



# Algebris Financial Credit Fund (UCITS)


## December 2016 Factsheet

Fund Terms	
Size (€):	3.1bn
Domicile:	Ireland
Share Classes:	R (Accumulating) Rd (Distributing)
Liquidity:	Daily
Management Fee:	1.20%
Incentive Fee:	10%
Bloomberg Ticker:	AFCRREU ID / AFCRDEU ID
ISIN (R/Rd EUR Share Classes):	IE00B8J38129 / IE00B8XCT900
Data as at 31.12.2016	

**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 (CoCos) 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.

Risk Profile	
Lower Risk	Higher Risk
Typically lower rewards	Typically higher rewards
	
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<p>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 4 means the Fund's historic volatility is between 5% and 10%.</p>	

**Contact us**

For questions regarding the Algebris Financial Credit Fund  
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Fund Information	
No. of Bonds/ No. of Issuers	106/ 43
Effective Duration	3.3 yrs
BLP Composition Rating	BB+
Current Yield (gross)	6.2%
Yield to Maturity (gross)	7.6%
Yield to Worst (gross)	6.1%
2016 Annual Distribution*	6.1%

\*Annual distribution data refers to the Id EUR share class  
 Source: Bloomberg LP, Algebris (UK) Limited

Performance Analytics	
Return Since Inception	41.8%
Annualised Return	8.4%
Annualised Volatility	4.8%
Sharpe Ratio	1.7

Note: Figures are based on net returns for I EUR (Accumulating) class assuming admin, management and incentive fees and excluding ADL (Anti-Dilution Levy – Currently 25bps). 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 I 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: 3 September, 2012.  
 Source: Bloomberg LP, