

## 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

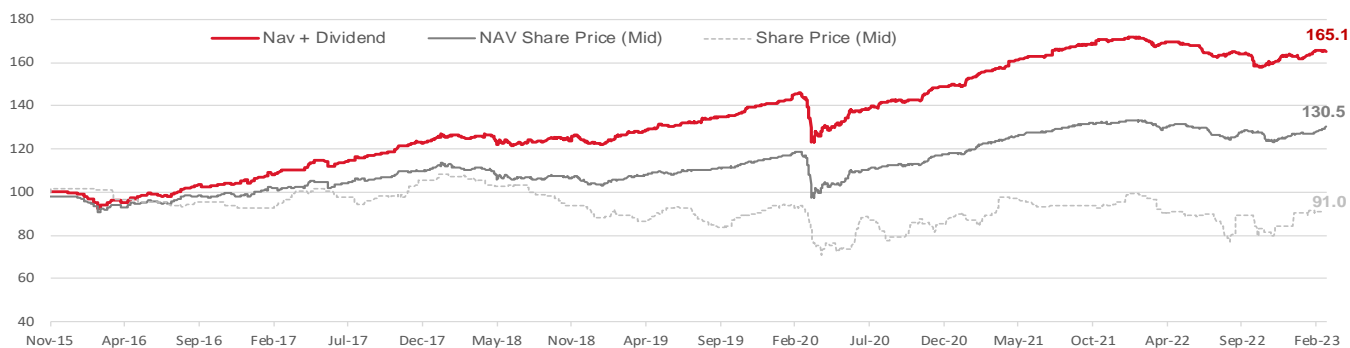
Share price (mid) (GB pence)	91.00	Modified duration	1.44
NAV per share (daily) (GB pence)	94.54	Sensitivity to credit	3.42
Dividends paid over last 12 months (GB pence)	6.00	Positions	85
Shares in issue	91 852 904	Average price at end of the month <sup>1</sup>	90.53
Market capitalisation (GBP mn)	83.59	Running yield (GBP)	7.52%
Total net assets (GBP mn)	86.84	Yield to perpetuity (GBP) <sup>2</sup>	10.39%
Premium / (Discount)	(3.74)	Yield to call (GBP) <sup>3</sup>	11.14%

### Top 10 Holdings

Security	Strategy	% NAV
Co-Operative Bank Finance PLC 9.500% 04/25/29 (Var)	Rest.	2.87%
Intesa Sanpaolo SpA 7.75% Perp (Var)	Liq. RV	2.52%
Barclays PLC 6.375% Perp (VAR)	Liq. RV	2.37%
Volksbank Wien AG 7.750% Perp (Var)	Less Liq. RV	2.35%
eSure Group PLC 6.000% Perp (Var)	Midcap Orig.	2.33%
Shawbrook Group 12.103% 12/08/27 Perp (Var)	Midcap Orig.	2.02%
Novo Banco SA 8.500% 07/06/28 (Var)	Rest.	2.01%
KBC Group NV 4.25% Perp (Var)	Liq. RV	1.99%
Banco Comercial Portugues SA 9.250% Perp (Var)	Liq. RV	1.93%
Deutsche Bank AG 4.625% 10/30/27 Perp (Var)	Liq. RV	1.91%

### 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>							
	1.38%	4.28%	2.62%	-1.40%	4.84%	5.58%							
	Jan	Feb	Mar	April	May	June	Jul	Aug	Sep	Oct	Nov	Dec	Total
<b>2015</b>											0.19%	-1.48%	<b>-1.29%</b>
<b>2016</b>	-4.02%	-4.59%	3.57%	1.16%	2.62%	-1.97%	2.83%	1.69%	-0.21%	2.06%	-1.6%	1.91%	<b>3.1%</b>
<b>2017</b>	2.67%	0.93%	1.12%	2.01%	1.72%	-1.41%	1.86%	0.58%	1.76%	2.72%	1.31%	0.23%	<b>16.14%</b>
<b>2018</b>	3.12%	-0.7%	-1.95%	1.14%	-5.84%	-0.72%	1.6%	-1.26%	2.43%	-1.54%	-2.68%	-1.44%	<b>-8.00%</b>
<b>2019</b>	3.36%	2.30%	0.29%	2.53%	-1.58%	2.29%	0.30%	0.75%	0.97%	2.22%	1.77%	1.12%	<b>16.98%</b>
<b>2020</b>	1.99%	-0.87%	-19.95%	5.24%	3.68%	4.27%	1.90%	1.88%	-0.32%	0.53%	5.03%	1.48%	<b>1.73%</b>
<b>2021</b>	-0.16%	3.78%	2.45%	2.15%	1.65%	1.27%	0.83%	1.19%	1.97%	0.18%	-0.45%	1.23%	<b>16.87%</b>
<b>2022</b>	0.33%	-1.80%	0.03%	-0.85%	-0.95%	-4.15%	0.41%	1.64%	-4.41%	0.95%	1.98%	0.60%	<b>-6.32%</b>
<b>2023</b>	2.26%	1.38%											<b>3.66%</b>

<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

Rates volatility resurfaced in February as inflation and growth surprised to the upside. Bund yields ended the month 40 basis points higher at 2.63% while Schatz yields reached 3.12%, their highest level since 2008. Banks outperformed the market on the back of strong Q4 results and higher for longer ECB rates. Maybe a sign of the times, Unicredit rejoined the Euro STOXX 50 and Commerzbank replaced Linde in the DAX. The SX7R returned +6.21% vs. +1.88% for the SXXR. The Subfin was flat at c. 155 bps.

