



Algebris Financial Income Fund (UCITS)

July 2016 Factsheet

Fund Terms	
Size (€):	162m
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 31.07.2016	

Fund Information	
No. of Bonds/ No. of Issuers	40/ 20
No. of Stocks	43
Duration of Bond Allocation	3.6 yrs
Av. Rating of Bond Allocation	BB+
Bonds: Yield to Worst (gross)	7.1%
Equity: Dividend Yield (gross)	5.3%
Fund: Yield (gross)	6.4%

Source: Bloomberg LP, Algebris Investments (UK) LLP

Performance Analytics	
Return Since Inception	14.0%
Annualised Return	4.5%
Annualised Volatility	11.0%
Sharpe Ratio	0.4

Note: Figures based on net returns for B EUR (Accumulating) class assuming admin, management and excluding ADL (Anti-Dilution Levy – currently 12.5bps). This Share Class is used as it provides the longest track record. The returns of the R or Rd EUR Share Classes may differ from the B EUR (Accumulating) Share Class. 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	1.92	-8.00	5.88						-4.47

Note: Figures are available on Bloomberg, daily. The B EUR (Accumulating) Share Class is used as it provides the longest track record. The returns of the R or Rd EUR Share Classes may differ from the B EUR (Accumulating) Share Class.
Source: HSBC Securities Services (Ireland) Ltd, Algebris Investments (UK) LLP

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 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.
Investment in the Fund may be suitable for investors with a medium to long term investment horizon.
*Index returns in constant currency: USD.

Commentary
<ul style="list-style-type: none"> The Fund performed well in July, up 5.88%, with top contributors coming from our European bank equity and credit holdings. Our US book, and specifically our positions in bank and private equity stocks, also made a sizeable contribution. Detractors came from our hedge book Whilst June was dominated by the surprise Brexit result in the UK's EU referendum and led to a 22% fall in the European bank index, July saw a modest rebound with the index recovering about 30% of its prior month loss. July was also a very positive month for financial credit, with spreads tightening across the board. In the AT1 market, the best performers in July were the names in Spain, Italy and the UK At month end, following the market close, the European Banking Authority (EBA) released the results of the stress test on the largest 51 European banks. Some of the more important points that came out of the test included: i) an additional EUR 180bn of capital has been built by the banks since the last test, conducted 2 years ago. Compared to the current market cap of the European bank sector of around EUR 740bn, that is an impressive 24% of the market cap generated; ii) thanks to the additional capital built, banks started the test with an average capital ratio (Common Equity Tier 1) of 12.6%, 2.7% higher than in 2013; iii) the drawdown of capital in the stress test scenario was 3.4%, which is comparable to the US CCAR adverse stress test scenario; and iv) the starting leverage ratio was much improved at 5.2% vs 3.1% previously. The one expected 'failure' - despite no formal pass/fail threshold - was Banca Monte dei Paschi di Siena (MPS) in Italy. A EUR 5bn capital raise was announced by MPS the same night of the stress test results, as well as an agreed sale of their entire NPLs book, to be closed by year-end. Whilst uncertainties remain, the implications of MPS shortfall on the rest of the sector should be minimal Importantly, towards the end of the month, the ECB re-iterated support for the bank AT1 market by clarifying and reducing the MDA (maximum distributable amount) threshold. This should boost the AT1 credit market and along with TLTRO-II¹, reduce funding costs for the banks which will offset some of the increased pressure on margins from lower interest rates. It is perhaps worth stressing that banks, in rationally operated banking markets, can still make a sensible return in a low/zero interest rate environment. Examples of this in Europe include both BNP and Santander who are making 9%- 10% RoTEs and even in Japan Mitsubishi UFJ is producing a 7% RoTE. Both the stress test and the regulatory clarification should allow investors to better gauge the bank sector's ability to pay coupons on AT1 instruments as well as the resumption of dividends now that, after 8 years post crisis, banks are finally meeting and exceeding capital thresholds set by regulators

Contact us

For questions regarding the Algebris Financial Income Fund

Call: +44 (0)20 7851 1740

Email: algebrisIR@algebris.com

Visit: www.algebris.com

¹ Targeted Longer-Term Refinancing Operations (TLTRO) II



Algebris Financial Income Fund (UCITS)

July 2016 Factsheet

Commentary - continued

- A few open questions remain surrounding MPS' capital raise but with the problem and quantification having been identified as well as the strength of the other banks that we invest in having been reinforced by the stress test, we believe the systemic risk surrounding the European bank sector should begin to reduce over time

Top 5 Equity Holdings

Rank	Issuer name
1	BNP Paribas
2	Intesa Sanpaolo
3	ING
4	Citigroup
5	Société Générale

Source: Algebris Investments (UK) LLP

Top 5 Bond Holdings

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

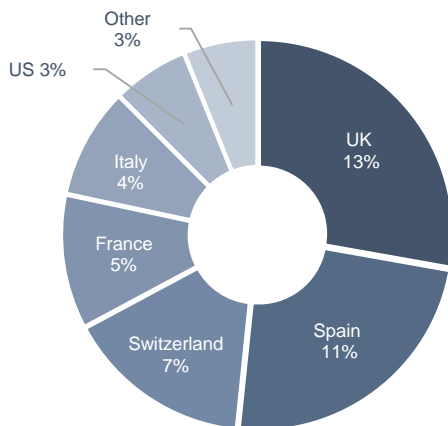
Source: Algebris Investments (UK) LLP

Portfolio Composition (Asset Allocation)

