



Algebris Financial Income Fund (UCITS)

I EUR (Accumulating)

October 2020

Commentary - continued

- In terms of the US election, we believe a split Congress and Biden Administration is generally constructive for US financial stocks. Though we will not know the final Senate composition until run-off elections in Georgia are completed in January, even if Democrats win both seats (unlikely in our view), it will be difficult to pass significant Financials-related legislation in 2021. We anticipate some level of stimulus will be provided to the US economy as it continues to weather the COVID storm, but the size and scale will fall short of a "blue wave" plan. A split Congress also lowers the risk of passing the most adverse legislation for the financial industry, including a financial transaction tax and breaking up big banks. It also makes it very hard to appoint the biggest opponents of the finance industry (i.e., Elizabeth Warren as Treasury Secretary) into Senate-confirmed jobs. In reality, the Republican sweep in 2016 was a positive for taxes and rates but did little to help on the regulatory front (as Citi and Wells will attest). Simply put it is easier to be a life insurance company than a big bank in the US these days from a regulatory perspective and we do not see much change on this front going forward.
- Looking at credit, in mid-October, the EBA published its long awaited opinion on legacy instruments. As expected, and hinted by recent LMEs on old style Tier 1 bonds, the EBA is focused on removing any obstacle to resolution. It specifically states that "Institutions are expected to undertake all possible efforts to execute any action that leads to the redemption of legacy instruments", as a preferred alternative opposed to amendment of T&Cs or leaving the bonds outstanding and ineligible as regulatory capital. This reads well for legacy Tier 1 and Tier 2 instruments, as they'll likely be all or mostly redeemed by the end of CRR2 grandfathering period (2025). It also provides a positive technical for AT1, as the remaining form of Tier 1 capital outstanding and hence a direct alternative to the old legacy instruments. Together with the strong quarterly results and bank fundamentals, this only confirms our view that financial credit remains widely attractive and the most interesting opportunity in global credit.

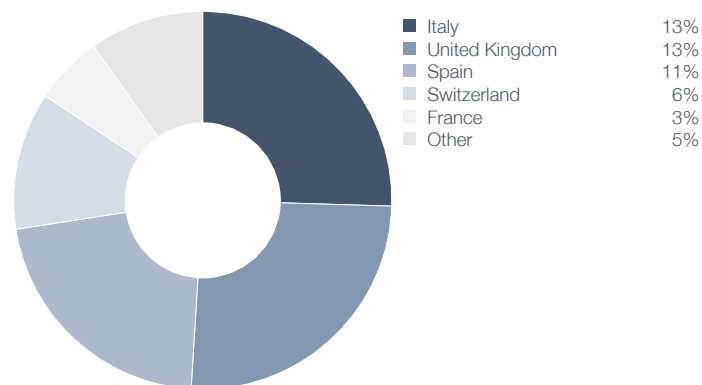
Top 5 Equity Holdings		Top 5 Bond Holdings		Asset Allocation	
Rank	Issuer name	Rank	Issuer name		Allocation
1	Credito Valtellinese	1	Unicredit	Bonds	51.9%
2	Equitable Holdings	2	Santander	Equity	49%
3	Santander	3	CaixaBank	Hedges (delta)	-6.5%
4	Athene Holding	4	Intesa Sanpaolo		
5	ING	5	UBS		

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

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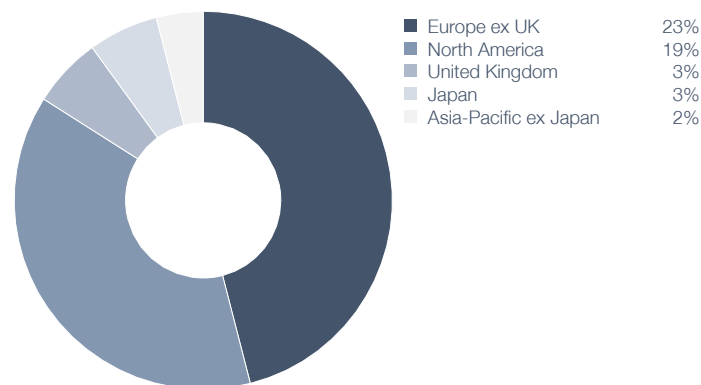
Source: Algebris (UK) Limited

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. Algebris has a team of 27 investment professionals and manages EUR 12.7bn AUM (inclusive of committed capital), split between credit and equity investments (data as of 31.10.2020).

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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	AFCIIUS 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 Zürich. The basic documents of the Fund as well as the annual and, if applicable, semi-annual report may be obtained free of charge from the Representative.