Employment reports and economic surveys pointed to a rebound in activity at the beginning of the year, with a continued divergence between services and manufacturing. According to widely followed GDP coincident indicators, annualized real growth is currently trending around +2% both in Europe and the US. Defaults are still below through-the-cycle average across products. Insolvencies are averaging about 60% to 80% of their 2019 levels in France, Italy and Germany, but have surpassed this level in Spain and the UK, with Covid government-backed lending schemes probably driving the losses. The Q4 earnings season witnessed extreme dispersion in the daily performance of bank stocks but portrayed an overall message of strength for the sector. Earnings expectations for 2023 were up 10% on average post-results, driven by higher net interest income, higher fees and lower provisions, partially offset by higher costs. Asset quality was strong, with NPLs decreasing across the universe (HSBC and Standard Chartered, which suffered from exposures to Chinese CRE, were notable exceptions). Unicredit, Commerzbank, ABN, Sabadell and Santander outperformed the SX7R by over 5% on reporting day, while ING, Bawag, Natwest, Deutsche Bank and Handelsbanken disappointed.

On the regulatory front, the EBA released the scenarios for the 2023 stress test, which will have the most severe assumptions so far. In the adverse scenario, the EU real GDP declines by 6% cumulatively over the three-year horizon, while the unemployment rate increases by 6.1%. Results of the test will be due at the end of July.

In country-specific news, the ECJ released a non-binding opinion on Polish borrowers with CHF mortgages which, if followed, would probably require Polish banks to increase their coverage from 50-55% on average to 70-80% over time. Fitch upgraded three of the four systemic banks in Greece.

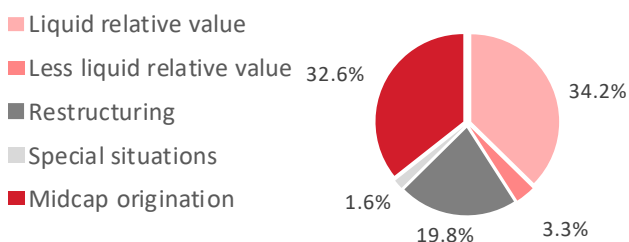
On the M&A front, Euronext made an indicative offer on Allfunds as it seeks to diversify its revenues away from equity trading. Co-Operative Bank is rumored to have put forward a bid of £650m for a loan portfolio from Sainsbury's Bank. In other news, Santander released new 2025 targets on its investor day, implying 20% upgrades to consensus expectations. Credit Suisse was in the limelight again, with FINMA investigating comments made by the CEO in 2022. On the bright side, Apollo was rumored to be contemplating a \$750m injection to support the leverage finance franchise of CS First Boston.

### Fund activity

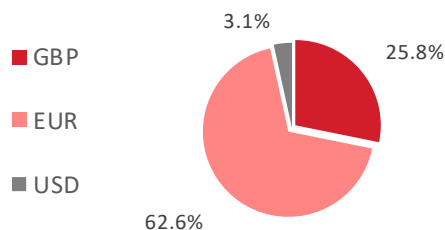
In Liquid Relative Value, we added to KBC AT1s. We sold Socgen AT1s. In Midcap Origination, we participated in Secure Trust's new Tier 2 issue. We bought Banque Tier 2s, Marex Seniors and Quintet AT1s. We reduced our position in My Money Bank and Brit insurance Tier 2s.

In Illiquid Relative Value, we decreased our holdings of building societies PIBS.

