MONTHLY REPORT AS AT 29/01/2021

AXIOM ALTERNATIVE INVESTMENTS

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)	89.50
NAV per share (daily) (GB pence)	94.95
Dividends paid over last 12 months (GB pence)	6.00
Shares in issue	91 852 904
Market capitalisation (GBP mn)	82.21
Total net assets (GBP mn)	87.21
Premium / (Discount)	(5.74)%

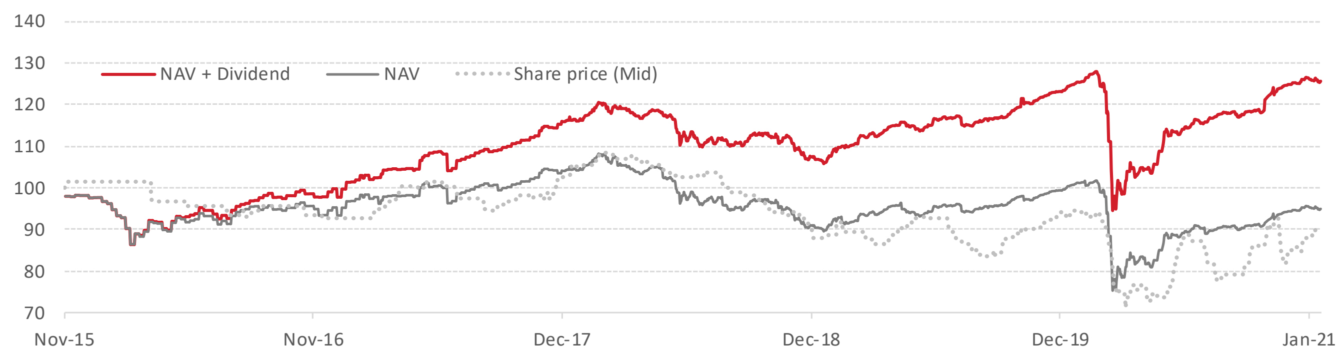
Modified duration	4.41
Sensitivity to credit	5.47
Positions	92
Average price at end of the month[1]	101.99
Running yield (GBP)	6.05%
Yield to perpetuity (GBP) [2]	7.02%
Yield to call (GBP) [3]	8.40%

Top 10 Holdings

Security	Strategy	% NAV
Promontia MMB SASu 8.000% Perp	**Midcap Orig.**	**4.16%**
Shawbrook Group PLC 7.875% Perp	**Midcap Orig.**	**3.81%**
Deutsche Bank AG 7.125% Perp	**Rest.**	**3.36%**
Cofinga Funding Two LP 1.070% Perp	**Special situation**	**3.30%**
Co-Operative Bank Finance 9.500% 04/25/29	**Rest.**	**3.12%**
OneSavings Bank PLC 9.125% 05/25/22	**Midcap Orig.**	**2.92%**
International Personal Finance 9.750% 11/12/25	**Rest.**	**2.86%**
Just Group PLC 8.125% 10/26/29	**Rest.**	**2.77%**
Banco Comercial Portugues SA 9.250% Perp	**Rest.**	**2.49%**
Coventry Building Society 12.125% Perp	**Less Liq. RV**	**2.42%**

RETURNS EVOLUTION SINCE INCEPTION[4]

Performance since inception (rebased at 100)



Net Annualized Returns

1 month	3 months	6 months	1 year	3 years[5]	Since launch[5]
-0.16%	6.40%	8.52%	-0.40%	1.60%	4.51%

	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%	1.48%	**1.73%**
2021	-0.16%												**-0.16%**

[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.

Contact us : AXIOM ALTERNATIVE INVESTMENTS – 1 Conduit Street – 4th floor London W1S 2XA| Tel: +44 203 80 70 862 |contact@axiom-ai.com

WINTERFLOOD SECURITIES – 25 Dowgate Hill – London EC4R 2GA | Tel: +44 203 10 00 000

AXIOM
ALTERNATIVE INVESTMENTS

MARKET COMMENTARY

Gildas Surry
Portfolio Manager

Market commentary

Bank stocks struggled to find a clear direction in January as the resurgence of reflationary hopes after the Democrats won control of the Senate was mitigated by the prospect of extended lockdowns and the slow pace of vaccination rollouts. On the macro front, the ECB maintained its monetary policy and reiterated its focus on stimulus and the transmission channel to the real economy. The SubFin widened slightly from 111 bps to 118 bps mainly due to the political climate in Italy following the resignation of Prime Minister Giuseppe Conte.

The start of the reporting season was quite upbeat. In the US, better than expected results by the top 6 banks were driven by the writeback of USD6 billion of Covid provisions, bringing the accumulated provisions down to USD40 billion for 2020. Investment banks slowed down as expected in the quarter but were still up in the year. In Europe, outperformance vs. consensus was driven by better revenues and costs in retail in Spain, very strong wealth and asset management results in Switzerland as well as beats on cost of risk and new lending volumes for the Nordic banks.

There were a few consolidation and restructuring stories as well. The planned exit of Natwest from Ireland continues to attract interest from local competitors and private equity firms, such as Permanent TSB and Lone Star. The appointment of Andrea Orcel as head of UniCredit should accelerate the absorption of Monte Dei Paschi. In Germany, Commerzbank announced an aggressive restructuring plan that aims at a 30% reduction in headcount, coupled with a reduction in the number of branches, half of which are to be closed. In Spain, Unicaja and Liberbank finalized the terms for their merger, creating the 5th largest bank in Spain with c. EUR110 billion in assets.

