



Algebris Financial Income Fund (UCITS)

July 2017 Factsheet

Fund Terms

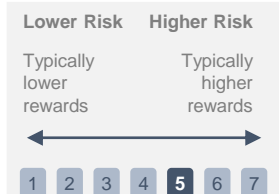
Size (€):	185m
Domicile:	Ireland
Share Classes:	R (Accumulating) Rd (Distributing)
Liquidity:	Daily
Management Fee:	1.80%
Incentive Fee:	None
Bloomberg Ticker:	AFIREUR ID / AFCIRDE ID
ISIN (R/Rd EUR Share Classes):	IE00BCZQ7T48 / IE00BCZNX202
Data as of:	31.07.2017

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 Credit Fund
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Email: algebrisIR@algebris.com
Visit: www.algebris.com

Fund Information

No. of Bonds/ No. of Issuers	47/ 24
No. of Stocks	34
Duration of Bond Allocation	3.5yrs
Av. Rating of Bond Allocation	BB+
Bonds: Yield to Worst (gross)	4.0%
Equity: Dividend Yield (gross)	2.7%
Fund: Yield (gross)	4.2%

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	43.1%
Annualised Return	9.5%
Annualised Volatility	10.5%
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	-0.16	1.87	2.08						12.44

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 Financial Income Fund generated a return of 2.08% in July. Key contributors to performance included our European equity and credit positions, while the macro book – including index puts and VIX calls – was a detractor
- July was another strong month for markets, with the S&P 500, NASDAQ, Dow, and the Russell 2000 each hitting all-time highs. Volatility continued to head lower, seemingly heedless of the systemic headlines surrounding US politics, China and North Korea. Credit markets were dominated by the ECB and FOMC monetary policy meetings. Draghi's acknowledgment of an improvement in the EU economic outlook brought the German 10-yr yield up to 0.54% (+7bps MoM), while unexciting US economic data caused the 10-yr Treasury yield to close flat at 2.3% and the USD to lose ground against the Euro (-3.5% MoM). Rising yields in Europe continued to benefit financials across equity and credit. EU banks closed July up by +3.7% while AT1s were once again the best performers in the financial hybrids space
- Draghi delivered a balanced message at the July ECB monetary policy meeting, using hawkish tones for the second time in a month (Sintra on June 27th) though remaining cautious on the inflation outlook, which could be negatively affected by a further appreciation of the Euro. This should explain why Draghi avoided being more specific as to when the Council will discuss tapering. Despite the delay, we do expect the ECB to continue with the current hawkish stance with positive repercussions on financials. Main beneficiaries are equity-like instruments including AT1s and Tier 2s, showing good room for spreads tightening
- In the US, the FOMC meeting provided little surprise to the market. The Fed statement suggested that an announcement of balance sheet reduction is likely in September, while acknowledging the recent weakness in inflation. This came at a time when Trump suffered another important defeat in Congress on healthcare, a key point of his presidential campaign. The legislative focus will now likely shift to the 2018 budget, tax reform proposals and raising the debt ceiling
- July marked the kick-off of the Q2 earning season, with results broadly above expectations across geographies. Large banks in the US reported a +9bps increase in NIM, benefitting revenues (+8% YoY) and earnings (EPS up +11% YoY). The most notable earnings beat in Europe came from French and Spanish banks, while Italian banks showed good progress on asset quality and capital. According to the latest Bank of Italy numbers, gross and net NPLs dropped by €10bn and €5.3bn respectively in June, most likely due to the disposal of impaired loans by Veneto and Vicenza (€18.8bn, of which €8.9bn were NPLs). Meanwhile, the EU Commission (EC) and Italian Government reached an agreement on Monte dei Paschi (MPS), setting the precautionary re-capitalisation at €8.1bn. Of these, €3.9bn will come from the Treasury while the remaining ~€4.3bn will be provided through the bail-in of subordinated debt holders (~€400m of Tier 1 converted into equity at 75c and ~€3.9bn of Tier 2 converted at par). The Treasury will also offer compensation to retail Tier 2 holders, estimated to be ~€1.5bn. Depending on this, the Treasury's stake in MPS will be between 55% and 70% post-recapitalisation



