

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)	80.00
NAV per share (daily) (GB pence)	90.17
Dividends paid over last 12 months (GB pence)	6.00
Shares in issue	91 852 904
Market capitalisation (GBP mn)	73.48
Total net assets (GBP mn)	82.82
Premium / (Discount)	(11.28)%

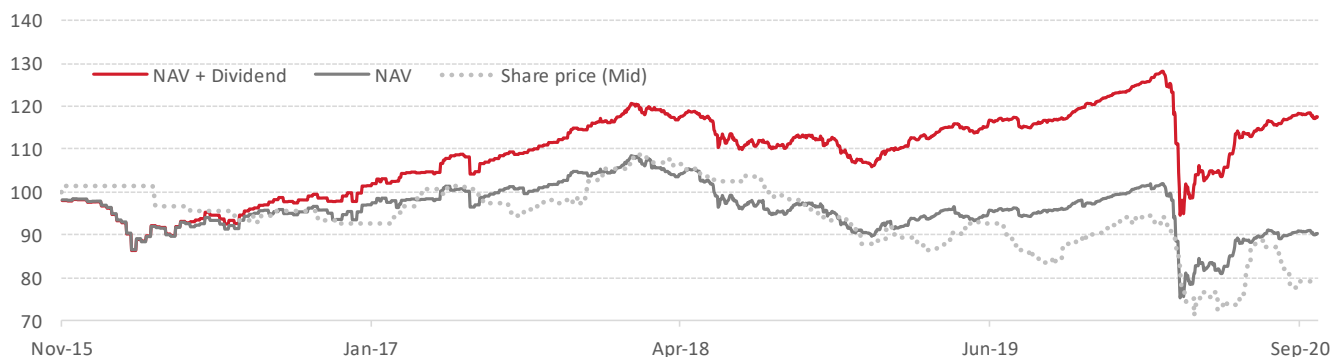
Modified duration	3.89
Sensitivity to credit	4.79
Positions	86
Average price at end of the month ¹	99.40
Running yield (GBP)	6.09%
Yield to perpetuity (GBP) ²	7.39%
Yield to call (GBP) ³	10.46%

Top 10 Holdings

Security	Strategy	% NAV
Van Lanschot 6.750% Perp	Midcap Orig.	3.49%
Shawbrook 7.875% Perp	Midcap Orig.	3.49%
eSure 6.750% Perp	Midcap Orig.	3.13%
Finecobank 5.875% Perp	Liq. RV	2.87%
Onesav 9.125% Perp	Midcap Orig.	2.85%
BCP 9.250% Perp	Rest.	2.53%
Just Group 8.125%	Rest.	2.50%
Commerzbank 6.125% Perp	Liq. RV	2.36%
Onesav 4.599% Perp	Less Liq. RV	2.23%
CYBG 8.750% Perp	Rest.	2.17%

RETURNS EVOLUTION SINCE INCEPTION⁴

Performance since inception (rebased at 100)



Net Annualized Returns

1 month	3 months	6 months	1 year	3 years ⁵	Since launch ⁵
-0.32%	3.49%	17.59%	0.27%	2.12%	3.71%

	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%	-1,59%	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%				-4,74%

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 since inception of the unit.

MARKET COMMENTARY



Gildas Surry
Portfolio Manager

Market commentary

Despite September being full of adverse geopolitical events, financial securities held out quite well: the developing Covid-19 outbreak, the US presidential election, and Brussels' ultimatum to the UK on Brexit. The SubFin index widened slightly by +9bp, reaching 138bp, after 5 consecutive months of tightening.

Jerome Powell, after revealing a more flexible strategy to meet the Fed's inflation and employment goals in August, announced that the Fed would not raise its rates until 2023, at the earliest. This is another decision reasserting the FOMC's willingness to see inflation exceed 2% first and foremost. In Europe, the new tranche of TLTRO saw EUR175 billion of demand at the BCE on 24 September.

On the regulator's side, during a speech in front of the European Banking Federation, Andrea Enria reminded investors that the financial sector has rules in place to deal with non-performing loans (NPLs), more quickly and effectively. He also reiterated authorities' support to banks fighting against asset quality deterioration. In the US the Fed extended the buyback and dividend cap it had previously introduced until the end of the year. This had been expected and will apply to any bank with more than USD100 billion in assets.

The market overreacted in September to Anti-Money Laundering issues from the bank's suspicious activity reports (SARs) dating back to 2011-2016 period, at the behest of the FinCEN (Financial Crimes Enforcement Network) in the US.

On the consolidation side, the announced merger between Caixa and Bankia should create the first banking group in Spain. In Italy, where Intesa is taking over UBI, BPER is preparing the acquisition of more than 500 branches from Intesa before February 2021, financed by a EUR802 million capital increase. In France, SocGen announced it was contemplating the potential merger of its two retail networks, Société Générale and Credit du Nord, to extract synergies.

