Algebris Financial Credit Fund

Monthly Factsheet: August 2013

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Please see the notice at the end of this document which contains important information about the content of this document. Some of the figures shown in the tables are estimates, provided by Algebris Investments (UK) LLP.

All figures are available on Bloomberg, daily.

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 hybrid capital instruments, preference shares and contingent convertible bonds (CoCo bonds) with fixed and variable interest rates, 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.

Fund Information

Bloomberg Ticker	**AFCIEUR**
Strategy AUM (m)	**$153.6**
Institutional Share Classes	**I (Accumulating), ID (Distributing)**
Liquidity	**Daily**
Management Fee	**0.50%**
Incentive Fee	**10%**
Domicile	**Ireland**

Source: Algebris Investments (UK) LLP; Bloomberg L.P.

ISIN (I eur share class)	**IE00B81TMV64**
No. of Bonds / No. of Issuers	**75/ 34**
Effective Duration (OAD)	**4.9**
BLP Composition Rating (BLP Rating)	**BB+**
Gross Coupon Rate (Cpn)	**6.7**
Gross Yield to Call (YTC)*	**6.4**
Gross Yield to Maturity (YTM)	**6.5**

***Algebris Estimated Call Date**
Source: Algebris Investments (UK) LLP; Bloomberg L.P.

Performance Information (Net) % – I EUR (Accumulating)

	January	February	March	April	May	June	July	August	September	October	November	December	Year
2012									1.65	2.27	1.68	1.84	7.65
2013	0.34	0.51	0.46	2.45	0.02	-2.17	1.15	-0.14					2.58

Note: Net returns assuming admin, management and incentive fees and excluding ADL (Anti Dilution Levy – Currently 50bps). 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: 3 September, 2012. Source: HSBC Services (Ireland) Ltd, Algebris Investments (UK) LLP.

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Commentary

The Algebris Financial Credit Fund returned -0.14% in August. The top performers included RBS and Deutsche Bank. Positions in some of the mega-cap US banks were a modest drag on performance in the month. The rates driven selloff in the US has been compounded in some cases by spread widening as well, and we are now finding more opportunities in the US issuers as a result.

Fixed income market sentiment remains volatile as investors contemplate the possibility of the Federal Reserve tapering against updated economic indicators and a still strong backdrop for financial credit risk. US and European market economies appear to be gaining momentum, consumer confidence and employment statistics are increasingly positive, lending further support to higher long-term rates. Financials sector earnings are supported by a higher rate environment and we have seen positive earnings revisions over the past several months. US financial earnings upgrades outpaced downgrades by 27% against 2% for the S&P as a whole. In addition to European banking sector stability, we continue to believe that the fund will outperform other credit classes due to wider scope for spread compression, attractive yields and opportunities that will arise from the new issue pipeline.

Adding support to the wider acceptance and growth of the contingent convertible asset class, Societe Generale issued $1.25bn in AT1 CoCos with an 8.25% coupon in which the fund participated. It is the second Basel 3 eligible additional tier 1 instrument (after BBVA) and a template for bonds that can be written down in the event the bank requires additional capital. The trigger is set at 5.125% which would require losing roughly half of their expected year-end capital base of €30bn. Credit Suisse (CS) and Credit Agricole also recently issued CoCos – the CS was the first Euro denominated issue highlighting a move away from the USD dominated structures thus far. Further CoCo issuance from major European financials is expected over the next several months providing the fund with additional investment opportunities.

Top 10 Bond Issuers by Exposure

Rank	Name	% Total
1	Lloyds	8.6%
2	Credit Suisse	6.6%
3	UBS	6.0%
4	Unicredit SpA	5.7%
5	Deutsche Bank	5.7%
6	Bank of America	4.7%
7	Societe Generale	4.5%
8	Banco Santander	4.0%
9	Commerzbank	3.9%
10	BBVA	3.6%

Source: Algebris Investments (UK) LLP

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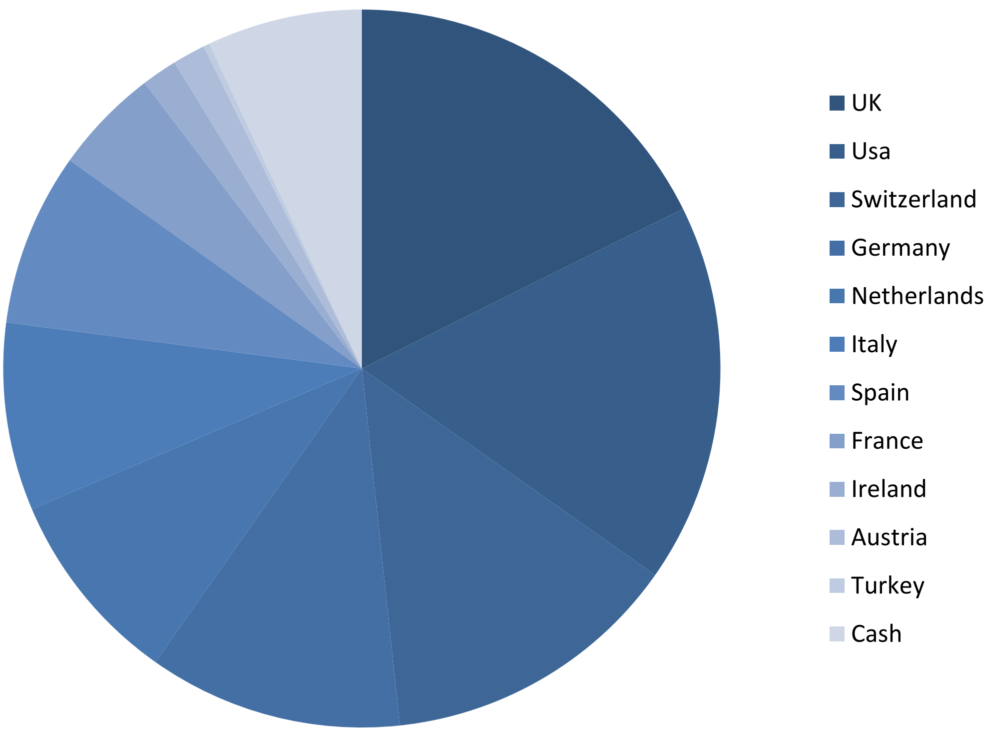
Exposure



Source: Algebris Investments (UK) LLP

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