



Algebris Financial Income Fund (UCITS)

I EUR (Accumulating)

August 2019

Commentary - continued

None of this, in our view, fits with the bearish (and consensus) narrative on European bank stocks, as reflected in their trading at an **all-time high P/E discount** to the market. Prior periods of similar dislocation for the sector have been followed by 50%-80% bounces. We expect to see a similar return this time, but with much lower risk as the legacy issues that led to the prior dislocations have been resolved:

- Capital: banks have recapitalised themselves such that they have begun paying meaningful dividends, and even buybacks look increasingly likely in the next 12-18 months.
- Asset quality: banks have cleansed their balance sheets of €443bn of NPLs since 2014
- Profitability: bank ROEs having doubled since 2016, in spite of the fears of negative rates impacting profitability

Simply put, the divergence between perception and reality has never been greater, and perhaps neither has the opportunity from a return vs risk perspective.

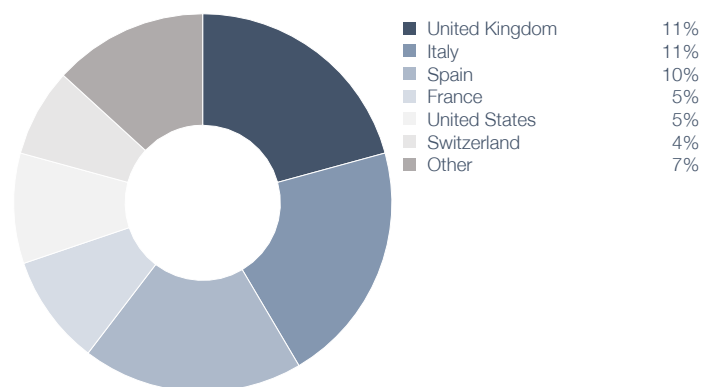
| Top 5 Equity Holdings | | Top 5 Bond Holdings | | Asset Allocation | |
|-----------------------|------------------|---------------------|-----------------|------------------|------------|
| Rank | Issuer name | Rank | Issuer name | | Allocation |
| 1 | Société Générale | 1 | Unicredit | Bonds | 53.6% |
| 2 | BNP Paribas | 2 | Santander | Equity | 45% |
| 3 | Unicredit | 3 | CaixaBank | Hedges (delta) | -6.5% |
| 4 | ING | 4 | Barclays | | |
| 5 | ABN Amro | 5 | Intesa Sanpaolo | | |

Exposure calculated on a delta adjusted basis for option positions and on a full notional basis for all other instruments. Excludes bond futures used for hedging duration.
Source: Algebris (UK) Limited

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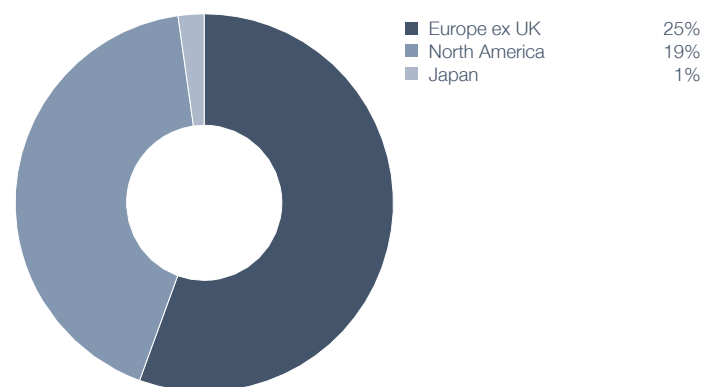
Source: Algebris (UK) Limited

Bonds - Exposure by Country



Exposure includes long bond holdings.
Source: Algebris (UK) Limited

Equities - Exposure by Region



Exposure includes long equity holdings.
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 26 investment professionals and manages EUR 10.6bn AUM (inclusive of committed capital), split between credit and equity investments (data as of 31.08.2019).

