



Algebris Financial Equity Fund (UCITS)

I EUR

February 2020

Terms

Size (€):	61m
Fund Inception:	07 January 2011
Fund Domicile:	Ireland
Fund Base Currency:	EUR
Dealing Frequency:	Daily
ISIN:	IE00BWWY56Y06
Management Fee:	1.25%
Incentive Fee:	15%

Performance History (Net) % - I EUR 2015 - Present

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	Index*
2015	5.25	8.59	3.77	2.11	1.91	-1.47	1.48	-1.08	-5.75	3.63	2.02	-3.39	17.52	-2.71
2016	-10.17	-2.82	-0.51	7.81	3.59	-14.35	10.28	5.75	-2.90	11.08	2.97	2.74	10.53	13.27
2017	-0.13	-2.54	9.62	3.46	-0.84	4.58	2.72	-0.25	2.68	-4.96	0.97	3.34	19.43	23.48
2018	7.43	-0.68	-4.72	2.07	-9.26	-2.63	7.29	-11.60	4.52	-8.03	-0.92	-12.73	-27.73	-16.42
2019	8.44	4.09	-4.42	9.71	-7.85	1.70	-0.90	-4.30	6.69	2.82	4.17	3.76	24.72	26.48
2020	-6.26	-3.76											-9.78	-12.13

Note: Performance figures are based on returns for the I EUR share class. Returns are net of management fees, incentive fees and operating expenses, and are reflective of the Fund's "predecessor" : MS Algebris Global Financials UCITS Fund share class I EUR from 22nd October 2013 to 23rd June 2015 and Algebris Financial Equity Fund (UCITS) share class I EUR thereafter. The MS Algebris Global Financials UCITS Fund and the Algebris Financial Equity Fund (UCITS) merged on the 5th February 2016. Prices are published daily on Bloomberg. *MSCI World Financials Index is used as a reference index for the Algebris Financial Equity Fund. The performance figures of the reference index are in USD, include dividends reinvested and do not consider any costs of investing in the index. The Fund does not necessarily invest in securities comprising the reference index and is subject to various restrictions and requirements not applicable to the index, but this index is considered to provide a meaningful comparison. Past performance is not a guarantee of future results. Source: HSBC Securities Services (Ireland) DAC, Morningstar

Fund Objective

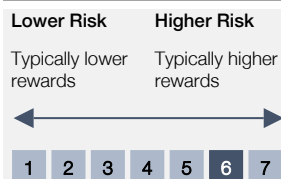
The Algebris Financial Equity Fund invests primarily in financial stocks with a global remit.

It has the ability to be both long and short, use options where appropriate and employ prudent leverage.

The objective of the Fund is to generate superior risk adjusted returns over an investment cycle by identifying mispricing opportunities through systematic analysis of a company's intrinsic value; the inherent complexity of financial stocks provides fertile ground for our team of specialist financial analysts.

The macro environment and single stock analyses are synthesized in the overall portfolio construction.

Risk Profile



Note: The synthetic risk and reward indicator (SRRI) is based on the historical data and may not be a reliable indication for the future. It is calculated using the volatility of the Fund's weekly performance over a five-year period. A score of 6 means the Fund's historic volatility is between 15% and 25%.

Commentary

- February was a tale of two halves for risk assets. The first couple of weeks were broadly positive, as early signs of a successful containment and the PBOC's easing action resulted in apathy towards the potential macroeconomic consequences of the virus outbreak in China. The perception quickly changed in the second half of the month, as a swift rise in reported infections across the Middle East, Europe and ultimately the Americas brought to the realisation that the virus was not going to be contained within China. A series of corporate profit warnings on supply chain issues and rising concerns around the consequences of global containment on demand brought stocks sharply down towards month-end, with both the S&P500 and Stoxx600 recording their worst weekly performance since October 2008. From a record high on 19th February, the S&P500 traded off 16% and US10y rallied 50bps as the market's odds for a 25bps FED rate cut in March went from 0% to fully pricing a 50bps cut.
- US and European banks' equities closed the month -12.4% and -7.8% respectively, hit by falling rates and rising concerns of a global economic slowdown. This came after European banks in particular started off strongly, with the SX7E index up nearly 9% halfway through the month as the market was clearly pleased with European banks' final Q4-19 results season. Core capital was built up across the board ahead of another round of stress tests later this year. Roughly 80% of banks beat on capital for the quarter, with a similar amount beating on the European bank boogeyman, net interest income.
- The highlight from a micro perspective in February was Intesa's all-share takeover of UBI. The deal, which would involve also the acquisition by BPER of at least ~€20bn UBI to comply with antitrust requirements, would make Intesa the first bank in Italy with ~20% of market share across businesses. Intesa should present its formal offer soon, which could include an accounting benefit from goodwill that, if approved by the ECB, would in our view pave the way for other M&A deals across Europe.
- But clearly, the focus has shifted rapidly from the micro to macro in the past several weeks, as correlations has gone towards one and panic selling has brought the sector to all time lows in Europe and pre-election lows in the US. While we came in to this period with a healthy amount of cash and hedges (and we quickly sold 1/4 of our long book in Europe on the first signs of the virus spreading in Italy), the selloff has been sharp and indiscriminate. With nowhere to hide, this creates a painful mark to market but also very compelling entry levels. We are fortunate to have a substantial cash position – and plan to increasingly utilize it.
- In the US, as in December 2018, we will slowly and selectively deploy capital to add to names where even under severely stressed assumptions, current valuations look very attractive and 6-7% dividend yields look safe (i.e., 50% payout ratio on stressed earnings). Outside the bank space we have also started to build positions in names whose balance sheets and/or business models are liability sensitive – that is, benefit from lower rates.
- In Europe, we are focused on well capitalised, quality franchises that have decent cashflows and strong buffers that are currently being thrown out in the risk off panic that we are seeing. An example of this would be BNP that has a dividend yield of 9%, a P/E of 5 and did not make a loss in the global financial crisis. That makes 50% upside to where it was 2 weeks ago, and a realistic 100% upside over 12 months...and there are a lot of these type of investments currently in our fund.

