. Why the disconnect between fundamentals and valuations?

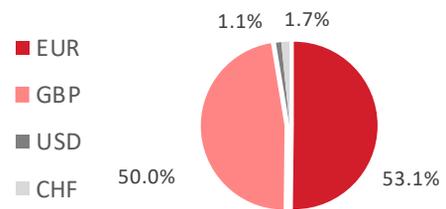
Two sets of developments are unsettling markets: on the one hand, higher commodity and supply chain costs are eroding purchasing power and consumer confidence (the Putin + Xi Jinping risk); on the other hand, the risk of a wage-rent-inflation loop may drive central bankers to slam the brakes on growth by raising rates to contractionary levels (the Bullard + Knot risk).

Though uncertainty is high (the prime example is the possibility of Russia cutting gas supply), our central scenario remains more optimistic versus the consensus: we see a progressive improvement in commodity and supply conditions as extraction and production capacities are rebuilt ; we see growth in services sustaining employment and spending trends ; we see central banks not willing to risk a contractionary spiral to fight inflation.

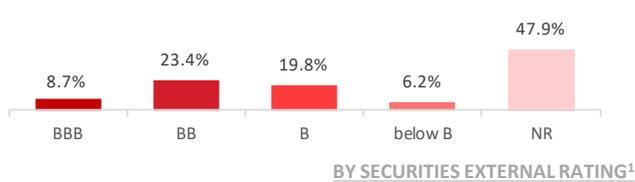
## STRATEGY ALLOCATION (as % of total net assets)<sup>1</sup>



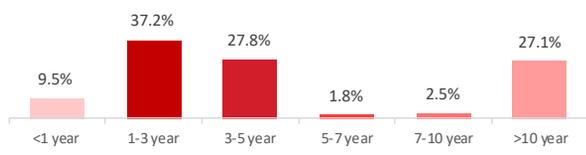
## DENOMINATION (as % of total net assets)<sup>1</sup>



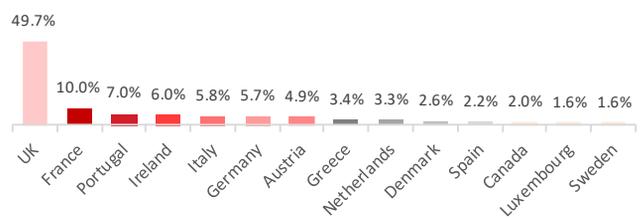
## PORTFOLIO BREAKDOWN (as % of total net assets)



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



### BY COUNTRY<sup>1</sup>



<sup>1</sup> Splits adjusted for single assets

## INFORMATION ON THE FUND

|  |   |
|--|---|
| ISIN / Ticker:                                       | GG00BTC2K735 / AXI LN Equity                              |
| Currency <sup>2</sup> :                              | GBP   |
| Countries:   | UK  |
| Fund type:   | Guernsey closed-end fund                                  |
| Fund inception date:                                 | 5 November 2015   |
| Minimum initial subscription:                        | 1 share   |
| Subscription / repurchases conditions <sup>3</sup> : | Under CREST settlement procedure                          |
| Management fees <sup>4</sup> :                       | 1% p.a. of NAV, subj. to 1.5% TER cap                     |
| Performance fees <sup>4</sup> :                      | 15% p.a. of Total Shareholder Return in excess of 7% p.a. |

<sup>2</sup> Currency exposure is systematically hedged. <sup>3</sup> CREST is the computerized settlement system operated by Euroclear UK and Ireland Limited which facilitates the transfer of title to shares in uncertificated form. <sup>4</sup> All details of the expenses incurred by the fund are available in the Prospectus.

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