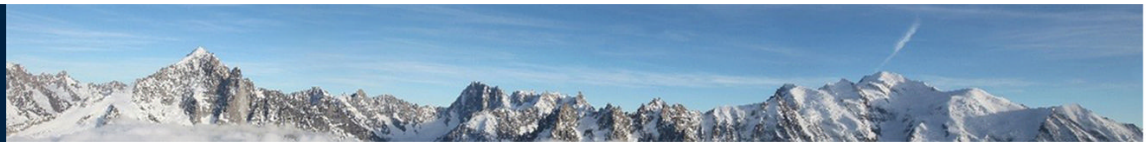

Algebris Financial Income Fund (UCITS)

I EUR (Accumulating)

December 2020

Terms

Size (€): 256m

Fund Inception: 13 August 2013

Fund Domicile: Ireland

Fund Base Currency: EUR

Dealing Frequency: Daily

ISIN: IE00BCZNWT08

Management Fee: 0.9%

Incentive Fee: 0%

Fund Objective

The Algebris Financial Income Fund can invest in the capital structure of financial companies globally, in both equities and fixed income. 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. The Fund invests in equities and subordinated debt capital instruments of financial institutions globally, including preference shares and hybrid capital instruments (e.g. Additional Tier 1 securities), which may be rated investment grade or below investment grade.

Investment in the Fund may be suitable for investors with a medium to long term investment horizon.

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 6 means the Fund's historic volatility is between 15% and 25%.

Fund Information

No. of Bonds/ No. of Issuers	46/22
No. of Stocks	32
Effective Duration of Bond Allocation	4.9 yrs
Avg. Rating of Bond Allocation	BBB-
Bonds: Yield to Worst (Gross)	4.5%
Equity: Dividend Yield (Gross)	3.6%
Fund: Yield (Gross)	4.0%

Note: Fund gross yield reflects yield to worst for the bonds and dividend yield for the equities in the portfolio. Avg. Credit Rating is calculated using internal methodology based on major agency ratings and includes all rated bonds and cash. Source: Bloomberg LP, Algebris Investments

Performance Analytics

Return Since Inception	53.8%
Annualised Return	6.1%
Annualised Volatility	13.8%
Sharpe Ratio	0.5
2019 Annual Distribution	5.3%

Note: Figures are based on returns for the I EUR (Accumulating) share class, net of management fees and operating expenses and excluding ADL (Anti-Dilution Levy – up to 25bps). The actual price at which an investor subscribes or redeems shares depends on the ADL applied on the relevant dealing day. Further information is contained in the Prospectus. Past performance is not a guarantee of future results. Annual Distribution refers to the equivalent distributing share class (Id EUR). Share class inception date: 9 October 2013
Source: HSBC Securities Services (Ireland) DAC, Morningstar

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2015	0.80	4.44	1.88	1.04	1.11	-1.92	1.52	-3.29	-4.35	3.06	1.01	-2.43	2.51
2016	-6.79	-2.84	3.04	2.99	1.90	-8.03	5.84	3.25	-1.76	4.86	1.44	3.32	6.26
2017	1.44	1.05	3.16	2.28	-0.20	1.83	2.05	-1.46	3.48	0.75	0.08	1.17	16.68
2018	4.71	-2.26	-3.08	1.57	-5.01	-1.27	4.00	-4.10	1.07	-5.41	-2.31	-6.37	-17.61
2019	6.65	3.27	-1.75	5.68	-5.15	3.94	0.46	-1.71	3.80	2.05	2.96	2.36	24.28
2020	-1.73	-1.57	-23.11	8.22	3.64	4.20	-1.20	5.93	-4.69	-1.37	18.55	1.22	2.62

Note: Returns are net of management fees and operating expenses but exclude ADL (Anti-Dilution Levy – up to 25bps). The actual price at which an investor subscribes or redeems shares depends on the ADL applied on the relevant dealing day. Further information is contained in the Prospectus. Prices are published daily on Bloomberg. Past performance is not a guarantee of future results.
Source: HSBC Securities Services (Ireland) DAC, Morningstar