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Commentary - continued

- Primary issuance remained quiet in July, as we worked through the result season and into the summer. We had no activity in US prefs, and just one AT1 (Bankia) and two Tier 2s (CaixaBank, Nationwide) from EU banks, worth an overall €2.75bn. Bankia €750m AT1 came out with low trigger equity conversion features, first call in 5 years (2022) and coupon of 6%, bringing total YTD issuance in the space up to €18bn (€25-30bn expected for 2017). We did not participate to any of the new deals in July, as we continue to focus on G-SIFI and national champions where we see the highest value.
- On the equity side, the consensus view is that the US banks have gone up on Trump 'thin air' whilst European banks are having their 'moment in the sun' before the inevitable pullback. We think this consensus thinking is wrong. The recovery of US financials share prices has been in place for some time now, but the banks have been weighed down with excess capital and a heavy regulatory hand. We have seen a lot of change recently. Net interest margins are recovering on a quarterly basis and the Fed has started to allow repatriation of current earnings and excess capital. We are finding substantial opportunities in the US
- Having watched the marathon capital build and low/negative interest rates over the past nine years, especially in Europe, the market has got used to volatile and negative returns. Those headwinds have inflected in the past year – on capital, funding costs, loan growth, costs and provisions. As a result, volatility has drained out of the sector in the last 12 months and returns are improving. These inflected headwinds have now become substantial drivers of earnings upgrades and we are witnessing the start of an earnings upgrade cycle – especially in peripheral Europe

Top 5 Equity Holdings

Rank	Issuer name
1	Intesa Sanpaolo
2	Société Générale
3	Banco Comercial Português
4	Santander
5	ABN Amro

Source: Algebris (UK) Limited

Top 5 Bond Holdings

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

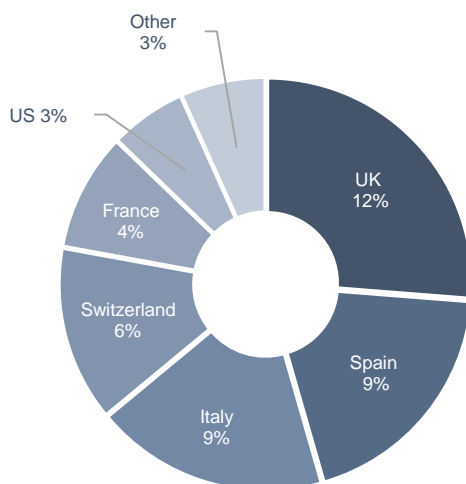
Source: Algebris (UK) Limited

Portfolio Composition (Asset Allocation)

	Allocation
Equities	47.5%
Bonds	46.1%
Hedges (delta)	-8.3%

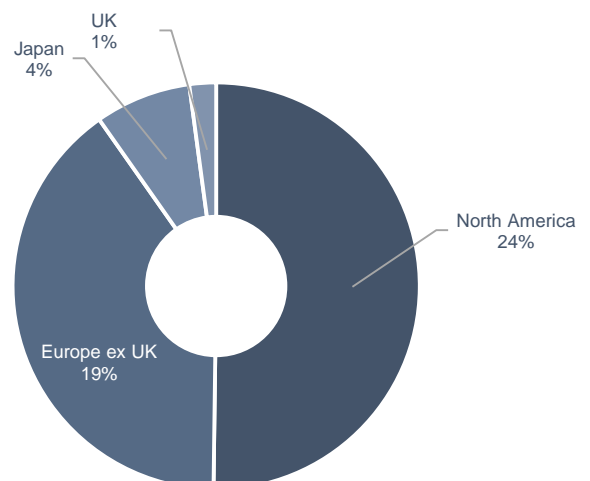
Exposure is calculated on a delta adjusted basis for option positions and on a full notional basis for all other instruments. Excludes bond futures used for hedging duration.
Source: Algebris (UK) Limited

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 9.1bn AUM (inclusive of committed capital and advisory capital), split between credit and equity investments (data as of 31 July 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.