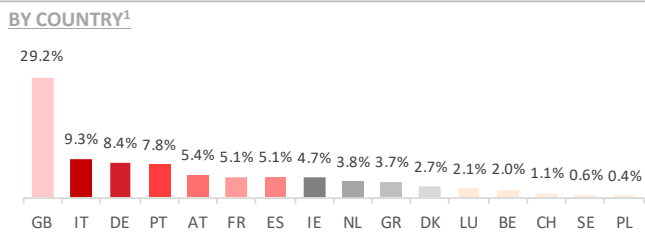
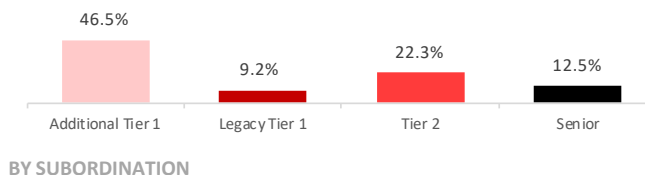
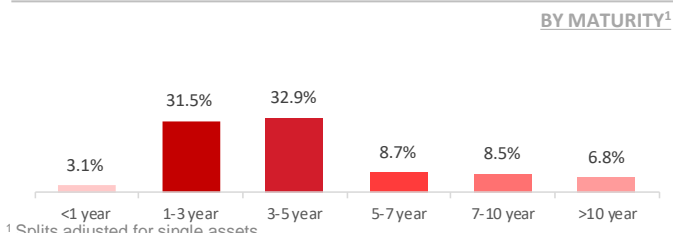
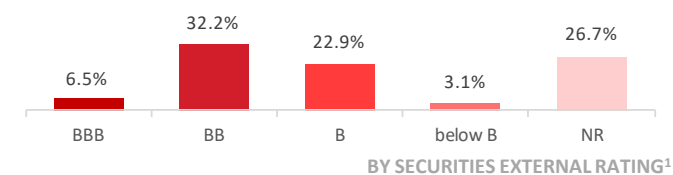
## STRATEGY ALLOCATION (as % of total net assets)<sup>1</sup>



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



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



## 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.

## RESEARCH AND MANAGEMENT TEAM



**David Benamou**  
Managing Partner  
Chief Investment



**Jérôme Legras**  
Managing Partner  
Head Of Research  
Department



**Antonio Roman**  
Portfolio Manager



**Adrian Paturle**  
Partner  
Portfolio Manager



**Gildas Surry**  
Partner  
Portfolio Manager



**Gilles Frisch**  
Portfolio Manager



**Paul Gagey**  
Portfolio Manager

## SERVICE PROVIDERS

**Investment Manager**  
Axiom AI SARRL  
**Investment Adviser**  
Axiom AI UK Branch  
**Broker**  
Winterflood Securities  
**Registrar**  
Link Market Services (Guernsey)  
Limited  
**Administrator**  
Elysium Fund Management  
**Depository**  
CACEIS France  
**Auditor**  
Grant Thornton Limited

This Report is issued by Axiom European Financial Debt Fund Limited (the "Company") to and for the information of its existing shareholders and does not in any jurisdiction constitute investment, legal or tax advice or an invitation to invest in the shares or any other securities of the Company or any other entity (body corporate or otherwise). This Report is directed only at: (i) persons having professional experience in matters relating to investments who fall within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005; or (ii) high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts as described in Article 49(2) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and persons who receive this document who do not fall within (i) or (ii) above should not rely on or act upon this Report. Persons into whose possession this Report has come are deemed to have ensured that their receipt of this Report is in compliance with the laws applicable to them. Nothing contained herein shall be deemed to be binding against, or to create any liability, obligations or commitment on the part of, the Company, Axiom Alternative Investments SARRL (the "Investment Manager") or any of their respective directors, officers, employees, partners, members, shareholders, advisers, agents or affiliates. Any matters contained in this Report relating to the Company, the Investment Manager or the strategies in which the Company invests have been prepared by the Investment Manager. The Company has relied upon and assumed (without independent verification) the accuracy of such information. This Report has not been approved by any supervisory authority and no regulatory approvals have been obtained. The information contained in this Report has not been independently verified and no representation or warranty, express or implied, is made by the Company, the Investment Manager or any of their respective directors, officers, employees, partners, members, shareholders, advisers, agents or affiliates as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions expressed herein. The Investment Manager has, however, taken reasonable steps to ensure that this Report and the information contained herein is not misleading, false or deceptive. The information and opinions contained in this Report, including any forward-looking statements, do not purport to be comprehensive, are provided as at the date of the document and are subject to change without notice. Neither the Company nor the Investment Manager, nor any other person, is under any obligation to update or keep current the information contained herein. No part of this Report, nor the fact of its publication, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. There is no certainty that the models and assumptions used by the Investment Manager can be duplicated with actual trades or investments. There can be no assurance that the strategies described herein will meet the Company's investment objective generally, or avoid losses. Nothing contained herein shall be relied upon as a promise or representation as to past or future performance or otherwise. This Report contains certain "forward-looking statements" regarding the belief or current expectations of the Company and the Investment Manager about the Company's financial condition, results of operations and business. Such forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Company and are difficult to predict, that may cause the actual results, performance, achievements or developments of the Company or its strategies to differ materially from any future results, performance, achievements or developments expressed or implied from the forward-looking statements. This Report is not for release, publication or distribution, directly or indirectly, in or into the United States, Australia, Canada, South Africa or Japan or to US Persons as defined in Regulation S under the US Securities Act ("US Persons"). The information contained herein does not constitute or form part of any offer or solicitation to purchase or subscribe for securities in the United States, Australia, Canada, the Republic of South Africa or Japan or any other jurisdiction where to do so might constitute a violation of the relevant laws or regulations of such jurisdiction. The Company has not been and will not be registered under the US Investment Company Act of 1940, as amended (the "Investment Company Act") and, as such, holders of the Company's