



# Algebris Financial Income Fund (UCITS)

## December 2015 Factsheet

| Fund Terms                     |                                       |
|--------------------------------|---------------------------------------|
| Size (€):                      | 242m                                  |
| Domicile:                      | Ireland                               |
| Retail Share Classes:          | R (Accumulating)<br>Rd (Distributing) |
| Liquidity:                     | Daily                                 |
| Management Fee:                | 1.80%                                 |
| Incentive Fee:                 | None                                  |
| Bloomberg Ticker:              | AFIREUR ID / AFCIRDE ID               |
| ISIN (R/Rd EUR Share Classes): | IE00BCZQ7T48 /<br>IE00BCZNX202        |

Data as of 31.12.2015

| Fund Information              |         |
|-------------------------------|---------|
| No. of Bonds/ No. of Issuers  | 52/ 30  |
| No. of Stocks                 | 48      |
| Duration of Bond Allocation   | 4.6 yrs |
| Av. Rating of Bond Allocation | BB+     |
| Bonds: Gross Yield to Worst   | 6.8%    |
| Equity: Gross Dividend Yield  | 3.9%    |
| Fund: Gross Yield             | 4.7%    |

Source: Bloomberg LP, Algebris Investments (UK) LLP

| Performance Analytics  |       |
|------------------------|-------|
| Return Since Inception | 19.3% |
| Annualised Return      | 7.7%  |
| Annualised Volatility  | 7.1%  |
| Sharpe Ratio           | 1.0   |

Note: Figures based on net returns for B EUR (Accumulating) class assuming admin, management and excluding ADL (Anti-Dilution Levy – currently 12.5bps). 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 |

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

- The Algebris Financial Income Fund returned -2.40% in December and finished the year up 2.92%. Top contributors to performance during the month were call options on the Euro and VIX, a hedge position in the Eurostoxx, and equity longs in Blackstone and Natixis. Detractors to performance included holdings in Carlyle Group and Japanese life insurers.
- In December, the ECB implemented an anticipated cut in the deposit rate to -0.3% and an increase in the size of the asset purchase program. The Fed also hiked the target range for the fed funds to a range of 0.25% - 0.50%. Risk markets were generally weaker in the month particularly in Europe where the enthusiastic positioning ahead of the ECB meeting was unwound quickly. The S&P 500 finished the month down 1.75% and the Eurostoxx Index was down nearly 7% reversing the majority of the October and November gains.
- In equities, we had the long-awaited Fed hike come and go with relatively little fanfare. Perhaps more importantly, expectations of a second hike coming as early as March have increased from ~15% in mid-October to ~40% today, even with the ongoing tightening of financial conditions related to the stress in China. Either way, it is noteworthy that US banks have passed on virtually none of the higher rates to their retail customer base - for now at least, deposit betas are encouragingly low. As a result, NIMs are now on track to increase for just the third time in the past 22 years, providing a boost to revenue growth in a market where it increasingly comes at a premium. We continue to be positioned long in US banks, with a focus on retail and consumer oriented institutions.
- Meanwhile, in Europe, with banks finally digging themselves out of the massive hole created by the global financial crisis and largely shunned by investors over the previous 7 years, we are starting to see both a normalization and rehabilitation of the sector which should continue to provide significant opportunities in the years ahead. We are seeing the first loan growth in 7 years, significant capital build and an improving NPL trend. We believe there are significant opportunities in the financial sector globally and with the pariah status beginning to ease and as the regulatory landscape becomes clearer, banks are finally beginning to reach capital levels required by regulators as evidenced by us seeing loan growth in Europe – management teams are confident enough about their balance sheet structure in Europe to lend money again.
- Energy continued to be in focus particularly as the weakness continued to bleed into credit markets. The HY index was down 2.5% in December and off 4.5% for the year. Financials were the best performing subsector of the index while energy and materials were the worst. Higher quality buckets continued to outperform CCC and distressed bonds. Outflows continued to be in focus in December with 3 straight weeks of redemptions over \$1bn.
- In late December the Bank of Portugal shocked investors by re-opening the resolution of BES and moving €2bn of senior bonds from Novo Banco back to BES. Investors were positioned in these bonds expected a sale to a higher quality trade buyer despite the auction process failing to deliver acceptable bids in late 2015. The result of the transfer was bond prices fell 75% into the end of the year. There are several potential issues that holders may use to challenge the decision but it reaffirms our approach to make sure that we are comfortable with the stand-alone fundamentals of the issuer without relying on government or M&A support to make the investment case. It is clear that senior debt and lower in the capital structure is exposed to losses in a resolution. We will keep our focus on higher quality issuers.

