



# Algebris Financial Income Fund (UCITS)

## November 2017 Factsheet

### Fund Terms

<b>Size (€):</b>	209m
<b>Fund Inception:</b>	13 August 2013
<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 30.11.2017

### 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	49/ 24
No. of Stocks	37
Duration of Bond Allocation	3.5yrs
Avg. Rating of Bond Allocation	BB+
Bonds: Yield to Worst (gross)	3.8%
Equity: Dividend Yield (gross)	3.4%
Fund: Yield (gross)	4.5%

Note: Fund gross yield reflects current yield for the bonds and dividend yield for the equities in the portfolio. The Avg. Credit Rating is calculated using the average of the top two credit ratings from S&P, Fitch and Moody's and includes all rated bonds and cash.

Source: Bloomberg LP, Algebris (UK) Limited

### Performance Analytics

Return Since Inception	47.4%
Annualised Return	9.4%
Annualised Volatility	10.2%
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	0.10		15.75

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 0.10% in November. Top contributors included Macerich, Voya and Sberbank, while the top detractors were Société Générale, Crédit Agricole and an equity index hedge
- November was a quiet month for financial hybrids although with a slightly negative total return. Returns may have been impacted indirectly by a pickup in volatility in the broader High Yield market both in Europe and the US with some large issuers selling off before partially recovering.
- In important regulatory news, December opened with agreement on Basel 4. The main parts of the agreement had been well trailed in the press, namely output floors at 72.5% and a long phasing period (full implementation by 2027). However, the lower standardized risk weights, on mortgages and operational risk, and national discretion on filters suggest that the end result should be more generous for banks than expected. Any resolution here will likely be taken positively as banks can move forward with more clarity on capital return.
- The latest Euro area PMI report released in the month was very strong and consistent with GDP close to 3%. This is good news for the European bank sector. The economic recovery is gaining momentum which will help the earnings trajectory of the banks. With the economy doing well, the all-important provision line is likely to improve. For sure, the regulator wants to use this strong economic window to clear some of the NPLs, but this is achievable in an improving economy. Volume growth is recovering and of course the interest rate environment of -40bps looks very much at odds with GDP gaining this level of momentum. Realistically we cannot expect the start of an interest rate cycle prior to 2019 but the building blocks are being put in place. And of course, the one beneficiary of modestly higher interest rates is the bank sector
- In the US, financial equities continued their strong run, with the benchmark up over 3% in the month as the market became increasingly optimistic around prospects for tax reform. Additionally, we saw a breakthrough in the US Senate with legislators agreeing in principle to an increase in the SIFI threshold (ie, the asset level above which banks are stress-tested by the Fed). This came as a surprise to many as years of debate had yielded seemingly zero progress on amending the Dodd Frank Act. We were well positioned for the rally with positions across a number of key beneficiaries.



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### Commentary - continued

- Looking forward, we remain bullish on US financials given prospects for accelerating loan growth and capital return as well as NIM expansion, cost control, and lower taxes. Valuations have expanded some but remain well within historical ranges and are significantly cheaper than broader markets. This is despite higher than average earnings growth and the fact that Financials are one of the few sectors that will benefit as central banks begin to tighten monetary policy worldwide.
- Finally, in terms of credit new issuance, activity in primary markets picked up again in November, with four new AT1s issued in Europe by BBVA, BNP, Nordea and Sabadell and two US prefs. In total there was of €3.7bn of new supply across AT1 and preferred bonds. The BBVA bond carries a 6.125% coupon for a USD non-call 10 format, with backend close to 400bps. The bank printed \$1bn to partially refinance the 9% AT1 callable in 2018. The new Sabadell AT1 was pre-placed with investors before being publicly announced. It has 6.125% coupon and 6.05% reset spread.

### Top 5 Equity Holdings

Rank	Issuer name
1	CaixaBank
2	Unicredit
3	Crédit Agricole
4	Santander
5	Société Générale

Source: Algebris (UK) Limited

### Top 5 Bond Holdings

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

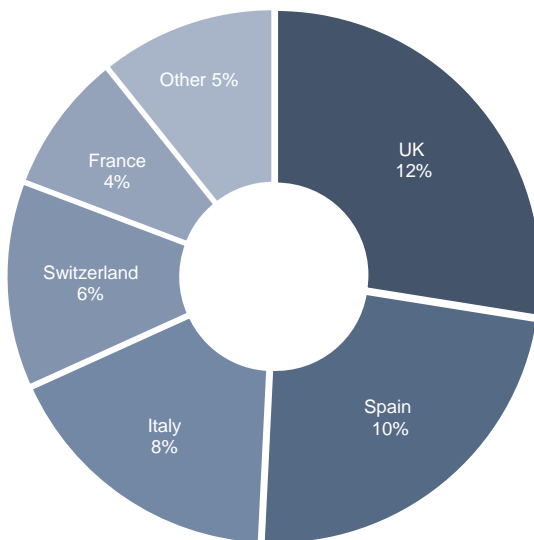
Source: Algebris (UK) Limited

### Portfolio Composition (Asset Allocation)

	Allocation
Equities	50.6%
Bonds	44.7%
Hedges (delta)	-5.5%

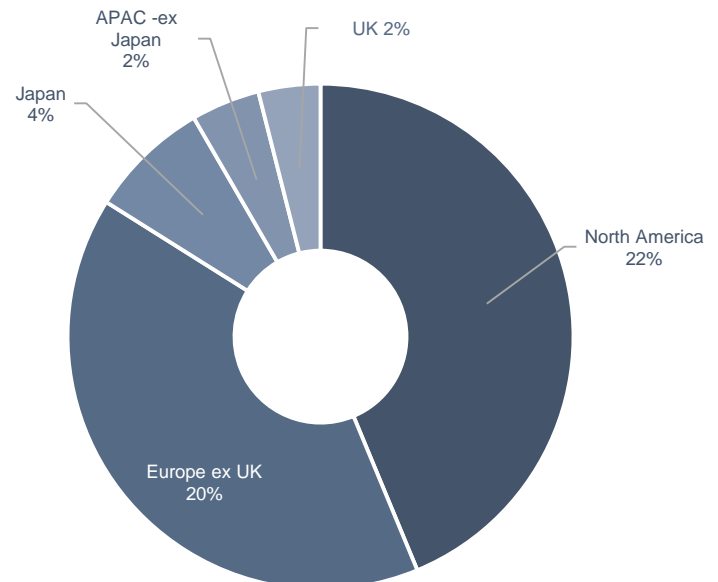
Exposure is calculated on a delta adjusted basis for option positions and on a full notional basis for all other instruments. Excludes bond futures used for hedging duration.  
Source: Algebris (UK) Limited

### 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 25 investment professionals and manages EUR 10.7bn AUM (inclusive of committed capital), split between credit and equity investments (data as of 30 November 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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### Contact Us

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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.