AXIOM ALTERNATIVE INVESTMENTS

Risque plus faible → Risque plus élevé

1	2	3	4	5	6	7

Rendement Potentiellement plus faible — Rendement Potentiellement plus élevé

Axiom Obligataire - Unit I (EUR)

The fund aims to generate attractive returns by investing in senior or subordinated private sector bonds with a strategic focus on the European Financial sector. The strategy is based on "bond picking“ [1]. The fund favors Investment Grade issuers and may invest in fixed or floating rate bonds.

KEY METRICS AND RISK ANALYSIS

Net assets :	€196m	Yield to maturity [2]:	6.87%
Volatility 1 year :	1.87%	Yield to call [3]:	5.76%
Sharpe ratio 1 year :	-2.10	Modified Duration :	2.33
Number of positions :	79	Credit sensitivity :	2.86

RETURNS EVOLUTION SINCE INCEPTION[4]

Performance since inception (NAV rebased at 1000)

Cumulative Returns

1 month	3 months	YTD	1 year	3 years	5 years	Since launch[5]
-0.54%	-3.06%	-4.26%	-4.26%	n.a	n.a	3.76%

[1] Bond picking is the process of screening, analyzing and selecting bonds based on the manager convictions in line with the restrictions in the prospectus.
[2] The yield to perpetuity is the yield of the portfolio with the hypothesis that securities are not reimbursed and kept to perpetuity
[3] The yield to call is the yield of the portfolio 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

Paul Gagey
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).

Only Italian banks remain under close surveillance. As expected, at the end of December, the ECB decided to place Banca Carige under supervision and temporary administrators were appointed. The bank had to carry out a capital increase or find a buyer before the end of 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 very attractive returns: the underlying credit quality has not changed and prices should recover as soon as the negative sentiment reverses.

Finally, on the regulatory side, the latest updates in the Banking Package (CRD5 / CRR2 / BRRD2 / SRMR) brought more visibility while confirming the performance potential of our Legacy strategies. The implementation of MREL continues to provide an attractive set of investment opportunities within the asset class and we see the regulatory catalyst as relevant as ever. Regardless of difficult market conditions, 2018 saw a number of calls of non-eligible debt instruments continuously throughout the year: Barclays, RBS, Nordea, AXA, BPCE and tentatively Santander, Aegon, etc.

Fund activity

The fund strengthened its exposure to Austria by investing in the AT1 instrument issued by Erste rated BBB- by S&P (yield close to 6%).

The fund increased its exposure to the Ibercaja, subordinated bond (yield at 9.5%). In addition, we partially took our profits on the perpetual bond BNP 4 3/8, a historic fund position that held up well since entry date in the portfolio. A Natixis Legacy bond was also sold at a price close to par.

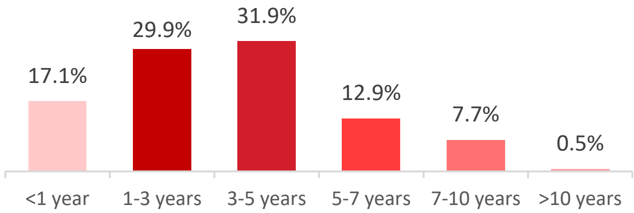
The portfolio is 19% invested in proxy cash bonds, i.e. bonds with a maturity of less than 13 months.

Axiom Obligataire - Unit I (EUR)

AXIOM
ALTERNATIVE INVESTMENTS

PORTFOLIO BREAKDOWN (in % of assets)

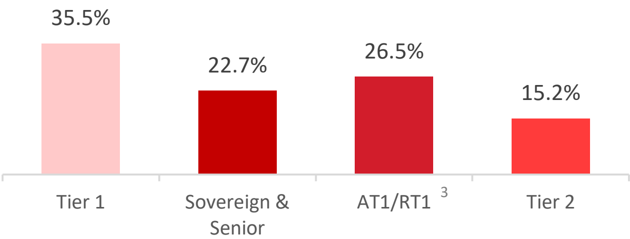
BY MATURITY [1,2]



TOP 5 ISSUERS

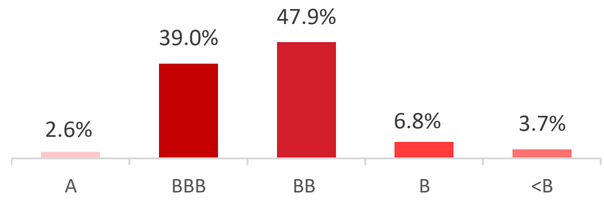
BNP PARIBAS	4.35%
BBVA	3.99%
LLOYDS	3.44%
AGEAS	3.23%
ASR	3.08%

BY SUBORDINATION [1]

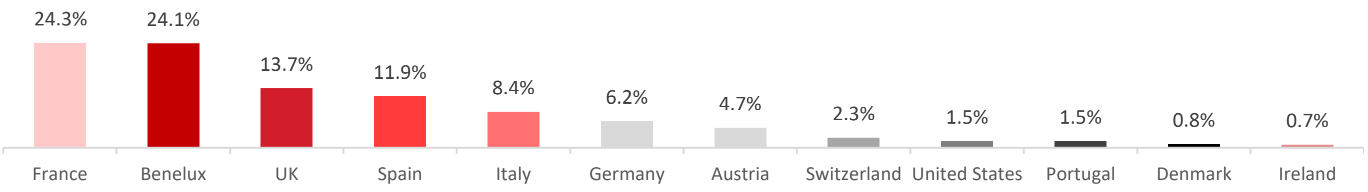


BY RATING [1]

Securities rating including proxy ratings



BY COUNTRY [1]



[1] On the bonds portfolio (CDS included) rebased to 100 [2] For the bonds the maturity is the anticipated reimbursement date (call date) [3] AT1 – Additionnal Tier 1 and RT1 – Restricted Tier 1

INFORMATION ON THE FUND

Current ISIN / *ISIN after the merger into the SICAV Lux* :	FR0013090628 / *LU1876461465 (effective from the 01/28/19 onwards)*
Currency [4] :	EUR – USD – CHF – GBP
Countries:	BE – CH – SP – FR – IT – UK
Fund type and Profit allocation:	UCI / Accumulation
Fund inception date :	23/07/2009
Minimum initial subscription :	€ 5 000 000
Subscription / repurchases conditions :	Every day until 11:00 - NAV per share unknown - Payment D+3
Management fees :	1.20%
Performance fees [5] :	Max. 20 % of the fund's annual return in excess of its benchmark

[4] Currency exposure is Systematically hedged. [5] 40% ICE BofAML Euro Financial Index, 40% ICE BofAML Euro Corporate Index and 20% ICE BofAML Contingent Capital Index. All details of the expenses incurred by the find are available in the Prospectus.

RESEARCH AND MANAGEMENT TEAM

David Benamou
Managing Partner
Chief Investment Officer

Jérôme Legras
Managing Partner
Head Of Research Department

Adrian Paturle
Partner
Portfolio Manager

Paul Gagey
Portfolio Manager

Gildas Surry
Partner
Portfolio Manager

Laurent Henrio
Portfolio Manager

Antonio Roman
Research Analyst