On the regulatory front, the ECB published the results of its Supervisory Review and Evaluation Process (SREP) for 2021. It has kept capital requirements unchanged, leaving room for manoeuvre for banks. The EBA published its scenarios for the upcoming stress tests. The regulator validated the most aggressive shock assumptions ever tested. In terms of GDP, a 12.9% downward deviation in GDP will be assumed compared to a 7.8% deviation in 2018. The review of the restrictions on dividends should take place following the results of the stress tests, expected in July.

The clean-up of the Legacy stock continues on an ongoing basis. The German bank DZ Bank announced on 12 January it would call 8 Legacy instruments at par. BBVA was authorized to call its CMS in advance. The regulatory capital infection risk (see our note on this subject), as defined at the end of last year by the EBA and confirmed since then by the PRA, is prompting issuers to clean-up their Legacy instruments, including those with the lowest coupons.

Finally, the primary market for AT1 securities remained active, with Abanca (EUR375 million at 6%), Standard Chartered (USD1.25 billion at 4.75%) and Banco BPM (EUR400 million at 6.5%) issuing the most notable deals.

Fund activity

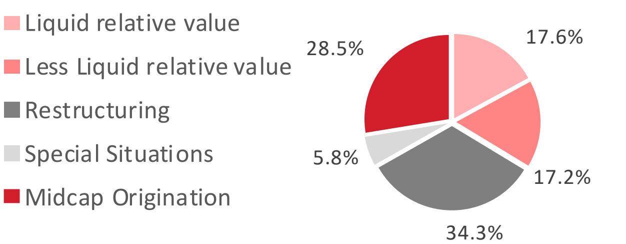
The Fund realised gains in Liquid Relative Value and Less Liquid Relative Value to add part of the proceeds to the Restructuring and Midcap Origination. We took our profits on AT1s issued by Fineco Bank, Permanent TSB and Aareal, as well as on MunRe and Sainsbury Bank Tier 2s. We increased our size in French-based My Money Bank (former GE Money) as well as British lenders The Co-operative Bank and Shawbrook. We also bought some of the recently issued Abanca AT1 in the secondary below par. In Midcap Origination, we sold our residual exposure in Van Lanschot. In the insurance legacy space, we sold our Ageas Fresh and Fortis Cashes. Finally, we added a limited allocation to a basket of European bank equities to take advantage of attractive valuations and positive momentum.

We closed the month with a slightly higher gearing of 109% and a slightly higher cash allocation of 4%, constructively positioned in these conducive market conditions while maintaining liquidity.

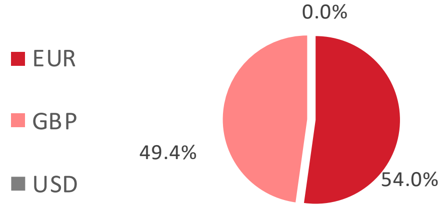
AXIOM EUROPEAN FINANCIAL DEBT

AXIOM
ALTERNATIVE INVESTMENTS

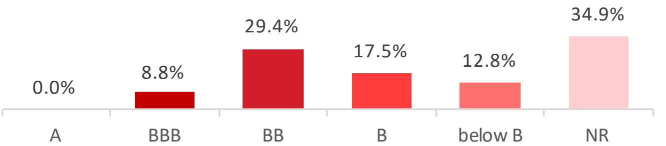
STRATEGY ALLOCATION (as % of total net assets)[1]



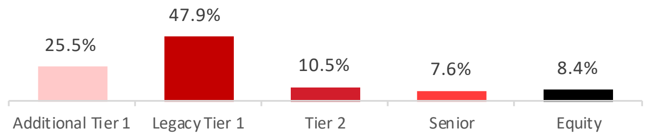
DENOMINATION (as % of total net assets)[1]



PORTFOLIO BREAKDOWN (as % of total net assets)

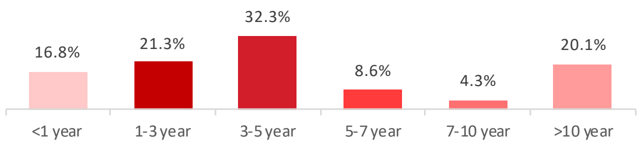


BY SECURITIES EXTERNAL RATING[1]

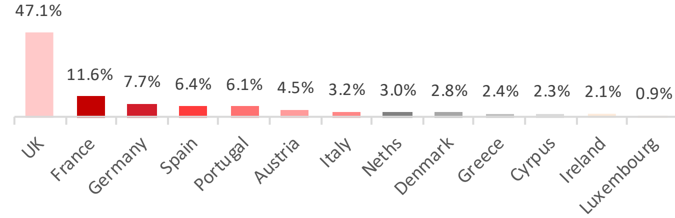


BY SUBORDINATION

BY MATURITY[1]



BY COUNTRY[1]



[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.

RESEARCH AND MANAGEMENT TEAM

David Benamou
Managing Partner
Chief Investment Officer

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 SARL
Investment Adviser
Axiom AI UK Branch
Broker
Winterflood Securities
Registrar
Link Market Services (Guernsey) Limited
Administrator
Elysium Fund Management
Depositary
CACEIS France
Auditor
Ernst & Young LLP