

## FORM ADV PART 2A: Firm Brochure

### **Axiom Alternative Investments**

#### **Form ADV Part 2A**

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This brochure provides information about the qualifications and business practices of Axiom Alternative Investments ("**Firm**"). If you have any questions about the contents of this brochure, please contact the Chief Compliance Officer, Guillaume Carriou at +(33)118 417 3610 or email [guillaume.carriou@axiom-ai.com](mailto:guillaume.carriou@axiom-ai.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("**SEC**") or by any state securities authority.

Additional information about Axiom Alternative Investments is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2: Material Changes**

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There are no material changes to report since the last filing in December 2015 at the time of Axiom's initial registration.

**Item 3: Table of contents**

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#### Item 4: Advisory Business

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Axiom Alternative Investments ("**Axiom**" or the "**Firm**") is an asset management company located in Paris, France, regulated by the Autorité des Marchés Financiers in France ("**AMF**") and the Financial Conduct Authority ("**FCA**") in the United Kingdom ("**UK**"). Founded in 2006, Axiom's principal owner is Paris-Bruxelles Capital Partners. David Benamou, Axiom's Chief Executive Officer, and Jérôme Legras, a Portfolio Manager for Axiom, are majority owners of Paris-Bruxelles Capital Partners.

Axiom provides discretionary investment advisory services to non-U.S. institutional clients, including private investment funds (each a "**Fund**") and separately managed accounts (the "**Managed Accounts**"), collectively and hereinafter will be referred to as the "**Advisory Clients**" unless otherwise noted. All of the Axiom Funds are domiciled in France, Luxembourg and Guernsey. None of the Axiom Funds have any US investors nor are they currently offered to US investors.

Axiom invests directly on the behalf of Advisory Clients in a diversified portfolio of financial institutional investment instruments. These instruments include equity, subordinated debt and senior debt issued by European financial institutions, and derivative instruments (derivatives such as futures, swaps or options).

Axiom is responsible for all of the investment and trading activities of its Advisory Clients. The Funds are managed in accordance with each Fund's investment objectives, strategies, fees, risks and restrictions, which are set forth in more detail in the Fund's respective private offering memoranda and governing documents. Such offering material is available to prospective qualified investors with whom Axiom has a pre-existing substantive relationship. The investment objectives, strategies and fees related to each Managed Account client are set forth more fully in an advisory agreement between Axiom and any such Managed Account client.

As of December 31, 2016, the Firm manages US\$719 301 479 in assets under management on a discretionary basis and US\$5,685 593 on a non-discretionary basis.

**Item 5: Fees and Compensation**

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Generally, with respect to the Advisory Clients, under the terms of the advisory agreements, a management fee will be paid to Axiom. Depending on the Advisory Client, the fee will vary between 0.8% and 2.5%.

Axiom has signed side letters with some investors for the purpose of rebating part of the management fee.

The Luxembourg and Guernsey Advisory Clients will pay additional fees (custody and legal) that are described in their respective prospectus.

Advisory Clients will also incur brokerage and transaction costs (see Item 12).

**Item 6: Performance-Based Fees and Side-By-Side Management**

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Depending on the Advisory Client, the Firm shall be entitled to receive for the Funds a performance fee subject to certain performance benchmarks. This performance fee will vary from 0% to 20% of the performance net of management fee in excess of a hurdle. The hurdle is described in the prospectus or contract for each Advisory Client.

Performance based allocation may create an incentive for to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such performance allocation arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities.

**Item 7: Types of Clients**

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Axiom's investors in the Advisory Clients may include funds domiciled in France, Luxembourg and Guernsey and institutional clients in managed accounts. Generally, most Funds do not have a minimum investment requirement, but for two Funds, based in France, which require approximately USD \$53,000 to USD \$106,000. Investors are also required to meet certain eligibility standards as set forth in each Fund's private placement document.

Axiom may also from time to time provide investment management services for Managed Account clients, which may include institutional clients and high net worth qualified individual investors, and are accepted on a case-by-case basis. Most managed accounts require a USD\$5,000,000 minimum investment requirement that may be waived or modified at Axiom's discretion.

**Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

Axiom's portfolios are primarily invested in bonds. Axiom's main bond strategy is to purchase Basel 2 tier 1 and Tier 2 securities, issued by European financial institutions. Other strategies include fixed- term credit products, equity fund, a fund dedicated to Basel 3 securities, a fund to invested in "fix to fix" bonds, dedicated funds or specific mandates, and closed-end fund invested in subordinated bonds.

Axiom begins its analysis process based on the analysis of the credit quality of the bank, analysis of the legal and regulatory aspects of a bond, and market relative value analysis.

When analyzing a bank's credit profile, Axiom uses an internal stress model, which covers capital, the calculation of losses, risk weighted assets based on the macroeconomic scenario, government stress, trading and market business stress, and profitability stress. Axiom assesses the business mix of the bank, including its funding, resolution scenarios, and regulatory risks.

Axiom relies on a multitude of factors when analyzing legal and regulatory aspects of a bond. They include the issuer, rank and intra-group guarantees, maturity profiles and redemption prices, coupon features, loss absorption mechanisms, regulatory treatment of the bond, position of the specific instrument in the issuer's regulatory waterfall, and any ad-hoc particularities of the bond.

Axiom performs credit and quantitative analysis for every issuer, in order to get a complete overview of the issuer's financial strength and other characteristics. This method allows Axiom to analyze the evolution of the issuer's structure and to easily utilize arbitrage opportunities on under- or over-valued securities by comparing the obtained rating with that of the market.

For those Advisory Clients invested in bonds, the Firm's target investments will specifically be invested into:

- **Liquid relative value:** "Liquid" Financial Institution Investment Instruments. These instruments can easily be bought and sold in the secondary market. Nonetheless, they can be volatile, and sometimes have complex characteristics and, in the Axiom's view, this creates value opportunities. The target rate of return to the Advisory Clients on such instruments is between 5% and 8 % per annum;

- **Less liquid relative value:** These are securities issued by large institutions that trade with poor liquidity, either due to their complexity or the nature of the securities (e.g. a private placement or a retail offering), which, in the view of Axiom, can offer an illiquidity premium. These securities will generally be bought at a discount and held to maturity in most cases. The target rate of return to Advisory Clients on such instruments is between 6 per cent. and 16% per annum;
- **Restructuring:** Securities issued by European Financial Institutions which are undergoing a significant restructuring (and/or derivatives linked or referenced to such securities.) Typically, companies in restructuring tend to be formerly well established financial institutions (banks that were performing well with, in the view of Axiom, strong prospects of recovery.) The target rate the Company on such instruments is between 7% and 25% per annum;
- **Special situations:** A "special situation" is an event that, in Axiom's view, is expected to trigger an improvement in the pricing of capital securities (such as a corporate reorganization for regulatory and/or financial reasons or a regulatory decision with a strong impact on the price of a security). Such special situations could be linked to a particular European Financial Institution or a particular security or a combination of both. The target rate of return to Advisory Clients on such instruments is between 8% and 35% per annum; and
- **Midcap origination:** Investments in equity or debt securities (senior or subordinated) issued by non-listed European Financial Institutions. Value opportunities are created through negotiation of the terms of issue of such securities. The target rate of return to Advisory Clients on such instruments is between 9% and 11% per annum.

For equity Advisory Clients, which is less than 5% of the Firm's portfolio, Axiom's main strategy is to take advantage of major opportunities on the European bank and insurance stock market by selecting securities with a growth potential in line with the investment objective.

In order to optimize the portfolio's return, the investment process is based on: a "top down" approach taking into account economic conditions (key interest rates, long term rates, money market rates, inflation, European and global economic growth, etc.), banking and insurance regulations; a "bottom up" approach which is organized in three steps:

**Step 1: Fundamental analysis**

Based on fundamental criteria such as solvency, profitability, management quality or dividend policy, the management team assesses the outlook for the price of a specific issuer's stock over a period in line with the investment objectives.