Commentary

- The Financial Income Fund finished the year up between 2% to 5% across the various share classes. After a tumultuous year, the MSCI AC World Financials index ended a challenging year on a solid note, with the sector up 23.5% in the fourth quarter. This brought the full year performance of the index to -3.2% after having troughed down well over 40% during the depths of March. Despite the late rally, global Financials suffered their worst year of relative performance in at least 25 years. In fact, US bank stocks suffered their worst year relative to markets since 1990 and second worst year in at least 80. Indeed, 2020 was the fourth consecutive year of underperformance for global Financials, a woeful streak not even achieved in the financial and Eurozone crises from 2008 – 2012. A depressing set of facts, for sure, but we see multiple sources of light at the end of this tunnel.
- First, after a long decade of underperformance, Value has started to inflect versus Growth in a meaningful way, exactly at the relative levels it bottomed at in early 2000 during the peak of the tech bubble. While we and others have been watching this for years, what seems different now is that inflation expectations are making a clear acceleration higher, particularly so in the US. 5 year forward inflation expectations in the US, as implied by the swaps market, are nearly 2.4%, the highest level in 2.5 years. It is notable that the last time we were at these levels of inflation expectations (Oct 2018), the US 10 yr rate was >3% versus 1% today. Massive fiscal stimulus (helicopter money) is a key new element in the mix and is different to the quantitative easing of the past which led only to inflation in financial assets. So, while bond yields are being suppressed by heavy central bank buying, the market is sniffing out inflation and we're seeing that as well with a steeper curve (2/30 curve steepest since early 2017). This is a meaningful positive for Financials in general but most specifically for companies with sensitivity to the long end of the bond market, including life insurers. We think these stocks will significantly outperform as they benefit from both earnings and multiple expansion as the curve steepens. With a starting point of valuations at ~40% of the market multiple (versus 65% longer term), the upside is substantial. Interestingly too, European banks have traded with an R-squared of 80% to the US 10 year in the past 12 months; they have become perhaps one of the biggest expressions of the reflation and value trades, both of which we think have a lot of runway ahead.
- At a more micro level, we are seeing capital deployment emerge as an important driver of the bullish thesis on Financials. This comes as balance sheets have been resilient throughout the pandemic and management teams are now looking to either return excess capital to shareholders or creating value with inorganic transactions to take advantage of the disconnect between private and public market valuations. In the US, we are seeing this across subsectors as the Fed reopened the floodgates in December for banks to start buying back stock, and some of our life insurer holdings will be buying back >30% of its market cap in just the next two years. Asset management is another space we are focused on currently as there are a number of quality companies yielding mid-high single digits with improving asset flows and M&A optionality on top, both in the US and Europe. Of course, European banks still have their hands tied to some extent (yields capped around ~2% on average this year), but the key comment in our view from the ECB's announcement in December was they expect to go back to business as usual from September of this year – given current market caps and expected payout ratios, this means several national champion European banks are trading on 7-8% dividend yields for next year. Furthermore, with distressed valuations and a significant amount of excess capital now in European banks (our holdings average 150 bps cushion over their targeted capital levels), we absolutely expect more M&A in Europe this year and next.
- It is worth noting that the outlook for credit is phenomenally better than feared six to nine months ago. These stocks fell 50%+ because of concerns around massive credit losses and dilutive capital raises that would inevitably be required. In reality, and unlike the financial and Eurozone crises before, credit has remained remarkably benign and there has not been a single defensive capital raise across the space. Consumer finance companies in the US have seen delinquencies fall precipitously as otherwise troubled borrowers have been bailed out by highly generous fiscal stimulus. Deferral rates on loan books have plummeted with very high cure rates, and loan guarantees across European banking books have meant governments will absorb a significant portion of incremental losses, particularly on SME credit. Despite this, new accounting methodologies meant that loss provisions were taken up front, especially so in the US but to a great extent at many European banks as well. While we may see one final kitchen sink in the fourth quarter from some European banks, in general the trend going forward is substantially lower cost of credit and in some cases reserve releases as well. Street estimates for provisioning across the bulk of our holdings look conservative and represents an upside to earnings (and dividends) in '21 and '22.

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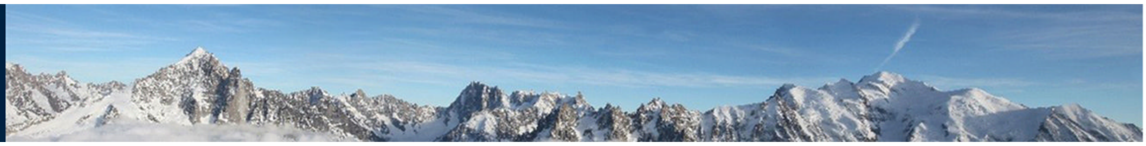


Algebris Financial Income Fund (UCITS)

I EUR (Accumulating) — December 2020

Commentary - continued

- Relative to four years ago when we were just entering this period of significant underperformance of Financials, balance sheets are undeniably stronger, forward rate curves are pricing in lower forever rather than a quick return to normal, and massive fiscal stimulus means the curve is steepening rather than flattening. Meanwhile, valuations have been reset significantly lower both on an absolute and relative basis. Simply put, the setup looks exceedingly better for Financials as a whole and we will look to continue to find the best opportunities within this improving landscape.
- In bonds, rates were largely unchanged throughout December apart from a few exceptions in Europe's periphery (rallied on average 5-10bps versus Germany), the UK (increasing talk of negative rates), and the US (pending outcome of Georgia's Senate elections). The rate stability fomented credit spreads to grind tighter, by 5-15bps in Financials, with the capital structure compressing more across T2s and Seniors. AT1s gained on average 50c in December, taking their YTD total return performance to c6%. Issuance in December by leading European banks was in line with the average of the previous couple of Decembers at around EUR15bn. The mix, however, was different with c35% in capital instruments, split evenly between dated and perpetual subordinated securities, compared with just c5% in 2018 and 2019. In all instances, issuers took advantage of robust market conditions to pre-fund some of their 2021 requirements; in the case of HSBC, it marked its re-access of the AT1 space after a 2-year hiatus. A further EUR6bn MREL-eligible Seniors were issued in December, pushing the annual total to over EUR155bn, or c55% of all European banks' issuance we track and c10% higher in share terms than 2019's issuance. With the end of the holiday season, we expect primary to ramp-up across the entire capital structure.