### Contact us

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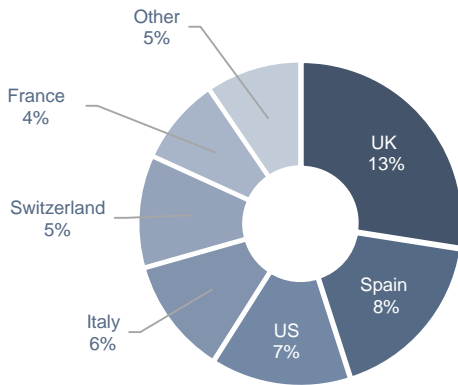
| Top 5 Equity Holdings |                          | Top 5 Bond Holdings |             | Portfolio Composition (Asset Allocation) |            |
|-----------------------|--------------------------|---------------------|-------------|--|------------|
| Rank                  | Issuer name              | Rank                | Issuer name |  | Allocation |
| 1                     | T&D Holdings             | 1                   | Barclays    | Equities                                 | 55.5%      |
| 2                     | Dai-ichi Life Insurance  | 2                   | Santander   | Bonds                                    | 43.2%      |
| 3                     | Carlyle Group            | 3                   | Italy       | Hedges (delta)                           | -7.7       |
| 4                     | Mitsubishi UFJ Financial | 4                   | UBS         |  |            |
| 5                     | Lloyds                   | 5                   | Lloyds      |  |            |

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

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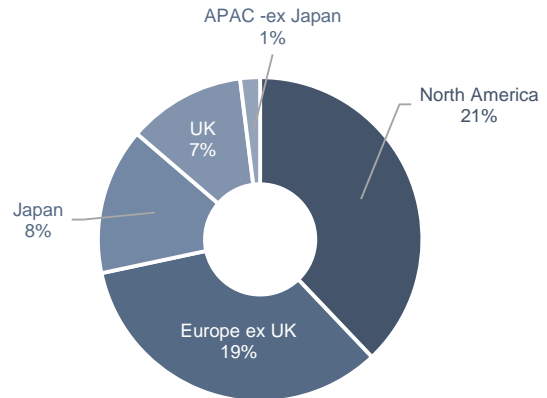
Source: Algebris Investments (UK) LLP

## Bonds – Exposure by Country



Allocation may not add up to 100% due to rounding.  
Source: Algebris Investments (UK) LLP

## Equities – Exposure by Region



Allocation may not add up to 100% due to rounding.  
Source: Algebris Investments (UK) LLP

## About Algebris

Algebris Investments (UK) LLP is an investment manager specialised in the global financial sector. Algebris invests across the capital structures of financial institutions, in both credit and equity, on behalf of long only and hedged strategies. Algebris has a team of 15 investment professionals and manages ~\$2.8bn AUM (inclusive of committed capital), split between credit and equity investments (data as of 31 December 2015). With offices in London, Singapore, Boston and Milan, it is registered with the SEC, MAS and the FCA. Affiliated to TCI Fund Management Limited.

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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 | € 10,000                   | 1/4/14      | IE00BCZNX202 | AFCIRDE ID  |
|              | GBP | GBP equivalent of €10,000  | N/A         | IE00BCZNX319 | AFCIRDG ID  |
|              | USD | USD equivalent of €10,000  | N/A         | IE00BCZNX426 | AFCRDUD ID  |
|              | CHF | CHF equivalent of €10,000  | N/A         | IE00BD3D0179 | AFCRDCH ID  |
|              | SGD | SGD equivalent of €10,000  | N/A         | IE00BYYJYM04 | N/A         |

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