**Step 2: Portfolio construction**

- The portfolio is then constructed based on the choices made on risk allocation and issuers as outlined above.
- Portfolio construction ensures efficient diversification, made possible by an allocation by type of issuer and sub-sector: universal banking, retail banking, investment banking, private banking, investment management firms, specialized credit institutions; general insurance companies, companies specializing in life insurance, property and casualty insurance, reinsurance, etc.
- The portfolio managers may hedge currency and interest rate risks. They may use swaps to hedge equity risk.

**Step 3: Portfolio monitoring**

- Regular monitoring of the performance of underlying assets;
- Systematic monitoring of the trends in each sector and sub-sector (concentration of issuers, regulatory watch).
- Circumstances that are likely to affect the payment of dividends are closely monitored.

The key risks that are specific to Axiom:

- Axiom will invest in undated subordinated securities and there is a risk that such securities may not be redeemed by the issuer;
- the securities interest payments on the target investments may be deferred or cancelled, which may have a negative and potentially substantial effect on the Axiom's anticipated return and dividend policy; and
- Axiom will invest in less liquid instruments and such illiquidity may limit the ability of Axiom to realize its investments and/or Axiom may only be able to realize such interest at a discount to the net asset value of the instrument.

The key risk factors that are specific to the securities traded are:

- the market price of the shares may fluctuate significantly and investors



may not be able to sell their shares at or above the price at which they purchased them, meaning that they could lose all or part of their investment;

- an active and liquid trading market for the shares may not develop;
- there can be no assurances as to the level and/or payment of any dividends by Axiom in relation to the shares; and
- the shares may trade at a discount to their net asset value per share and there can be no guarantee that attempts by Axiom to mitigate such a discount (if such attempts are capable of being and in fact are made) will be successful.

### **Item 9: Disciplinary Information**

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Axiom has not been subject to any material disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no persons involved in the management of the Firm have been subject to such action.

### **Item 10: Other Financial Industry Activities and Affiliations**

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Axiom wholly owns Addax Asset Management ("**Addax AM**"), an investment advisor based in Paris, France. Addax AM is currently winding down, and is not offering any advisory services. Addax AM has two funds that each holds only one illiquid asset. No material conflict of interest between Addax AM and Axiom or any of Axiom's Advisory Clients exists.

### **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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#### ***Code of Ethics and Employee Investment Policy***

Pursuant to the Code of Ethics Rule under the Investment Advisers Act of 1940 (the "**Advisers Act**"), Axiom has adopted a Code of Ethics. Our Code of Ethics is based on the principles that our employees must:

- At all times place the interests of the Client Accounts first;
- Ensure that all personal securities transactions are conducted consistent with Axiom's "**Employee Investment Policy**"; and
- Not take advantage of their positions with Axiom or knowledge of the

activities on behalf of the Client Accounts for the employee's personal benefit.

All employees are required to certify their adherence to the Code of Ethics initially upon hire and annually thereafter. The Firm may modify any or all of the policies and procedures set forth in the Code. Should revisions be made, Employees will receive written notification from the Chief Compliance Officer.

In addition, employees must obtain the approval of the CCO before acquiring any securities for their own account, before engaging in any outside business activities and before buying privately placed securities. Employees are prohibited from trading securities that appear on Axiom's "Forbidden List". Axiom has rules in place that prohibit trading during certain time periods, for securities currently in the Axiom managed portfolios.

The Employee Investment Policy, within the Code of Ethics, applies to all personal transactions involving all personal account investments including equity, debt, options, futures, government securities, open-end mutual funds, money market funds or other securities with respect to which reporting of transactions is required under Axiom's Employee Investment Policy.

All Axiom employees are instructed to send duplicate brokerage statements to the CCO as soon as possible. These records are used to monitor compliance with the Employee Investment Policy.

