



# Algebris Financial Income Fund (UCITS)

## April 2016 Factsheet

Fund Terms	
Size (€):	173m
Domicile:	Ireland
Share Classes:	R (Accumulating) Rd (Distributing)
Liquidity:	Daily
Management Fee:	1.80%
Incentive Fee:	None
Bloomberg Ticker:	AFIREUR ID / AFCIRDE ID
ISIN (R/Rd EUR Share Classes):	IE00BCZQ7T48 / IE00BCZNX202
Data as of 30.04.2016	

Fund Information	
No. of Bonds/ No. of Issuers	46/ 25
No. of Stocks	40
Duration of Bond Allocation	3.0 yrs
Av. Rating of Bond Allocation	BB+
Bonds: Yield to Worst (gross)	8.0%
Equity: Dividend Yield (gross)	4.3%
Fund: Yield (gross)	5.7%

Source: Bloomberg LP, Algebris Investments (UK) LLP

Performance Analytics	
Return Since Inception	14.8%
Annualised Return	5.2%
Annualised Volatility	9.5%
Sharpe Ratio	0.6

Note: Figures based on net returns for B EUR (Accumulating) class assuming admin, management and excluding ADL (Anti-Dilution Levy – currently 20bps). The actual price at which an investor subscribes or redeems shares in the fund will vary, depending on the swung price based on the ADL applied on the day in question. Further information is contained in the Prospectus. Inception date: 13 August 2013.  
Source: Bloomberg LP, Algebris Investments (UK) LLP

Performance Information (Net) % – B EUR (Accumulating)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2013								-1.41	1.48	4.05	2.08	2.32	8.69
2014	0.49	2.89	1.32	-0.28	0.48	0.35	-0.25	1.23	-1.13	0.50	1.58	-0.66	6.63
2015	0.82	4.48	1.91	1.08	1.14	-1.89	1.55	-3.27	-4.31	3.09	1.05	-2.40	2.92
2016	-6.76	-2.81	3.07	3.02									-3.78

Note : Figures are available on Bloomberg, daily.  
Source: HSBC Securities Services (Ireland) Ltd, Algebris Investments (UK) LLP

Fund Objective
<p>The Algebris Financial Income Fund can invest in the capital structure of financial companies globally, in both equities and fixed income.</p> <p>The objective of the Fund is to maximise income and generate superior risk adjusted returns over an investment cycle by investing in high dividend yielding stocks and bonds.</p> <p>The Fund invests in equities and subordinated debt capital instruments of financial institutions globally, including hybrid capital instruments, preference shares and contingent convertible bonds (CoCos), with fixed and variable interest rates, which may be rated investment grade or below investment grade.</p> <p>Investment in the Fund may be suitable for investors with a medium to long term investment horizon.</p> <p>*Index returns in constant currency: USD.</p>