	Allocation
Equities	57.8%
Bonds	45.8%
Hedges (delta)	-7.1%

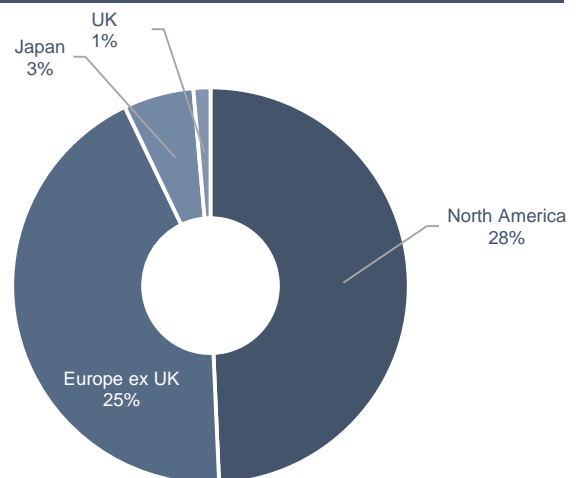
Exposure is calculated on a delta adjusted basis for option positions and on a full notional basis for all other instruments.
Source: Algebris Investments (UK) LLP

Bonds – Exposure by Country



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

Equities – Exposure by Region



Exposure includes long equity holdings. 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 18 investment professionals and manages ~\$4.6bn AUM (inclusive of committed capital), split between credit and equity investments (data as of 31 July 2016).

Algebris Investments (UK) LLP is authorised and regulated by the Financial Conduct Authority and registered with the SEC. The US office is registered with the SEC and the Singapore office is registered with MAS.

Contact Us

London
Algebris Investments (UK)
7 Clifford Street
London W1S 2FT

Tel: +44 (0)20 7851 1740
Email: algebrisR@algebris.com
Visit: www.algebris.com

Singapore
Algebris Investments (Asia)
50 Raffles Place #38-07
Singapore Land Tower
Singapore 048623

Boston
Algebris Investments (US)
699 Boylston Street
Suite #1001
Boston MA 02116



Algebris Financial Income Fund (UCITS)

July 2016 Factsheet

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

Private & Confidential

This document has been prepared and is provided by Algebris Investments (UK) LLP who is the Investment Manager to the Algebris Financial Income Fund. Algebris Investments (UK) LLP is authorised and regulated by the Financial Conduct Authority. All figures, unless stated otherwise, are as at the last business day of the relevant month showing above. Some of the figures shown in the tables are estimates, provided by Algebris Investments (UK) LLP. This document does not constitute or form part of any offer to issue or sell, or any solicitation of an offer to subscribe or purchase any investment nor shall it or the fact of its distribution form the basis of, or be relied on, in connection with, any contract therefore. No representation, warranty or undertaking, express or implied, is given as to the accuracy or completeness of the information or opinions contained in this document by any of Algebris Investments (UK) LLP, its partners or employees and no liability is accepted by such persons for the accuracy or completeness of any such information or opinions. The information included herein and other materials provided to you are intended only for discussion purposes. This information is not intended to provide, and should not be relied upon for, accounting, legal or tax advice or investment recommendations. You should consult your tax, legal, accounting or other advisors about the issues discussed herein. A potential investor expressing an interest to invest in the transaction will be provided with an offering memorandum and subscription agreement (together, the "Fund Documents") for the investment and an opportunity to review the documentation relating to the investment. Prospective investors must review the Fund Documents, including the risk factors, before making a decision to invest and should rely only on the information contained in the Fund Documents in making their investment decision. This document is being issued by Algebris Investments (UK) LLP and is for private circulation only. Distribution of this information to any person other than the person to whom this information was originally delivered and to such person's advisors is unauthorised and any reproduction of these materials, in whole or in part, or the divulgence of any of their contents, without the prior consent of Algebris Investments (UK) LLP in each such instance is prohibited. Notwithstanding anything to the contrary herein, each shareholder (and each employee, representative, or other agent of such shareholder) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of (i) Algebris Investments (UK) LLP and (ii) any of its transactions, and all materials of any kind (including opinions or other tax analyses) that are provided to the shareholder relating to such tax treatment and tax structure. This document is being communicated by Algebris Investments (UK) LLP only to persons to whom it may lawfully be issued under The Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 including persons who are authorised under the Financial Services and Markets Act 2000 of the United Kingdom (the "Act"), certain persons having professional experience in matters relating to investments, high net worth companies, high net worth unincorporated associations and partnerships, trustees of high value trusts and persons who qualify as certified sophisticated investors. This document is exempt from the prohibition in Section 21 of the Act on the communication by persons not authorised under the Act of invitations or inducements to engage in investment activity on the ground that it is being issued only to such types of person. Investing in financial markets and securities involves risk. Past performance is not a guarantee of future results. Investment losses may occur from time to time and investors could lose some or all of their investment. The strategy employed may result in the NAV exhibiting a high level of volatility and so is suitable for professional investors only. Algebris Investments (UK) LLP, 7 Clifford Street, London, W1S 2FT, UK.