The CCO may place certain securities on a Forbidden List. Employees are prohibited from personally, or on behalf of a Client, purchasing or selling securities that appear on the Forbidden List. A security may be placed on the Firm's Forbidden List for a variety of reasons including, but not limited to:

- The Firm is in possession of material, nonpublic information ("MNPI") about an issuer;
- A Firm Employee is in a position, such as a member of an issuer's board of directors, that may be likely to cause the Firm or such Employee to receive MNPI;
- The Firm has executed a non-disclosure agreement or other agreement with a specific issuer that restricts trading in that issuer's securities;
- An Employee trading in the security may present the appearance of a conflict of interest or an actual conflict of interest;
- An investor relationship that involves a senior officer or director of an issuer, a "Value-Added Investor", may present the

appearance of a conflict of interest or an actual conflict of interest; and

- The CCO has determined it is necessary to do so.

It is the Firm's policy that all Employees act in good faith and in the best interests of the Firm and all Clients. To this end, Employees must not place themselves or the Firm in a position that would create even the appearance of impropriety. No Employee may represent the Firm in any transaction if an outside business interest might compromise or otherwise affect his or her ability to represent the Firm's interests fairly and impartially.

### ***Conflicts of Interest***

A "conflict of interest" is a situation in which someone in a position of trust has a competing professional or personal interest. A conflict of interest can prejudice an individual's ability to carry out their duties and responsibilities objectively. In cases where the interests of any Firm Client are at stake, the Client should have priority over the economic interests of Employees. It is the Firm's policy to disclose conflicts of interest to its Clients and to obtain Client consent where appropriate.

In order for the Firm to address a conflict of interest, the conflict must first be identified. To that end, Employees are required to report any potential or actual conflict of interest to the CCO:

- Conflicts between an Adviser and its Clients
- Conflicts between Employees and Clients
- Conflicts among Clients
- Conflicts among Investors

The Firm identified certain potential and actual conflicts of interest and has implemented policies and procedures that are designed to treat all Clients fairly. In addition, to fulfill its fiduciary obligation to its Clients, the Firm discloses to all known potential or actual conflicts of interest that are material.

All conflicts of interest must be brought to the attention of the CCO, who will document any conflict and its subsequent resolution. In addition, various logs are kept to document possible conflicts, such as the Gifts and Entertainment Log and the Political Contributions Log.

***Participation or Interest in Client Transactions***

Employees and affiliates of the Firm may hold interests in the Funds. Additionally, it is possible that employees may personally invest in some of the same investments that are held in Managed Accounts, or may own investments that are subsequently purchased for Managed Accounts. Such transactions are required to be pre-approved in order to evaluate any issues resulting from the employee's proposed ownership. The Firm may or may not receive any compensation from such investments from employees. Employees and/or affiliates of the Firm may invest in the Funds. To the extent that they do so, they are deemed to have a direct interest in the success of the Funds' investment strategy. The Code of Ethics contains policies and procedures designed to minimize any actual or potential conflicts.

The Code of Ethics is available to clients and prospective qualified investors upon request.

**Item 12: Brokerage Practices**

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***Best Execution***

Axiom shall select brokers and dealers to execute portfolio transactions in the markets in which the transactions are to be executed, provided that in doing so, the Axiom's primary objective shall be to select a broker-dealer that can obtain Best Execution. In fulfilling its primary objective to obtain Best Execution, Axiom must meet and comply with all applicable regulatory requirements and guidance relating to best execution.

Elements of Best Execution may include the capacity to provide securities, the price, the cost, the haste of execution, the responsiveness of the broker-dealer to the Firm, and the broker-dealer's financial resources.

Axiom always looks for the most favorable execution for the Advisory Client. For a similar price, Axiom will favor the quality of execution (settlement) of the broker and their knowledge.

The CCO maintains an "Approved Broker List" based upon criteria established by the Firm. Traders will place orders solely with broker-dealers appearing on the Approved Broker List, unless the trader receives written authorization from the CCO to use another broker-dealer. The CCO updates the Approved Broker List as new relationships are established and as relationships are terminated or modified.

Senior management and the CCO periodically review the performance of each executing broker and consider, among other things, the quality of executions provided, the cost of executions, and potential conflicts of interest.

In selecting a broker for each specific Client transaction, the Firm uses its best judgment to choose the broker most capable of providing Best Execution.

