



# Algebris Financial Income Fund (UCITS)

## April 2017 Factsheet

### Fund Terms

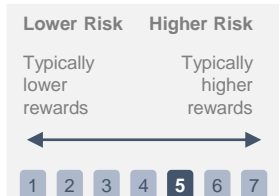
<b>Size (€):</b>	188m
<b>Domicile:</b>	Ireland
<b>Share Classes:</b>	R (Accumulating) Rd (Distributing)
<b>Liquidity:</b>	Daily
<b>Management Fee:</b>	1.80%
<b>Incentive Fee:</b>	None
<b>Bloomberg Ticker:</b>	AFIREUR ID / AFCIRDE ID
<b>ISIN (R/Rd EUR Share Classes):</b>	IE00BCZQ7T48 / IE00BCZNX202
Data as of 30.04.2017	

### 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



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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Visit: [www.algebris.com](http://www.algebris.com)

### Fund Information

No. of Bonds/ No. of Issuers	52/ 28
No. of Stocks	36
Duration of Bond Allocation	3.5 yrs
Av. Rating of Bond Allocation	BB+
Bonds: Yield to Worst (gross)	5.5%
Equity: Dividend Yield (gross)	3.2%
Fund: Yield (gross)	4.8%

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

### Performance Analytics

Return Since Inception	37.9%
Annualised Return	9.0%
Annualised Volatility	10.7%
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 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	3.29	-1.72	4.88	1.47	3.35	6.68
2017	1.48	1.07	3.20	2.31									8.30

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 2.31% in April, bringing the performance for the year to 8.30%. Top contributors to the fund's performance were Intesa Sanpaolo, Société Générale and BNP Paribas
- April began with escalating concerns around Syria and North Korea and investors positioning for the first round of the French election. The pollsters had both the first and second round of the election correct, as Macron was officially voted new French President in early May. In the run-up to the election, volatility was mildly elevated and European financials again a popular macro hedge. The market friendly result meant European financials were top performers in the post-election rally and for the month overall. Both European bank hybrids and equities outperformed the broad market last month (Eurostoxx Banks were up +4.3% compared to +2.0% for the Eurostoxx 50 Index, while US financial equities were down nearly 80 basis points)
- European banks reported solid Q1 results over the course of April and early May, leading to positive EPS revisions across the board. The earnings upside was mainly from fee related revenue streams but the continued focus on cost cutting also came through this quarter. Only Spanish banks missed consensus expectations on loan-loss provisioning, as they used outsized trading gains to boost coverage on non performing exposures. Lloyds and RBS reported the most notable upside surprises in April, with Lloyds beating on net interest margin while RBS realized sizeable cost savings and a 40bps jump in the capital ratio. Credit Suisse also beat earnings expectations and announced a CHF4bn rights offering which will boost the CET1 from 11.7% to 13.4% and the leverage ratio to 5.1%. Both metrics will provide a substantial cushion to minimum capital requirements
- Despite the rally in risk assets, bonds also performed strongly as the global deflation trade that began with the US election continues to unwind. US economic data slowed considerably and Q1 GDP was reported at just 0.7% although this is expected to rebound strongly in Q2. The ECB continues to lean cautiously into this recovery, promising to keep rates at current levels through the end of QE despite the strong case in Europe for moving deposit rates back up towards zero before ending QE. We will be watching closely to see if the ECB adjusts its message now that the French election is over. In the UK, Prime Minister Theresa May surprised markets by calling a snap general election in June, which will create a larger Parliamentary majority to pursue what will be difficult Brexit negotiations



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## Commentary - continued

- Adding fuel to the rally in financial hybrids in April was the continued low level of new supply, with only SunTrust Bank issuing a new pref in the US and four new deals in Europe across AT1s and Tier 2s, with combined issuance of just over €2.3bn. The most attractive were the two much new AT1 issues from Santander – a EUR 750 low trigger (5.125%) equity convertible bond issued at the group level and a GBP 500m high trigger (7%) permanent write down issued by the UK subsidiary. Both bonds were issued with a 6.75% coupon, although the different call structure (5 vs 7-year first call from today respectively) and backend (6.8% vs 5.8%) make the EUR bond more attractive. We participated to both Santander deals
- Within the equity book, in Europe we have been heavily positioned in the continental bank sector. And within that we have had a strong investment view to be positioned in some of the recovery trade banks – those that are putting their legacy issues behind with respect to capital, NPLs and other financial crisis legacy issues – and continue to have substantial upside. In the US, we maintain our higher quality bias among large cap banks, alternative asset managers, and life insurers. We expect many of our US stocks to return close to (or even above) 100% of earnings this year, resulting in payout yields in excess of 10%.

### Top 5 Equity Holdings

Rank	Issuer name
1	Banco Comercial Português
2	Unicredit
3	Banca Popolare dell'Emilia Romagna
4	Wells Fargo
5	Blackstone

Source: Algebris (UK) Limited

### Top 5 Bond Holdings

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

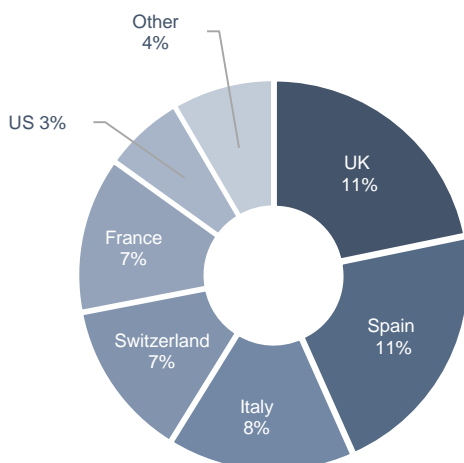
Source: Algebris (UK) Limited

### Portfolio Composition (Asset Allocation)

	Allocation
Equities	45.3%
Bonds	51.0%
Hedges (delta)	-2.0%

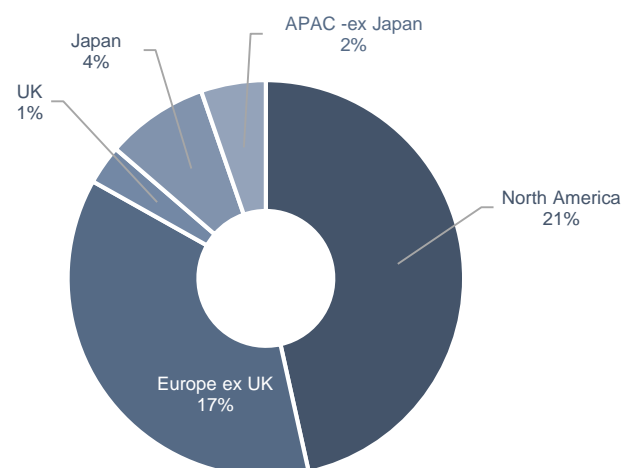
Exposure is calculated on a delta adjusted basis for option positions and on a full notional basis for all other instruments. Excludes bond futures used for hedging duration.  
Source: Algebris (UK) Limited

### 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 an investment manager specialised in the global financial sector. Algebris has traditionally invested in the capital structure of financial institutions across equity and credit. In 2016 we expanded our expertise into macro credit. Algebris has a team of 20 investment professionals and manages ~EUR 7.7bn AUM (inclusive of committed capital and advisory capital), split between credit and equity investments (data as of 30 April 2017).

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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 Investments (UK) LLP.

### 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	ALGFIC 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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