



# Algebris Financial Credit Fund (UCITS)

I EUR (Accumulating)

April 2020

Terms	
Size (€):	5.0bn
Fund Inception:	3 September 2012
Fund Domicile:	Ireland
Fund Base Currency:	EUR
Dealing Frequency:	Daily
ISIN:	IE00B81TMV64
Management Fee:	0.5%
Incentive Fee:	10%

Fund Information	
No. of Bonds/ No. of Issuers	116/42
Effective Duration	2.5 yrs
Avg. Credit Rating	BBB-
Current Yield (Gross)	5.7%
Yield to Worst (Gross)	5.2%

Performance Analytics	
Return Since Inception	65.0%
Annualised Return	6.7%
Annualised Volatility	6.4%
Sharpe Ratio	1.0
2019 Annual Distribution	5.4%

Note: Avg. Credit Rating is calculated using an internal model and includes all rated bonds and cash. Liquidity funds are excluded.  
Source: Bloomberg LP, Algebris (UK) Limited

Note: Figures are based on returns for the I EUR (Accumulating) share class, net of management fees, incentive fees and operating expenses and excluding ADL (Anti-Dilution Levy – up to 1.0%). The actual price at which an investor subscribes or redeems shares depends on the ADL applied on the relevant dealing day. Further information is contained in the Prospectus. Past performance is not a guarantee of future results.  
Annual Distribution refers to the equivalent distributing share class (Id EUR).  
Share class inception date: 3 September 2012  
Source: HSBC Securities Services (Ireland) DAC, Morningstar

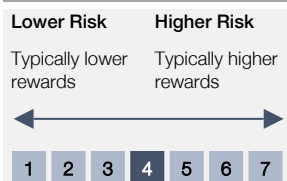
## Fund Objective

The Algebris Financial Credit Fund aims to achieve a high level of current income and modest capital appreciation by investing in senior and subordinated debt securities of the financial credit sector globally including preference shares and hybrid capital instruments (e.g. Additional Tier 1 securities), which may be rated investment grade or below investment grade.

Currency exposure will be systematically hedged.

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 (SRRRI) is based on the 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 4 means the Fund's historic volatility is between 5% and 10%.

## Performance History (Net) % - I EUR (Accumulating) 2015 – Present

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2015	1.56	1.50	0.66	0.25	0.10	-1.19	1.59	-0.40	-1.15	2.34	0.48	-0.29	5.50
2016	-1.57	-3.41	3.73	1.73	1.41	-2.00	3.60	1.49	-1.09	1.96	-1.30	2.55	7.03
2017	1.02	1.47	0.61	2.01	0.86	-0.21	1.85	-0.27	0.24	2.37	-0.20	0.17	10.32
2018	1.58	-0.54	-1.23	0.35	-3.10	-1.24	2.15	-1.07	0.53	-1.80	-2.55	0.35	-6.51
2019	3.51	1.18	0.54	2.50	-1.97	3.11	0.71	0.15	1.12	1.56	1.06	1.23	15.62
2020	1.31	-0.12	-11.05	8.36									-2.47

Note: Returns are net of management fees, incentive fees and operating expenses but exclude ADL (Anti-Dilution Levy – up to 1.0%). The actual price at which an investor subscribes or redeems shares depends on the ADL applied on the relevant dealing day. Further information is contained in the Prospectus. Prices are published daily on Bloomberg. Past performance is not a guarantee of future results.  
Source: HSBC Securities Services (Ireland) DAC, Morningstar

## Commentary

- Financial markets continued to ameliorate throughout April as constructive headlines related to Covid-19 (flattening curves, progress on testing and vaccinations, easing of lockdowns) and ongoing willingness from Central Banks globally to do "whatever it takes" outweighed what remains a very uncertain macroeconomic fallout. US equities in April posted the strongest monthly performance in more than 30 years, with the S&P500 and NASDAQ up +12.8% and +15.5% respectively. Importantly, the Federal Reserve was extremely successful at reigning in the spike in interest rate volatility that in part caused the significant dislocation in both rates and credit in March.
- Globally PMIs continue to make new lows with economic guidance for this full year now pointing to contractions in excess of 5%, driven by a considerably worse second quarter than initially expected as the ramifications of Covid-19 unfold. In the UK there were more profit warnings in 1Q20 than all of 2008, with companies in travel and leisure, industrial materials, and retailing sectors being the most affected. Corporate guidance around targets and profitability continued to be withdrawn, rather than revised lower, with entities pushing back normalisation towards year-end.
- Financial entities began to report their first quarter results, which have confirmed the resilience of the sector post the previous financial crisis where it became apparent there were solvency, liquidity, and asset quality issues. In Europe, banks remained profitable whilst provisioning for higher expected Covid-19 related losses (despite no reported significant deterioration in asset quality just yet), with core capital trends largely as expected apart from a few exceptional cases. While we expect further losses over the next quarters, the mix of policy responses has significantly reduced the potential hit to bank balance sheets. Also, institutions remain highly capitalised and profitable, particularly the ones we hold, making us retain high conviction on our portfolio and positioning.
- As expected, rating agencies in April pared back their ratings and outlooks for key sovereigns and financial entities given the ongoing uncertainty. Importantly, Italy was downgraded one notch by Fitch to BBB-, though the move was offset by the outlook upgrade from negative to stable. For the time being agencies continue to take comfort from measures put in place by Central Banks to ensure that this crisis does not have a more pronounced and prolonged effect on the financial system. This should infer that future rating actions should only take place if there is a significant deterioration beyond the status quo.
- On the back of the significant Central Banks' actions, financial spreads continued to rally throughout April from the March wides. European AT1 spreads moved from over 1,000bps back to 760bps, whereas Tier 2 and senior closed around 320bps and 190bps respectively. These levels are significantly above the pre-selloff, reflecting the buying opportunity in the space considering the compelling risk-reward. After US banks led the way in reopening access to financial markets towards the end of the previous month, it was the turn of European banks to do so in April. Issuance was all concentrated in the Senior space, mostly in Unsecured format (c85%) with only a couple of institutions tapping Preferred.
- Focus should shift in May to the subordinated space as there are a few securities, including AT1s, that are coming up for call notice deadlines. One institution, Rabobank, has already announced its intention to call an AT1 and we would expect others with excess capital to do so too. Confirmation of such would be another sign that financial institutions during this ongoing crisis are in a very different situation to previous ones.