Commentary
<ul style="list-style-type: none"> <li>The Algebris Financial Income Fund returned 3.02% in April. Top contributors to performance were Santander, Natixis and Citigroup. Detractors to performance included KKR, an equity index hedge and Och-Ziff Capital</li> <li>April was a good month for the fund. Somewhat belatedly, but welcome nonetheless, Italy proposed a solution for recapitalising some of its smaller banks that have not sufficiently built their capital strength since the global financial crisis. The Italian government also began work on a decree to shorten the length of the judicial process with regard to non-performing loans. Both of these acts alleviated recent market concerns. The Fund increased its exposure to Italy, contributing strongly to monthly performance whilst a number of our other positions in both France and Spain performed very well. We generated decent positive performance from our analysis and positioning into the US banks' Q1 earnings, which occurred towards the end of the month</li> <li>Due to the Fund's strong performance we reduced a number of our equity longs into strength. There was a reduction in Brexit uncertainty in the markets as various polls and betting market probabilities shifted towards Breain. However, we expect the market to become more focused on this European risk as we move towards the UK referendum on 23rd June. We felt it prudent to generate some 'dry powder' with which to deploy on any potential volatility</li> <li>Volatile markets and lower interest rates have been headwinds for the bank sector YTD. However, we are becoming increasingly more constructive on the banking sector in Europe – and not just for valuation reasons with the SX7E back at 100 where it started in 1991! The big national banks in Europe which primarily focus on retail and corporate banking have, after 7 years, finally become appropriately capitalised. This is crucial. Why? Because it leads the banks to normalise. And that means resolution of any legacy issues followed by minor balance sheet growth and - importantly - dividends. The generalist portfolio manager does not really see it yet but it will become increasingly hard to ignore that more than a handful of banks are generating a sustainable dividend yield in excess of 6%, and a few closer to 8%. We find this particularly compelling in a world starved for yield and, importantly, where most "yield" assets trading at historically high valuations</li> <li>In credit, Financials have broadly lagged the rally both in the US and Europe and we think there is significant room for financials to outperform from here. Banks have underperformed corporates since the rally in energy credit began in December but decreased stress in energy should be a benefit for financials as well. Part of the weakness earlier in the year was driven by worst case assumptions around credit costs for the banks tied to energy exposure that look too punitive with oil trading in the \$40 range</li> <li>As noted above, Italy launched a private sector funded investment vehicle named Atlante, with the principal aim of backstopping upcoming capital increases from weaker banks that face the risk of bail-in. The fund raised a total of EUR 4.25bn, of which 66% comes from the banking sector. Up to 70% of the fund will be deployed in upcoming capital increases, while the remaining 30% will be invested into NPLs, buying junior and mezzanine tranches of securitization vehicles. The Italian government also announced a first set of measures aimed at improving the recovery time for NPLs, estimating a reduction of collateral repossession for new NPLs to under 1 year from 6-8 years currently</li> </ul>

### Contact us

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### Commentary - continued

- There were two attractive AT1 transactions in the month, one from BBVA and one from Rabobank. This “vintage” of deals has some of the best characteristics since the inception of the Basel 3 eligible market. The environment today features still very low interest rates across the US and Europe and spreads are higher than they have been over the last few years. The result is deals with some of the best coupon structures since the very first AT1 deals. As such, we think these recent deals are poised to provide stable and very attractive returns over the coming months and years
- The BBVA bond was issued in euros with 5 years to the first call and a coupon of 8.875%. If the bond is not called after the initial 5 years, the coupon resets to the 5 year Euro swap rate plus 9.18%. There have been several HY issuers bringing bonds with coupons in the low 3% and even 2%. We struggle to understand the relative value proposition here
- The Rabobank bond is similar although its investment grade rating means lower absolute yields and spreads. The bond was issued with a 6.625% coupon and reset spread of 6.7%. When compared to the European IG universe where 35% of the total notional of the Eur iBoxx indices is trading with a negative yield, we think the outperformance of AT1s as an asset class is almost inevitable

### Top 5 Equity Holdings

Rank	Issuer name
1	Natixis
2	Aegon
3	Lloyds
4	Bank of Ireland
5	Prudential Financial

Source: Algebris Investments (UK) LLP

### Top 5 Bond Holdings

Rank	Issuer name
1	UBS
2	BBVA
3	Santander
4	Barclays
5	Lloyds

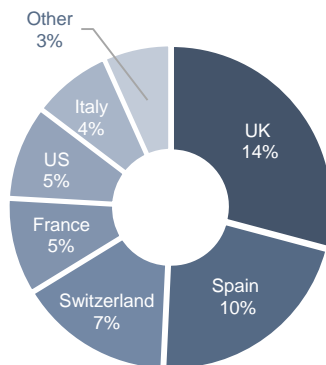
Source: Algebris Investments (UK) LLP

### Portfolio Composition (Asset Allocation)

	Allocation
Equities	54.0%
Bonds	47.5%
Hedges (delta)	-7.5%

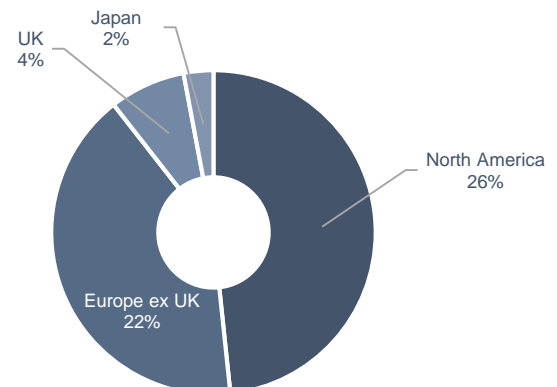
Exposure is calculated on a delta adjusted basis for option positions and on a full notional basis for all other instruments.  
Source: Algebris Investments (UK) LLP

