

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

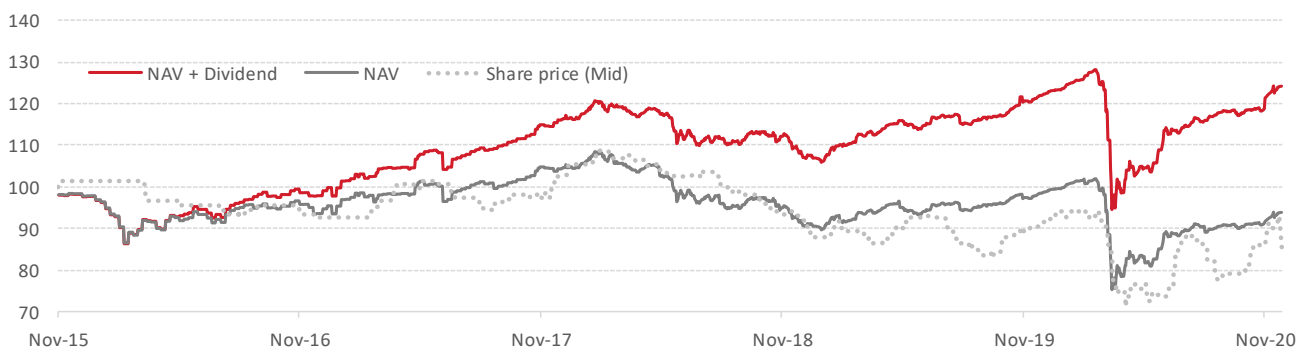
Share price (mid) (GB pence)	81.50	Modified duration	4.58
NAV per share (daily) (GB pence)	93.71	Sensitivity to credit	5.06
Dividends paid over last 12 months (GB pence)	6.00	Positions	85
Shares in issue	91 852 904	Average price at end of the month ¹	102.52
Market capitalisation (GBP mn)	74.86	Running yield (GBP)	5.69%
Total net assets (GBP mn)	86.07	Yield to perpetuity (GBP) ²	6.85%
Premium / (Discount)	(13.03)%	Yield to call (GBP) ³	8.61%

Top 10 Holdings

Security	Strategy	% NAV
Shawbrook 7.875% Perp	Midcap Orig.	3.43%
Cofinga 1.180% Perp	Special situation	3.23%
eSure 6.750% Perp	Midcap Orig.	3.03%
Onesav 9.125% Perp	Midcap Orig.	2.92%
Finecobank 5.875% Perp	Liq. RV	2.89%
Just Group 8.125%	Rest.	2.60%
Lloyds Bank 13.000% Perp	Less Liq. RV	2.53%
Coventry Building Society 12.125% Perp	Less Liq. RV	2.45%
Promontia 8.000% Perp	Midcap Orig.	2.44%
Van Lanschot 6.750% Perp	Midcap Orig.	2.42%

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
	5.03%	5.25%	13.84%	1.46%	2.35%	4.45%

	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%	0.53%	5.03%		0.33%

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

Financial stocks performed strongly in November, driven by announcements of effective and readily available vaccines and the results of the U.S. elections. In the UK, the departure of Dominic Cummings, one of the government's toughest Brexiteers, heralded a close trade agreement. The SubFin tightened from 50bps to 113bps marking a record one-month change.

The rally was also supported by new adjustments to state aid plans and the anticipation of new support measures by the ECB expected on the 10th of December, notably for the banking sector.

The excellent results of the banks in the third quarter also came as a positive surprise. Asset quality was stable, profits exceeded expectations by more than 30% and capital ratios reached record levels with more than 15% of average CET1. We believe that the positive news on the roll-out of vaccines will lead to a gradual resumption of dividend distribution in 2021. The ECB will decide in December on the lifting of its ban, which could be a strong catalyst for the financial sector.

Continued consolidation and cost reduction are boosting the sector and offer further upside potential. Targets are cheaper, capital is abundant and difficult to distribute: all reasons to engage in synergy-generating operations. Of note is the departure of Jean-Pierre Mustier from UniCredit, which should enable the acquisition of Monte Dei Paschi, and the OPA (public offering to buy) launched on Credito Valtellinese by the Crédit Agricole group. On the insurance side, Intact, Canada's leading property and casualty insurer, announced the acquisition of British insurer RSA. Finally, BBVA announced the sale of its US subsidiary to PNC for USD 11.6 billion. This capital should be reallocated to buyout operations in Europe, for example on Sabadell.