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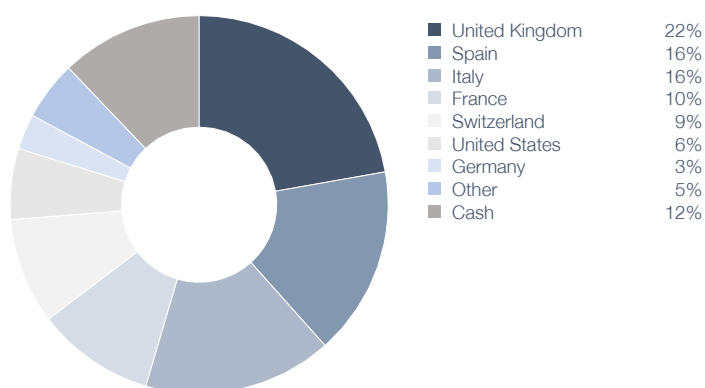
April 2020

## Top 10 Bond Issuers by Exposure

Name	Total	Name	Total
Santander	8%	Crédit Agricole	5%
Unicredit	8%	Caixabank	4%
Intesa Sanpaolo	7%	Lloyds	4%
Barclays	7%	Société Générale	4%
Credit Suisse	6%	BBVA	4%

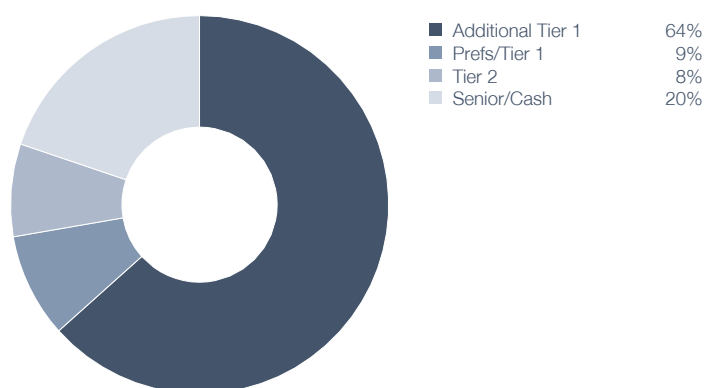
Note: Figures are rounded to the nearest percentage point.  
Source: Algebris (UK) Limited

## Country Exposure



Allocation may not add up to 100% due to rounding. Excludes bond futures used for hedging duration and index options.  
Source: Algebris (UK) Limited

## Capital Structure



Allocation may not add up to 100% due to rounding. Excludes bond futures used for hedging duration and index options.  
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 24 investment professionals and manages EUR 11.0bn AUM (inclusive of committed capital), split between credit and equity investments (data as of 30.04.2020).

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Fund Details				
Share Classes			Identifiers	
Class	Currency	Minimum Initial Investment	ISIN	BBG ticker
I	EUR	€ 500 000	IE00B81TMV64	AFCIEUR ID
	GBP	GBP equivalent of €500,000	IE00B85LPZ38	AFCIGBP ID
	USD	USD equivalent of €500,000	IE00BK017B22	ALGIUS ID
	CHF	CHF equivalent of €500,000	IE00B8HNZW49	AFCICHF ID
	SGD	SGD equivalent of €500,000	IE00BYYJY973	AFCISGD ID
	JPY	JPY equivalent of €500,000	IE00BD71W999	AFCIJPY ID
Id	EUR	€ 500 000	IE00B7SR3R97	AFCIDEU ID
	GBP	GBP equivalent of €500,000	IE00B8DD4P49	AFCIDGB ID
	USD	USD equivalent of €500,000	IE00BK017C39	AFCRIDU ID
	CHF	CHF equivalent of €500,000	IE00B7W1NB16	ALGFIDC ID
	SGD	SGD equivalent of €500,000	IE00BYYJYC06	ALGFIDS ID
	JPY	JPY equivalent of €500,000	IE00BD71WB17	AFCIDJP ID
R	EUR	€ 10 000	IE00B8J38129	AFCRREU ID
	GBP	GBP equivalent of €10,000	IE00BMMVZ61	ALGFRGB ID
	USD	USD equivalent of €10,000	IE00BK017F69	AFCRUSD ID
	CHF	CHF equivalent of €10,000	IE00B8ZQ4Z18	ALGFRCR ID
	SGD	SGD equivalent of €10,000	IE00BYYJY759	ALGFCRS ID
	JPY	JPY equivalent of €10,000	IE00BD71WC24	AFCRJPY ID
Rd	EUR	€ 10 000	IE00B8XCT900	AFCRDEU ID
	GBP	GBP equivalent of €10,000	IE00BMMVW089	ALGFRDG ID
	USD	USD equivalent of €10,000	IE00BK017D46	AFCRDUS ID
	CHF	CHF equivalent of €10,000	IE00B7RCR403	ALGFRDC ID
	SGD	SGD equivalent of €10,000	IE00BYYJYD13	ALGFRDS ID
	JPY	JPY equivalent of €10,000	IE00BD71WD31	AFCRDJP 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 Zurich. 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.

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