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EUR

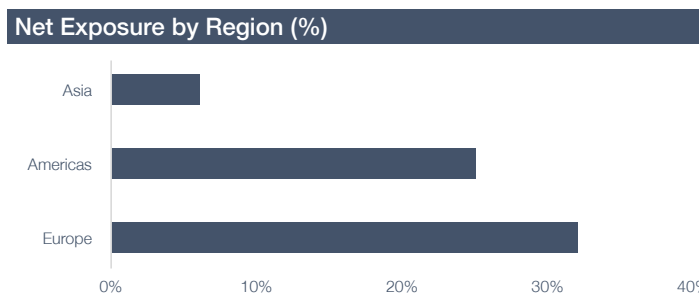
February 2020

Top 5 Long Holdings	
Position	Exposure %
ABN Amro	3.8%
Raiffeisen Bank	3.0%
ING	3.0%
Barclays	2.8%
Société Générale	2.8%

Net Exposure by Subsector	
Sector	Exposure %
Banks	56.7%
Diversified Financials	12.1%
Insurance	10.3%
Index	-16.2%
Total Exposure	62.9%

Exposure shown above is calculated on a delta adjusted basis for option positions and on a full notional basis for all other instruments.
Source: Algebris (UK) Limited

Exposure by Region (%)				
Region	Long	Short/ Hedge	Net	Gross
Europe	36.7	-4.9	31.8	41.6
Americas	38.5	-13.7	24.8	52.2
Asia	6.2	0.0	6.2	6.2
Total	81.5	-18.6	62.9	100.1



Exposure shown above is calculated on a delta adjusted basis for option positions and on a full notional basis for all other instruments.
Source: Algebris (UK) Limited

About Algebris

Algebris (UK) Limited is a global investment manager with a historical focus on the financial sector across the capital structure. Founded in 2006, Algebris has gradually expanded its expertise and entered the global credit and Italian securities space to capture a broader set of value opportunities. Most recently, Algebris on-boarded a quant team that has embraced a statistical arbitrage strategy based on mean reversion. Algebris has a team of 27 investment professionals and manages EUR 12.3bn AUM (inclusive of committed capital), split between credit and equity investments (data as of 29.02.2020).

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Fund Details				
Share Classes			Identifiers	
Share Class	Currency	Minimum Initial Investment	ISIN	BBG ticker
B	EUR	€10,000	IE00BTLJYM89	FAGFUBE ID
	GBP	GBP equivalent of €10,000	IE00BTLJYN96	FAGFUBG ID
	USD	USD equivalent of €10,000	IE00BTLJYQ28	FAGFUBU ID
	CHF	CHF equivalent of €10,000	IE00BTLJYP11	FAGFUBC ID
	SGD	SGD equivalent of €10,000	IE00BTLJYR35	FAGFUBS ID
	JPY	JPY equivalent of €10,000	IE00BD71X526	ALGFEBJ ID
I	EUR	€500,000	IE00BWW56Y06	FAGIEUR ID
	GBP	GBP equivalent of €500,000	IE00BWW57036	FAGIGBP ID
	USD	USD equivalent of €500,000	IE00BWW56Z13	FAGIUSD ID
	CHF	CHF equivalent of €500,000	IE00BWT6GB54	ALGFEIC ID
	SGD	SGD equivalent of €500,000	IE00BWT6GD78	ALGFEIS ID
	JPY	JPY equivalent of €500,000	IE00BD71X302	ALGFEIJ ID
R	EUR	€10,000	IE00BWW56V74	FAGREUR ID
	GBP	GBP equivalent of €10,000	IE00BWW56X98	FAGRGBP ID
	USD	USD equivalent of €10,000	IE00BWW56W81	FAGREUR ID
	CHF	CHF equivalent of €10,000	IE00BWT6GC61	ALGFERC ID
	SGD	SGD equivalent of €10,000	IE00BWT6GF92	ALGFERS ID
	JPY	JPY equivalent of €10,000	IE00BD71X419	ALGFERJ ID

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The State of the origin of the Fund is Ireland. In Switzerland, the Representative is ACOLIN Fund Services AG, Leutschenbachstrasse 50, CH-8050 Zurich, whilst the Paying agent is Vontobel Ltd, Gotthardstrasse 43, CH-8022 Zürich. The basic documents of the Fund as well as the annual and, if applicable, semi-annual report may be obtained free of charge from the Representative.

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