### ***Trade Aggregation and Allocation***

Axiom usually aggregates the purchase of securities to optimize execution. Transactions are allocated promptly, usually on the trade date, and no reallocations are permitted from one account to another (done pre-trade by an in-house trading system).

In order to ensure fairness in the allocation of investment opportunities among the funds we manage, we will allocate investment opportunities in compliance with securities regulations and with consideration to the prime determinants of market exposure, cash availability and industry sector exposure and with regard to the suitability of such investments to each fund. In determining the suitability of each investment opportunity to a fund, consideration will be given to a number of factors, the most important being the fund's investment objectives and strategies, existing portfolio composition and cash levels.

Where an investment opportunity is suitable for two or more funds we will allocate the opportunity equitably in order to ensure that funds have equal access to the same quality and quantity of investment opportunities, and in determining such allocations will consider a variety of factors and principles.

Axiom currently has no soft dollar arrangements.

Axiom does not rely on clients to direct brokerage.

### **Item 13: Review of Accounts**

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Advisory Client accounts will generally be reviewed on a periodic basis by Axiom's Investment Team to ensure that investment objectives are adhered to and portfolios are rebalanced as necessary.

Axiom will provide, upon request by Advisory Clients, information which is complete and accurate in all material respects to the extent the necessary

information is within the reasonable control of the Axiom, as to the making of, and return on, the investments in the portfolio and as is necessary to enable Advisory Clients to assess the capability of Axiom to manage the investments of the Advisory Clients, and otherwise to comply with relevant law.

The custodian shall be responsible for all custodial arrangements and Advisory Clients shall be responsible for the payment of all custody charges and fees.

#### **Item 14: Client Referrals and Other Compensation**

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Axiom has engaged approximately 20 third party marketers - none of whom are based in the U.S., nor do they solicit to U.S. based clients.

#### **Item 15: Custody**

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As a non-U.S. based investment advisor, Axiom will not be subject to the Custody Rule<sup>1</sup> as the Firm has no U.S. based Funds, no U.S. investors in any of the Axiom Funds and no U.S. based Clients. If the Firm accepts U.S. investors in the future, Axiom will comply with the Custody Rule, set forth below.

In accordance with the Custody Rule, a qualified custodian will not be required to deliver quarterly account statements to the Funds or their respective investors as long as (i) the Funds are audited by an independent public accountant that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board, (ii) the Funds' audited financial statements are prepared in accordance with accepted accounting principles, and (iii) Axiom delivers such annual audited financial statements to investors within 120 days after the end of each Fund's fiscal year.

Axiom does not maintain custody over any of its Managed Account Clients.

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<sup>1</sup> "...offshore advisers registered with the SEC are not subject to the custody rule, with respect to offshore funds. See ABA Subcommittee on Private Investment Entities, SEC Staff Letter, Aug. 10, 2006 ("ABA Letter")"

**Item 16: Investment Discretion**

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Subject to restrictions set forth in the advisory agreements, Axiom generally has full discretion to invest the assets of the Advisory Clients (except for one managed account) in a manner consistent with the investment objective, approach and certain restrictions of the Funds and as, detailed within the advisory agreement for each Managed Account, amended from time to time.

**Item 17: Voting Client Securities**

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Given the nature of Axiom's investment strategy being primarily investments in bonds, Axiom is unlikely to receive proxies to vote. The Firm has not previously voted proxies, nor does it anticipate doing so in the foreseeable future.

However, should proxies be received, we have established proxy voting policies and procedures designed to ensure that proxies are voted in the best interest of our Advisory Clients. Voting rights are exercised from detention thresholds as a percentage of the number of outstanding securities of an issuer held by the relevant Fund. Axiom might have to vote in an exceptional way with a lower participation to defend the interests of unitholders if the natures of the resolutions are warranted.

If a Managed Account Client has not delegated such authority, Axiom will confirm that the custodian is instructed to send proxy materials to the Managed Account and Axiom will not offer advice on how to vote.

Upon request, clients will receive a copy of Axiom's proxy voting policies and procedures and/or a record of all proxy votes cast for such Client Account.

**Item 18: Financial Information**

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Axiom has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.