



Algebris Financial Equity Fund (UCITS)

I EUR

January 2021

Terms	
Size (€):	50m
Fund Inception:	07.01.2011
Fund Domicile:	Ireland
Fund Base Currency:	EUR
Dealing Frequency:	Daily
ISIN:	IE00BWWY56Y06
Management Fee:	1.25%
Incentive Fee:	15%

Performance History (Net) % - I EUR 2016 - Present														
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	Index
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	-30.51	8.60	2.71	4.65	-5.07	9.12	-10.25	-0.27	32.48	2.80	-7.59	-2.12
2021	-2.47												-2.47	-1.50

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.

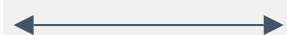
It has the ability to be both long and short, use options where appropriate and employ prudent leverage.

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

Lower Risk	Higher Risk
Typically lower rewards	Typically higher rewards



1 2 3 4 5 6 7

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 7 means the Fund's historic volatility is above 25%.

Commentary

- With Democrats taking over the Senate and the White House, and a vaccine rollout underway, January saw strong reflationary tailwinds with inflation expectations rising to three year highs and the US yield curve steepening by nearly 20 basis points in the month. With an economic reopening in the back half of the year looking increasingly likely, financials look very well positioned to outperform from current valuation levels that are depressed both on a relative and absolute basis. In our view, there is not much better way to play recovery and reflation over the next 2-3 years while still clipping a significant coupon in the meantime.
- European bank earnings are off to a strong start. Nearly every bank is beating across P&L and capital, with revenues ahead by 5%, pre-provision profits ahead by 17%, pre-tax profits ahead by 30%, and capital ahead by 50bps. To some extent this reflects severely depressed expectations (which we also see in valuations), but there have been some common surprises driving these beats as well. Repricing lower of wholesale liabilities and better lending margins are supporting net interest income, elevated levels of capital market activity are supporting fees and trading income, government support programs are mitigating loan losses, and higher organic capital generation along with progress on de-risking efforts supporting capital. Put simply though, the two areas which the market has been concerned about for years – top line and capital – are beating expectations, handily.
- The EBA recently published the economic assumptions for its annual stress test. While the scenarios seem harsh at first glance, we believe the considerable capital buffers in place and inclusion of the beneficial impact of government support programs suggests the majority of banks will pass. In fact, we look forward to the results being published later this summer, which will instill further confidence in the sector's capital adequacy and lead to a full lift of the dividend restrictions that have been an overhang on the sector. A harsh, credible stress test has bolstered the valuations of banks in the US and we expect a similar re-rating for the stronger banks in Europe as well. Unencumbered yields on many of these national champion franchises are in the 7-9% range today – we do not expect these yields to persist especially given the dearth of yield available in markets today.
- US bank earnings results have also been encouraging. While credit beats drove the bulk of positive EPS revisions, pre-provision results and revisions were positive and largely overlooked by the market as the average bank experienced multiple contraction over the bulk of earnings season. Specifically, the average US bank experienced +15% EPS revisions for 2021, while the average bank stock was down -8% since earnings commenced on January 15th. Underlying positive pre-provision revisions was a +2% increase in net interest income, which implies steeper yield curves in November and December started to bear fruit. Furthermore, with the Fed approving bank share buyback resumptions in December, repurchase plans are 10x the level from a year ago, with some banks likely to return nearly 30% of their market cap in the next two years.
- One of our larger positions in the US, Popular, is a good example where share repurchases will be a meaningful contributor to EPS over the next year. With a 16.3% CET1 ratio, we expect approval for share buybacks in April will be a catalyst for the stock as we believe consensus remains too conservative and management has a history of over-delivering on capital returns. Moreover, the operating environment in Puerto Rico remains constructive as the macro environment continues to improve and the island is perhaps the biggest beneficiary of additional fiscal stimulus. Lastly, the highly anticipated FEMA funds that have been held up by the Trump Administration are expected to flow into the island over the course of the year with President Biden in the White House. We see a lot of ways to win for a stock trading at <1x TBV.

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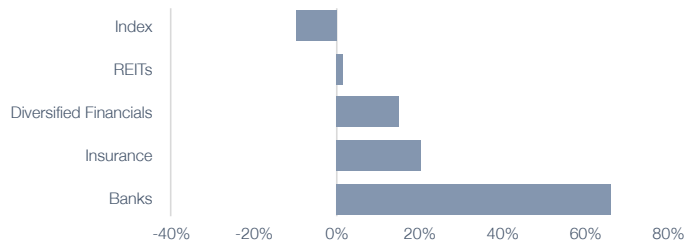


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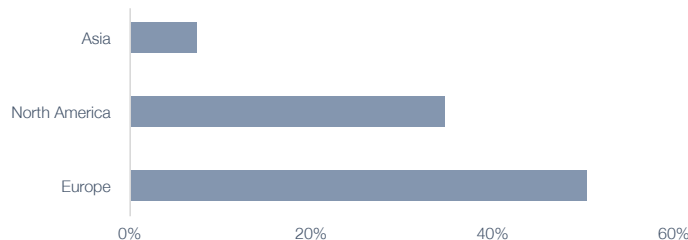
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Sector Exposure



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 Investments.

Regional Exposure



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 Investments.

Top 5 Equity Issuers

Name	% Exposure
Barclays	5.9%
Credito Valtellinese	5.3%
Unicredit	5.3%
Credit Suisse	5.2%
Athene Holding	5.1%

Source: Algebris Investments

Top 5 Monthly Contributors

Name
Invesco
Flagstar Bancorp
ABN Amro
Credit Suisse
Capital One

Source: Algebris Investments

Bottom 5 Monthly Contributors

Name
Barclays
Societe Generale
BNP Paribas
Unicaja Banco
Athene Holding

Source: Algebris Investments

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. Algebris has a team of 28 investment professionals and manages EUR 14.2bn AUM (inclusive of committed capital), split between credit and equity investments (data as of 31.01.2021).

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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	FAGRUSD 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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