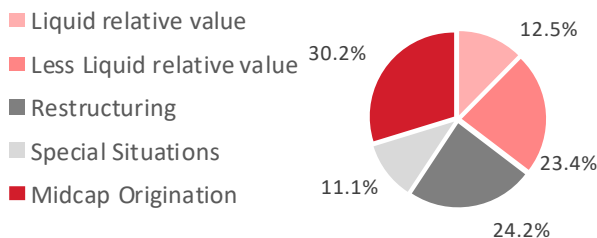
On the regulatory side, the PRA published on November 16th its CFO Letter (a letter to the CFOs of English banks), which takes up the EBA's recommendations of October 21st on the need to clean up the stock of "Legacy" instruments as soon as possible. This publication, from a direct supervisor, has had a positive impact on the universe of UK discounted or "disco" bonds. On the same day, Lloyds announced an exchange offer with a premium of almost 6 points on three legacy "long calls" bonds with step-ups (7.281%, 7.881% and 13%). Also noteworthy was the tender by Novo Banco on its senior Cayman bonds which had a positive impact on their prices.

Finally, the primary market saw the first RT1 issued in Germany by Allianz (two issues of 1.250 million at 2.625% in EUR and 3.5% in USD) and in AT1 format we saw Société Générale (USD 1.5 billion at 5.375%), Erste Bank (EUR 750 million at 4.250%) and Permanent TSB (EUR 125 million at 7.875%).

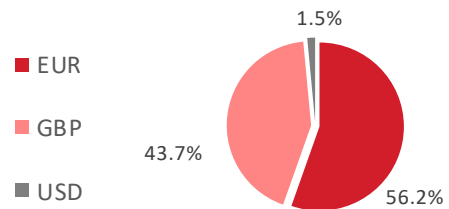
Fund activity

In what was a supportive environment for the banking sector, we followed the momentum by taking part to the new AT1 issues from NatWest Group and Permanent TSB. In Less Liquid Relative Value, we added on some legacy prefs whose impediment to resolution is reinforced by the PRA CFO letter and the LIBOR discontinuation. In Restructuring we reduced our risk in Unicredit, following the announcement of the CEO leaving, and, in Special Situations, we switched out of Banco BPM, as Credit Agricole preferred to acquire Credito Valtellinese, and re-initiated a position on Monte Paschi. Towards the end the month, we then reduced our risk on AT1s in the Liquid Relative Value and Midcap Origination. We closed the month with a light gearing of 105.9% and cash available of 9.1%.

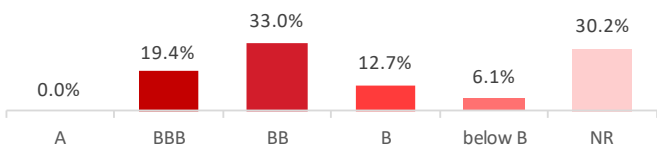
STRATEGY ALLOCATION (as % of total net assets)¹



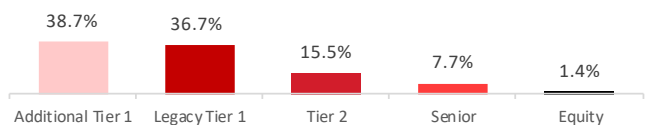
DENOMINATION (as % of total net assets)¹



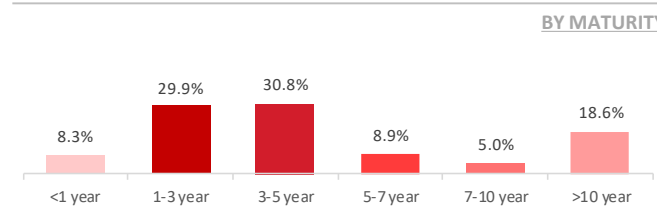
PORTFOLIO BREAKDOWN (as % of total net assets)



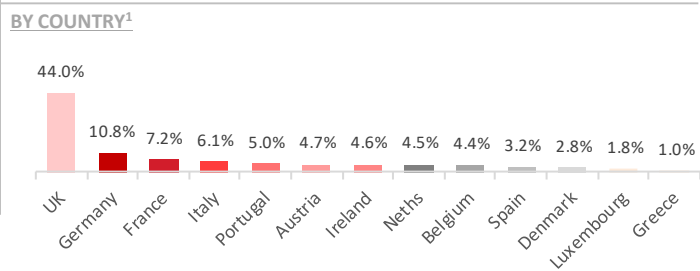
BY SECURITIES EXTERNAL RATING¹



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.

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