

## FACE TO FACE

# 'I have an Italian heart but a British brain'

DAVIDE SERRA

Algebris chief would move business in a second if told he must hire British first

RACHEL SANDERSON

In the personal office gym of Davide Serra, chief executive of Algebris, there is a photograph of him standing on the razor-edged peak of the 12,500 ft Aiguille de la Republique. Tiny, in a red windcheater, he grins, dwarfed by the mountain ranges around him.

"I put it up there to remind me that I have to keep training and stay fit so I can keep climbing up there," he says, today wearing a slim-cut blue Italian suit but still sporting the same triumphant smile.

The photo, and Mr Serra's reaction, is a clue to how the 46-year-old Italian from Genoa became one of the most noted investors in European banking. In the past decade, Algebris Investments, the fund he co-founded in 2006 after 10 years as a top-rated analyst at Morgan Stanley and UBS, the banks, has evolved into a financials-focused investment boutique with 70 employees, \$12bn in assets under management and market beating returns.

It has posted a 9 per cent compound annual return net of fees since 2006 on the \$600m it has invested on the equity side, Mr Serra says. On the financial credit side, which counts for

\$7.4bn of the firm's assets under management, including bad loans at face value, Algebris has earned 15 per cent annual net returns since it switched its emphasis to financial credit after the 2008 crisis.

Having parted company with its backer, The Children's Investment Fund, which was founded by billionaire Sir Christopher Hohn, last year Mr Serra, who now owns Algebris outright, is revamping the business as the investment cycle looks set to turn.

Alongside subordinated debt and financial equity, he has extended into non-performing loans in the past couple of years, a global macro strategy investing outside of financials.



Most recently he launched a fund focused on credit and equity securities of mostly mid sized Italian companies.

Seated in swanky new offices in Piccadilly, in a building shared with Carlyle, the US private equity group, where he has an unobstructed view of Big Ben, he says "we are coming out of extraordinary times now, the future can only be brighter", with the bravado that has gotten him noticed by policymakers and riled rivals.

In an investment market bifurcating into big ultra-passive funds and niche ultra-tractive ones, Mr Serra sees an opportunity for Algebris in the second category.

But the former Italian

Algebris Investments

Founded 2006

Assets under management \$12bn

Employees 70

Headquarters London

Ownership Davide Serra

national volleyball player stands out in another way, too. Where most fund managers in the City of London tend to avoid attention, Mr Serra courts it.

He advises governments and regulators for free and doles out blunt opinions on Twitter to his nearly 17,000 followers. In Italy, where he is a kind of celebrity for his vocal support of Matteo Renzi, the former prime minister, he has appeared on late night talk shows arguing for the importance of the euro, and debating against far-right populists and acolytes of Silvio Berlusconi, the media mogul who is another former Italian prime minister. Pierluigi Bersani, a former Italian centre left leader, once called him "a bandit".

On central bank governors, he says: "I love Mark Carney, I think Mervyn King was a disaster. I think Mario Draghi is fantastic. I think other central bankers are a disaster."

On the Bank of Italy: "The fact that the Italian banking system needed €40bn of extra liquidity, including state injections, and the Bank of Italy kept saying there was no issue is, for me, an issue."

And on Brexit, Mr Serra, who has lived in Britain for 24 years but remains a Europhile, says "we think Brexit is a lose-lose for the UK and Europe, but Britain will be the bigger loser".

CV

**Born** January 19 1971

**Total pay** Not disclosed

**Education** 1995 Business administration, Bocconi University and Masters, CEMS

**Career** 1995-2000 Analyst, UBS Warburg  
2001-06 Joins Morgan Stanley, eventually becoming global banks coordinator for research  
2006 to present Founder and chief executive, Algebris

He and his team estimate a 5 to 7 per cent hit to the UK economy. “We do not have high expectations there will be a sensible deal,” he adds.

Voicing his opinions shows people that he knows what he is talking about, he says. But it is also a reflection of his appetite for risk taking.

That appetite for risk is reflected in his personal life. Photos in his office show him, his wife and four children sailing the Northwest Passage. He spent two years turning up at meetings on crutches, having broken his leg twice – in consecutive winters – skiing off piste.

He clearly revels in being a kind of Davosman, at one point even calling the City a “kind of big World Economic Forum”. He cites George Soros, the billionaire investor, as his inspiration. In 2011, in the teeth of the European sovereign debt crisis, investors pulled their money out of Mr Serra’s hedge fund when he bet Italy and

Spain would not default. But Mr Soros liked the trade and gave him €500m, according to another investor. “I love and respect Soros,” is all Mr Serra will say, declining to confirm the trade. Mr Serra also cites Mr Soros as the inspiration for his decision to set up a charity for orphans in Tanzania.

Alan Higgins, chief investment officer at Coutts, the private bank, and another early Algebris investor, considers Mr Serra’s “insight” was expanding Algebris’s focus into financial credit ahead of the curve, allowing his investors to earn very attractive returns on subordinated bank bonds.

Mr Serra’s proximity to Italian finance, a closed club, undoubtedly gives him an insider’s view no foreign investor can match. Italy accounts for about 25 per cent of Algebris’s investments and about 30 per cent of its investor base, he says. He made money in the Italian banking crisis, calling the bottom when US

and UK investors remained spooked. Today he is one of the biggest investors in Italian secured NPLs, having invested nearly €1bn. Italy is also the locomotive of Algebris’s push into retail, as wealthy Italian savers seek yield outside sovereign bonds.

His business, though, remains firmly based in London. “I have an Italian heart but a British brain,” he says. He and his family got British passports this year. His career has spanned the City’s expansion and boom as an international hub of finance, but he also has offices in Boston, Singapore and most recently Luxembourg, so he has a foothold in Europe if Brexit talks turn really sour.

“My most recent hire is an Iranian. If tomorrow we are told we have to hire British first, I will move my business in one second,” he says.