



Algebris Financial Income Fund (UCITS)

March 2017 Factsheet

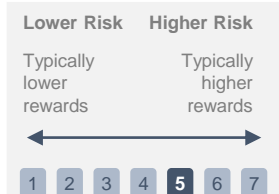
Fund Terms	
Size (€):	182m
Domicile:	Ireland
Share Classes:	
R (Accumulating)	
Rd (Distributing)	
Liquidity:	Daily
Management Fee:	1.80%
Incentive Fee:	None
Bloomberg Ticker:	
AFIREUR ID / AFCIRDE ID	
ISIN (R/Rd EUR Share Classes):	
IE00BCZQ7T48 /	
IE00BCZNX202	
Data as of 31.03.2017	

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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Fund Information	
No. of Bonds/ No. of Issuers	54/ 28
No. of Stocks	41
Duration of Bond Allocation	3.3 yrs
Av. Rating of Bond Allocation	BB+
Bonds: Yield to Worst (gross)	5.5%
Equity: Dividend Yield (gross)	3.4%
Fund: Yield (gross)	5.6%

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	34.8%
Annualised Return	8.6%
Annualised Volatility	10.7%
Sharpe Ratio	0.8

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										5.85

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 3.20% in March, bringing the performance for the year to 5.85%. Top contributors to the fund's performance were positions in various European bank equities, including Banco Comercial Português, Intesa Sanpaolo, UBI, and Unicredit
- March was another positive month for financial hybrids, although with some divergence across geographies and structures. Key drivers of performance in Europe were technicals and politics, while the US was dominated by the Fed's decision to hike rates, leaving US prefs flat for the month
- Politics were the main differentiators of performance in Europe. In the UK, the triggering of Article 50 and the emerging risk of a new Scottish referendum generated some uncertainty on domestic names, acting as a drag on AT1s. Meanwhile, Mark Rutte's VVD party won the Dutch elections, defeating Geert Wilders' anti-European populist party and providing some hope there would not be a populist victory in the French presidential election next month. The AfD (anti Euro/ anti immigration party) in Germany losing momentum, with its leadership appearing deeply divided and the figurehead, Frauke Petry, rumoured to leave the party, was also positive
- Technicals were a dominant theme in March, particularly in Europe where demand outpaced once again the rate of new supply, driving further spread tightening. Despite the increased activity in primary, all new AT1 and Tier 2s ended up significantly oversubscribed, with lower quality mid-sized banks benefitting the most from this benign market. Issuers in the AT1 space were SEB, Caixa Geral, Danske Bank, Macquarie, Barclays and Santander, with an overall volume of €3.2bn of new paper.
- Idiosyncratic and systemic risk decreased further in March, with the Bank of Portugal announcing an agreement to sell Novo Banco to Lone Star and Caixa Geral executing the last part of the recapitalisation plan, involving issuance of a €500m AT1 to private investors and a €2.5bn capital increase by the State. Veneto and Vicenza were again in the news, with the announcement by the two banks of their eligibility for a precautionary recapitalisation. The only company-specific source of concern in March seemed to be Banco Popular in Spain, where the new Chairman has yet to announce a viable solution to restore adequate capital buffers. Despite this, the company continues to prioritize AT1 coupon payments and still has some leeway to continue, while the next months should see progress on capital generation either through asset sales or a new equity raise. The last resort may be the best outcome for bondholders, as management may be forced to find a better capitalized buyer for the bank
- The Fed raised the base rate by 25bps to 0.75%. Whilst rate hikes are negative for traditional fixed income assets, financial hybrids offer an implicit hedge in this respect, as higher rates benefit bank/insurers' profitability, making the likelihood of spread compression higher on these bonds. Based on the latest reported numbers, a +100bps rise in rates could increase US banks' net interest income (NII) by an average 13%. The effect would be higher in Europe, where a +100bps parallel shift in interest rate curves could raise banks' net profits by an average +16%, and where further benefits would come from the large pick-up in TLTRO this month (474 banks drawing-down €233bn)



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Commentary - continued

- Looking at the US with the dust now having settled from the presidential election, some of the blue sky optimism has faded in the aftermath of the failure of the Republican health care proposal. While we had our own reservations on how much Trump's administration could actually push through in terms of tax cuts, regulatory reform, and higher growth and inflation, at this point it does seem like the pendulum has shifted perhaps too far and the market is now likely underestimating the potential impacts. On tax cuts, while the health care failure is a setback, if anything it makes the importance of a political win on taxes that much more necessary for Trump and congressional Republicans. Regulatory reform is probably the easiest change to effect as much of it will come outside of the legislative process, and even regulatory hawks like Tarullo have recently come out in favour of softening key rules. The reflation angle looks alive and well to us with a surprise March hike already implemented, core inflation at 5 year highs, and consumer confidence and manufacturing orders surging since the election.
- We remain constructive on Financial equities across the US and Europe. Financials are the cheapest sector in the market (and in most cases trade well below their relative historical multiples going back to 2000) despite having the best growth revisions and highest expected earnings growth. Crucially, they should also act as a hedge to what in our view is perhaps the greatest risk to the market today – a hawkish Fed.

Top 5 Equity Holdings

Rank	Issuer name
1	Wells Fargo
2	Banco Comercial Português
3	Crédit Agricole
4	Société Générale
5	Unicredit

Source: Algebris (UK) Limited

Top 5 Bond Holdings

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

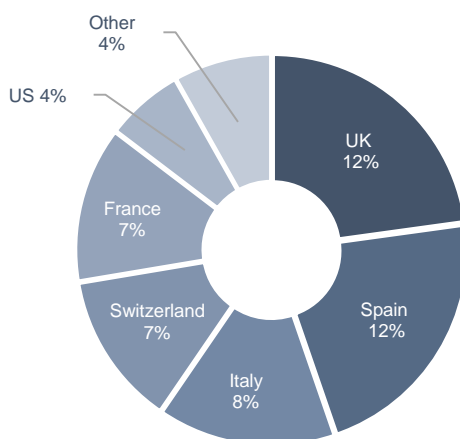
Source: Algebris (UK) Limited

Portfolio Composition (Asset Allocation)

	Allocation
Equities	54.9%
Bonds	54.0%
Hedges (delta)	-5.7%

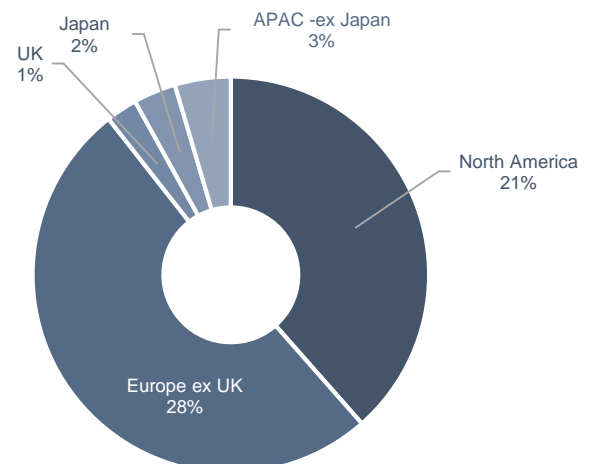
Exposure is calculated on a delta adjusted basis for option positions and on a full notional basis for all other instruments. Excludes bond futures used for hedging duration.
Source: Algebris (UK) Limited

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 19 investment professionals and manages ~EUR 7.1bn AUM (inclusive of committed capital and advisory capital), split between credit and equity investments (data as of 31 March 2017).

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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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