



Algebris Financial Income Fund (UCITS)

October 2017 Factsheet

Fund Terms

Size (€):	212m
Fund Inception:	13 August 2013
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 31.10.2017	

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.

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 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 5 means the Fund's historic volatility is between 10% and 15%.

Contact us

For questions regarding the Algebris Financial Income Fund

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Fund Information

No. of Bonds/ No. of Issuers	48/ 24
No. of Stocks	39
Duration of Bond Allocation	3.4yrs
Av. Rating of Bond Allocation	BB+
Bonds: Yield to Worst (gross)	3.6%
Equity: Dividend Yield (gross)	3.0%
Fund: Yield (gross)	4.2%

Note: Fund gross yield reflects current yield for the bonds and dividend yield for the equities in the portfolio. Source: Bloomberg LP, Algebris (UK) Limited

Performance Analytics

Return Since Inception	47.2%
Annualised Return	9.6%
Annualised Volatility	10.3%
Sharpe Ratio	0.9

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 (UK) Limited

Performance History (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	3.29	-1.72	4.88	1.47	3.35	6.68
2017	1.48	1.07	3.20	2.31	-0.16	1.87	2.08	-1.43	3.52	0.79			15.63

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. The B EUR (Accumulating) Share Class charges a 0.50% management fee.
Source: HSBC Securities Services (Ireland) DAC, Algebris (UK) Limited

Commentary

- The Algebris Financial Income Fund was up 0.79% in October. Top contributors included our European credit book, as well as equities in the US and Asia
- October was a positive month for financial hybrids, with spreads and yields moving tighter across geographies and durations. European AT1s continued to outperform the broader credit market, benefitting from the low level of new supply, macro and regulatory tailwinds as well as superior yields. We maintain our positive outlook on AT1s as they continue to offer a compelling risk/return profile
- Central banks continued to hold centre stage in October. The BOE raised rates by +25bps alongside the publication of its inflation report. As expected, markets were underwhelmed by the BOE's move, perceived as a one-off withdrawal of last year's Brexit inspired rate cut, rather than the beginning of a sustained tightening cycle. Contributing to the disappointment was also the BOE's publication of its potential long-run growth estimate for the UK economy, suggesting 1.5% per year is the new normal. The ECB delivered a dovish extension to its QE policy during the month, indicating that tapering is due to start next year but rate hikes should come later on into 2019. Despite this, economic data in the Eurozone continue to improve, offering support for an earlier ECB move. The US Federal Reserve (Fed) and the Bank of Japan (BoJ) left their monetary policy unchanged. The FOMC statement implies that the Fed is on track to deliver a December rate hike, while the downward revisions to the BoJ's inflation projections to further below 2% reinforce the view that the BoJ will continue to adopt an accommodative stance into 2018
- October brought some mixed regulatory news for financial hybrids. Positively for banks, despite recent press commentaries, the 'Basel 4' agreement looks still far from a done deal. Carve-outs on mortgage and small business lending requirements requested by the French and the need for US banks to proceed with the fundamental review of the trading book are likely to further delay and water down the effects of the final agreement. Meanwhile, on October 4th the ECB published for consultation provisioning requirements for banks' new non-performing exposures (NPE) recognized after January 2018. Under the new proposal, banks would be required to fully provision unsecured NPEs within 2 years and secured ones within 7 years, with no value assigned to existing collaterals thereafter. While this is negative for a number of smaller peripheral institutions, we view it as credit positive for our core positions, such as Unicredit and Intesa, where the asset quality issues have already been successfully addressed
- Political uncertainty in Catalonia did not dent the AT1 market in October, despite causing some volatility on the two Catalan names. CaixaBank saw a moderate loss of customer funds following the referendum, despite separatists' groups asking their supporters to withdraw cash from Catalan banks. Outflows halted and deposits saw new inflows as CaixaBank moved the legal headquarters to Valencia. Following the application of Article 155 by the Spanish government and the removal of former president Puigdemont, new elections will take place in Catalonia on December 21st. The hope is that a quick election results in a political dialogue that may restore economic activity back to normal
- Primary markets saw a pick-up in US preferred issuance in October, with four new deals from Charles Schwab, Discover Financials ('DFS'), JP Morgan and Goldman Sachs. The DFS perpetual bond was most interesting, with a size of \$570m, 5.5% coupon and 3.08% backend. October also saw a new CoCo AT1 deal from Bank Nova Scotia, while no new AT1 deal was printed in Europe



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Commentary - continued

- In the equity space, October was a fairly busy month particularly in the US with 3Q earnings and anticipation of tax reform being the primary drivers. In general, top line growth at banks remains somewhat muted, but we see loan growth re-accelerating next year as we get more visibility post-tax reform. Additionally, NIMs should have a continued upward bias with the rates market still not pricing in sufficient rate hikes over the next two years given an increasing likelihood of fiscal stimulus. In the meantime, credit is pristine and banks continue to aggressively manage their expense bases, while capital return is substantial (payout yields in the high single – low double digits). It appears that banks may have been able to avoid the dreaded “bank tax” in the upcoming tax reform, which was a real risk in our view given the extent of the search of pay-fors by Republicans in Congress (not to mention the continued unpopularity of Wall Street in DC). As a result, it increasingly looks like banks and consumer finance names will be among the biggest winners of tax reform: they have high tax rates, deductions they do have look like they will be largely preserved, and stimulus driven growth should enhance loan growth in the next 12-24 months.