Top 5 Equity Holdings

Rank	Issuer name
1	Credito Valtellinese
2	BNP Paribas
3	Barclays
4	Wells Fargo
5	Athene Holding

Source: Algebris Investments

Top 5 Bond Holdings

Rank	Issuer name
1	Unicredit
2	Santander
3	CaixaBank
4	Intesa Sanpaolo
5	Barclays

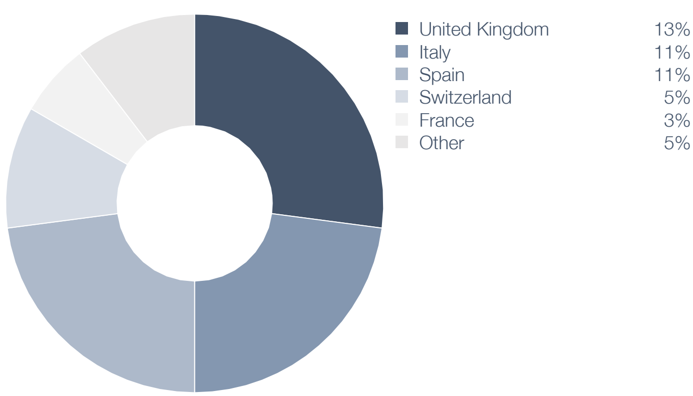
Source: Algebris Investments

Asset Allocation

	Allocation
Equity	53.9%
Bonds	48.7%
Hedges (delta)	-9.3%

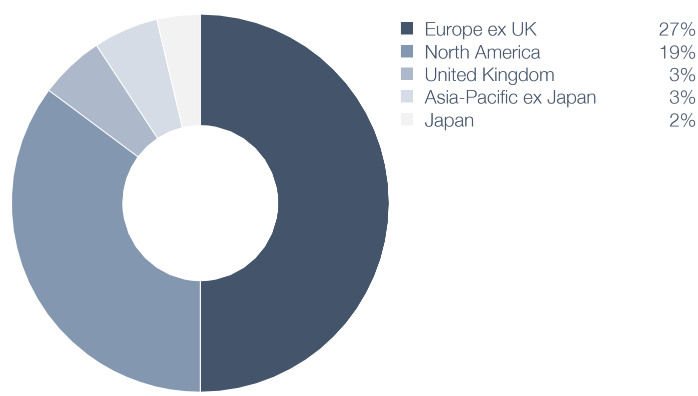
Exposure is calculated on a delta adjusted basis for option positions and on a full notional basis for all other instruments. Excludes bond futures used for hedging duration.
Source: Algebris Investments

Bonds - Exposure by Country



Exposure includes long bond holdings.
Source: Algebris Investments

Equities - Exposure by Region



Exposure includes long equity holdings.
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 14.3bn AUM (inclusive of committed capital), split between credit and equity investments (data as of 31.12.2020).

Algebris (UK) Limited is authorised and regulated by the Financial Conduct Authority. Algebris Investments (US) Inc is a SEC registered Investment Adviser. Algebris Investments (Ireland) Limited is authorised and regulated by the Central Bank of Ireland. Algebris Investments (Asia) Pte Ltd is a Licensed Fund Management Company with the MAS. Algebris Investments K.K. is licensed by Financial Services Agency. Algebris Investments S.à r.l. is authorised and supervised by the CSSF.

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Algebris Financial Income Fund (UCITS)

I EUR (Accumulating)

December 2020

Fund Details

Share Classes			Identifiers	
Class	Currency	Minimum Initial Investment	ISIN	BBG ticker
I	EUR	€500,000	IE00BCZNWT08	AFIIEUR ID
	GBP	GBP equivalent of €500,000	IE00BCZNWW37	AFCIIGB ID
	USD	USD equivalent of €500,000	IE00BCZNWX44	AFCIIUS ID
	CHF	CHF equivalent of €500,000	IE00BCZNWV20	ALGFIIC ID
	SGD	SGD equivalent of €500,000	IE00BYYJYN11	ALGFIIS ID
	JPY	JPY equivalent of €500,000	IE00BD71WT90	ALGFIIJ ID
Id	EUR	€500,000	IE00BCZNWY50	AFIIDEU 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	IE00BD71WV13	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