MONTHLY REPORT AT 12/31/2018

AXIOM
ALTERNATIVE INVESTMENTS

Lower risk | Higher risk

1	2	3	4	5	6	7

Return Potentially lower | Return Potentially higher

Axiom Contingent Capital - Class C (EUR)

The fund will be mostly invested in the new Basel III securities (Additional Tier 1 and Tier 2 Cocos). The investment objective of the FCP is to achieve, over a minimum 3-year investment horizon, a return net of management fees equal to or greater than its benchmark, the BofA Contingent Capital Index (with coupons reinvested).

KEY DATA AND RISK ANALYSIS

Net assets :	€26M	Yield to maturity [1]:	6.31%
Volatility 1 year :	4.18%	Yield to call [2]:	6.41%
Sharpe ratio 1 year :	-1.39	Modified Duration :	3.76
Number of positions :	54	Credit sensitivity :	3.39

PERFORMANCE EVOLUTION [3]

Performance since inception (base 1000)

Net performances

1 month	3 months	YTD	1 year	3 years [4]	5 years	Inception [4]
-0.62%	-4.48%	-6.13%	-6.13%	3.18%	N/A	3.35%

[1] The performance return is the rate of return of the portfolio assuming the securities are not repaid and held in perpetuity.
[2] The yield to call is the yield of the portfolio at the anticipated reimbursement date of the bonds
[3] Past performance does not guarantee future results. They do not take into account any commissions received on the subscription and redemption of units.
[4] Annualized performance.

MONTHLY COMMENTARY

Adrian Paturle
Portfolio Manager

Market commentary

The month of December ended a challenging year shaped by increased political and economic fear (Brexit, Italy, US trade war with China, falling oil prices), which resulted in a market correction.

We believe the decline in financial valuations is not justified given the strong fundamentals. Indeed, the latter have not stopped improving since the crisis (average capital level significantly increased to 14.70% in September 2018, four times as much as in 2007) and the steady reduction in stocks of non-performing bank loans confirms the continuous normalisation of European bank balance sheets (the average NPL ratio was 3.4% in September 2018).

Paradoxically, and despite the ongoing improvement in credit metrics, the spreads of subordinated debt have widened by more than 200 bps year-to-date (from 104 bps to 227 bps). Investors' perception has gradually degraded, and a risk-off sentiment finally materialized at the end of the year despite a number of favourable developments: strong quarterly results, sustained momentum in credit rating upgrades, and stress tests passed with success on historically severe assumptions.

We believe this dichotomy between fundamentals and valuations offers attractive returns: the underlying credit quality has not changed, and prices should recover as soon as the negative sentiment reverses.

At the end of the month, the good news came from Italy where the budget was finally voted. Our position on UniCredit was the main positive contributor of the month (+ 13bps).

Finally, on the regulatory side, the latest updates in the Banking Package (CRD5 / CRR2 / BRRD2 / SRMR) brought more visibility especially on available distributable items. This is a positive development for the AT1 market as the coupon payment is tied to these reserves. Thus, German and Austrian banks will be among the most affected and will gain in flexibility in the future.

Given the current spread levels which are back to 2014 highs and the solid fundamentals in the sector, we are optimistic about strong upward repricing for the AT1 class in 2019.

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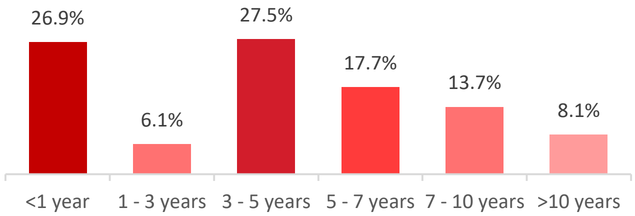
Axiom Contingent Capital – Class C (EUR)

ANALYSE DU PORTEFEUILLE AU 31/12/2018

PORTFOLIO BREAKDOWN (in % of assets)

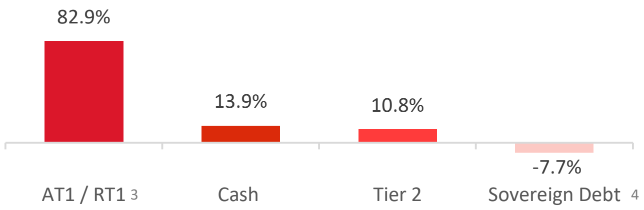
BY MATURITY [1,2]



TOP 5 ISSUERS

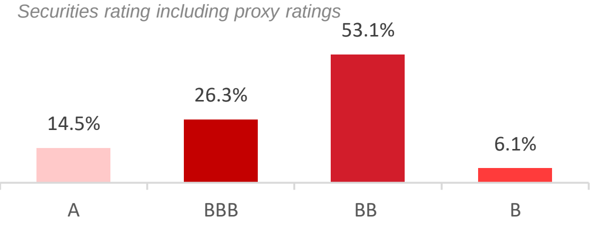
HSBC	9.69%
BARCLAYS	5.28%
SANTANDER	4.89%
RABOBANK	4.19%
COMMERZBANK	4.17%

BY SUBORDINATION [1]

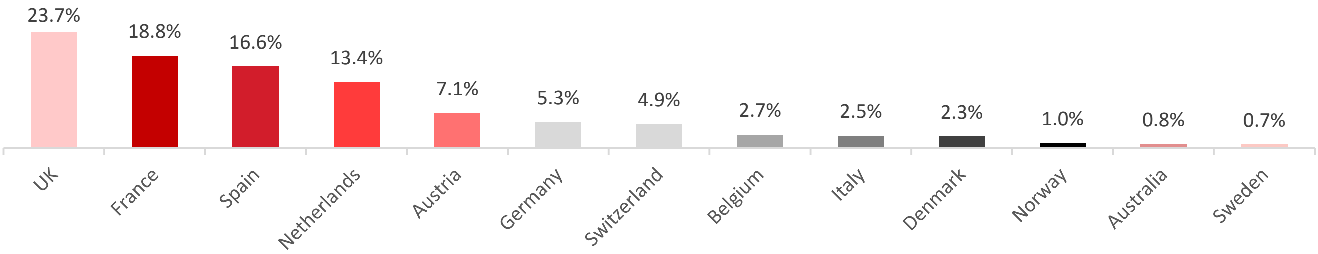


BY RATING

Securities rating including proxy ratings



BY COUNTRY [1]



[1] Bonds portfolio CDS included (Futures and Forex excluded) [2] Maturity at the anticipated reimbursement date of the bonds (call date)
[3] AT1 – Additionnal Tier 1 and RT1 – Restricted Tier 1 [4] Exposure via CDS

FUND INFORMATION

ISIN / *ISIN after the merger into the SICAV Lux*:	FR0012419612 / *LU1876458750 (effective from the 01/14/19 onwards)*
Currency [5] :	EUR – CHF – GBP
Countries:	CH – FR – LU – UK
Fund type and Profit allocation:	FCP / Capitalisation
Fund inception date :	03/16/2015
Minimum initial subscription :	€50 000
Subscription / repurchases conditions :	Before 11h / Settlement J+3
Management fees :	0,80%
Performance fees [6] :	None

[5] Currency exposure is systematically hedged.
[6] All details of the expenses incurred by the fund are available in the Prospectus.

MANAGEMENT AND RESEARCH TEAM

David Benamou
Managing Partner
Chief Investment Officer

Jérôme Legras
Managing Partner
Head Of Research Department

Adrian Paturle
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