Finally, issuers continue to call their regulatory securities which are no longer efficient as capital. The tender by NatWest (ex-RBS) on its long-call bonds 7.648% and 6.425% was well received by bond holders with respectively 83% and 64% take-up. The primary market continued to see new AT1 issuance with Julius Baer (USD350 million at 4.875%), Bawag (EUR175 million at 5.125%), Commerzbank (EUR500 million at 6.5%) and Svenska Handelsbanken in two tranches (USD500 million 4.375% and USD500 million 4.75%).

Fund Activity

The Fund continued to reduce its risk profile selectively with net cash gearing decreasing to 97% of NAV.

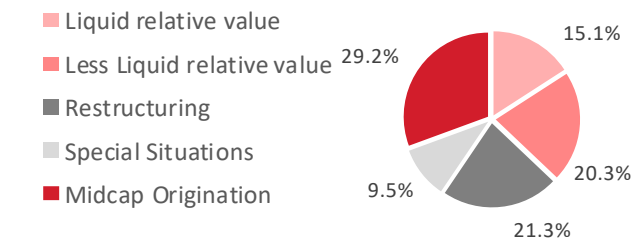
In Liquid Relative Value, the Fund reduced its holdings on Italian and Spanish names and added two German AT1s and switched its Bawag exposure into the newly issued AT1.

In Less Liquid Relative Value, the Fund reduced its holdings in one UK disco and two fixed perpetuals to increase its exposure to a legacy T1 issued by OneSavings Bank's Opco entity.

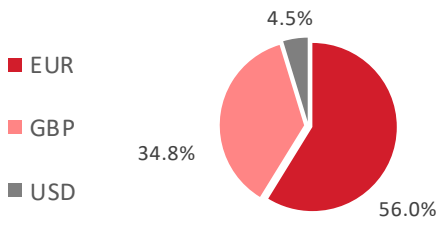
In Restructuring, the Fund sold its position on Monte dei Paschi Tier 2s before the new issuance, hence protecting its gains on the bond.

Finally, following a short seller's attack on the German specialist lender Grenke Leasing, the Fund took advantage of the volatility by deploying c.1% on senior bonds at significant discounts.

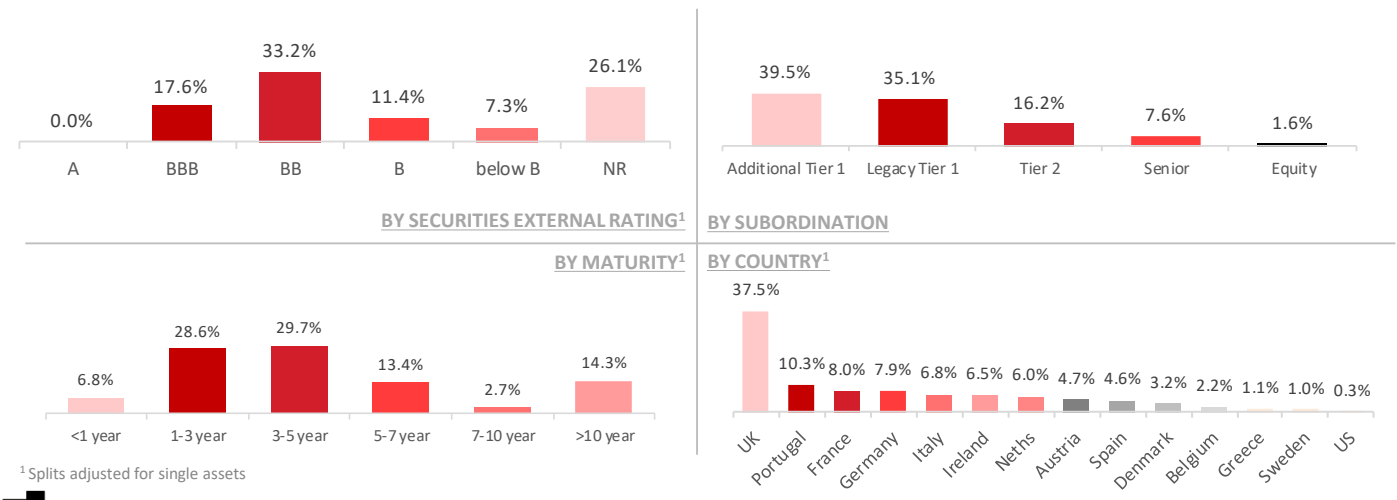
STRATEGY ALLOCATION (as % of total net assets)¹



DENOMINATION (as % of total net assets)¹



PORTFOLIO BREAKDOWN (as % of total net assets)



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.

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