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Contact Details

| | | | | | |
|---|--|---|---|---|---|
| London Algebris (UK) Limited 4th Floor, 1 St James's Market London SW1Y 4AH | Singapore Algebris Investments (Asia) Pte. Ltd 9 Straits View, #05-08 Marina One West Tower Singapore 018937 | Boston Algebris Investments (US) Inc. 699 Boylston Street Boston MA 02116 United States of America | Milan Algebris (UK) Limited - Milan Branch Via Fatebenefratelli 10 20121 Milano, Italy | Luxembourg Algebris Investments (Luxembourg) S.a.r.l. 40 Avenue Monterey L-2163 Luxembourg | Tokyo Algebris Investments K.K. JA Building 12F, 1-3-1 Otemachi, Chiyoda-ku Tokyo 100-0004 Japan |
| Tel: +44 (0) 203 196 2450 Email: algebrisIR@algebris.com Visit: www.algebris.com | | | | | |



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| Fund Details | | | | |
|---------------|----------|----------------------------|--------------|-------------|
| Share Classes | | | Identifiers | |
| Class | Currency | Minimum Initial Investment | ISIN | BBG ticker |
| I | EUR | €500,000 | IE00BCZNWT08 | AFIEUR ID |
| | GBP | GBP equivalent of €500,000 | IE00BCZNWW37 | AFCIIGB ID |
| | USD | USD equivalent of €500,000 | IE00BCZNWX44 | AFCIUS ID |
| | CHF | CHF equivalent of €500,000 | IE00BCZNWV20 | ALGFIC ID |
| | SGD | SGD equivalent of €500,000 | IE00BYYJYN11 | ALGFIS ID |
| | JPY | JPY equivalent of €500,000 | IE00BD71WT90 | ALGFIJ ID |
| Id | EUR | €500,000 | IE00BCZNWY50 | AFIDEU ID |
| | GBP | GBP equivalent of €500,000 | IE00BCZNX087 | AFCIDGBP ID |
| | USD | USD equivalent of €500,000 | IE00BCZQ7R24 | AFCIDUS ID |
| | CHF | CHF equivalent of €500,000 | IE00BCZNWZ67 | AFCIDCH ID |
| | SGD | SGD equivalent of €500,000 | IE00BYYJYP35 | ALGFIDS ID |
| | JPY | JPY equivalent of €500,000 | IE00BD71WW13 | ALFIIDJ ID |
| R | EUR | €10,000 | IE00BCZQ7T48 | AFIREUR ID |
| | GBP | GBP equivalent of €10,000 | IE00BCZNX194 | AFCIRGB ID |
| | USD | USD equivalent of €10,000 | IE00BCZNXN11 | AFIRUSD ID |
| | CHF | CHF equivalent of €10,000 | IE00BCZQ7S31 | AFIRCHF ID |
| | SGD | SGD equivalent of €10,000 | IE00BYYJYJ74 | AFIRSGD ID |
| | JPY | JPY equivalent of €10,000 | IE00BD71WW20 | ALGFIRJ ID |
| Rd | EUR | €10,000 | IE00BCZNX202 | AFCIRDE ID |
| | GBP | GBP equivalent of €10,000 | IE00BCZNX319 | AFCIRDG ID |
| | USD | USD equivalent of €10,000 | IE00BCZNX426 | AFCRDUD ID |
| | CHF | CHF equivalent of €10,000 | IE00BD3D0179 | AFCRDCH ID |
| | SGD | SGD equivalent of €10,000 | IE00BYYJYM04 | AFIRRDS ID |
| | JPY | JPY equivalent of €10,000 | IE00BD71WX37 | ALFIRDJ ID |

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The strategy employed may result in the NAV exhibiting a high level of volatility. This Fund may invest in contingent convertible securities. These securities have unique risks, for example, due to equity conversion or principal write-down features which are tailored to the issuing entity and its regulatory requirements, which means the market value of the securities may fluctuate. Additional risk factors associated with contingent convertible securities are set out in the Fund's Prospectus.

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 Zurich. The basic documents of the Fund such as the Prospectus, the key investor information document (KIID), the articles of association as well as the semi-annual and annual reports may be obtained free of charge at the office of the Swiss Representative.

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