Top 5 Equity Holdings

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

Source: Algebris (UK) Limited

Top 5 Bond Holdings

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

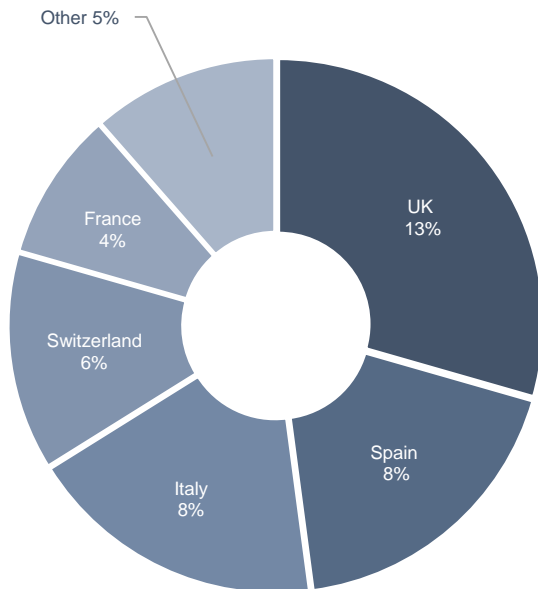
Source: Algebris (UK) Limited

Portfolio Composition (Asset Allocation)

	Allocation
Equities	52.3%
Bonds	42.8%
Hedges (delta)	-7.4%

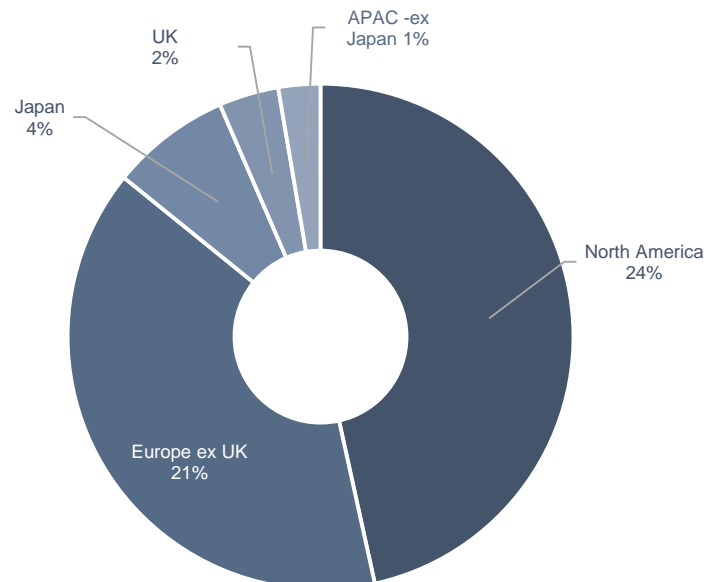
Exposure is calculated on a delta adjusted basis for option positions and on a full notional basis for all other instruments. Excludes bond futures used for hedging duration.
Source: Algebris (UK) Limited

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. Algebris has a team of 23 investment professionals and manages EUR 10.2bn AUM (inclusive of committed capital), split between credit and equity investments (data as of 31 October 2017).

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



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*Algebris Srl does not conduct any regulated activities, it provides research and analysis services with respect to Italian NPLs to Algebris (UK) Limited.

Fund Details

Share Class				Identifiers	
Class	CCY	Min Investment	Launch Date	ISIN	BBG ticker
I	EUR	€ 500,000	3/10/13	IE00BCZNWT08	AFIIEUR ID
	GBP	GBP equivalent of €500,000	N/A	IE00BCZNWW37	AFCIIGB ID
	USD	USD equivalent of €500,000	N/A	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	19/9/13	IE00BCZQ7T48	AFIREUR ID
	GBP	GBP equivalent of €10,000	13/1/16	IE00BCZNX194	AFCIRGB ID
	USD	USD equivalent of €10,000	3/12/13	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	28/4/15	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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The State of the origin of the Fund is Ireland. In Switzerland, the Representative is ACOLIN Fund Services AG, Affolternstrasse 56, CH-8050 Zurich, whilst the Paying agent is Vontobel Ltd, Gotthardstrasse 43, CH-8022 Zürich. 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. ©2017 Algebris (UK) Limited. All Rights Reserved. 4th Floor, 1 St James's Market, SW1Y 4AH.