### Bonds – Exposure by Country



Source: Algebris Investments (UK) LLP

### Equities – Exposure by Region



Source: Algebris Investments (UK) LLP

### About Algebris

Algebris Investments (UK) LLP is an investment manager specialised in the global financial sector. The firm has traditionally invested in the capital structure of financial institutions across equity and credit. We recently expanded our expertise into global credit. Algebris has a team of 15 investment professionals and manages ~\$4.1bn AUM (inclusive of committed capital), split between credit and equity investments (data as of 30 April 2016).

With offices in London, Singapore and Boston, it is registered with the SEC, MAS and the FCA.

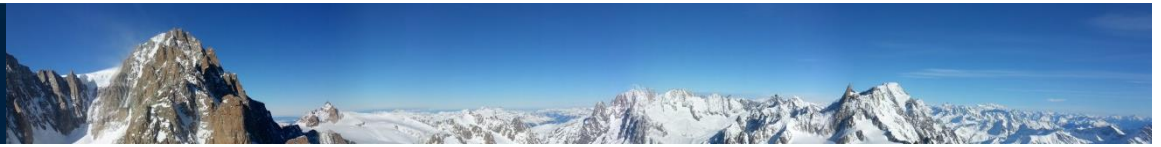
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Fund Details					
Share Class				Identifiers	
Class	CCY	Min Investment	Launch Date	ISIN	BBG ticker
I	EUR	€ 500,000	10/10/13	IE00BCZNWT08	AFIIEUR ID
	GBP	GBP equivalent of €500,000	N/A	IE00BCZNWW37	AFCIIGB ID
	USD	USD equivalent of €500,000	1/8/14	IE00BCZNWX44	AFCIIUS ID
	CHF	CHF equivalent of €500,000	N/A	IE00BCZNWV20	ALGFIIC ID
	SGD	SGD equivalent of €500,000	N/A	IE00BYYJYN11	N/A
R	EUR	€ 10,000	18/9/13	IE00BCZQ7T48	AFIREUR ID
	GBP	GBP equivalent of €10,000	N/A	IE00BCZNX194	AFCIRGB ID
	USD	USD equivalent of €10,000	N/A	IE00BCZNXN11	AFIRUSD ID
	CHF	CHF equivalent of €10,000	4/12/13	IE00BCZQ7S31	AFIRCHF ID
	SGD	SGD equivalent of €10,000	N/A	IE00BYYJYJ74	N/A
ID	EUR	€ 500,000	3/10/13	IE00BCZNWY50	AFIIDEU ID
	GBP	GBP equivalent of €500,000	N/A	IE00BCZNX087	AFCIDGBP ID
	USD	USD equivalent of €500,000	29/11/13	IE00BCZQ7R24	AFCIDUS ID
	CHF	CHF equivalent of €500,000	N/A	IE00BCZNWZ67	AFCIDCH ID
	SGD	SGD equivalent of €500,000	N/A	IE00BYYJYP35	N/A
RD	EUR	€ 100,000	1/4/14	IE00BCZNX202	AFCIRDE ID
	GBP	GBP equivalent of €100,000	N/A	IE00BCZNX319	AFCIRDG ID
	USD	USD equivalent of €100,000	N/A	IE00BCZNX426	AFCRDUD ID
	CHF	CHF equivalent of €100,000	N/A	IE00BD3D0179	AFCRDCH ID
	SGD	SGD equivalent of €100,000	N/A	IE00BYYJYM04	N/A

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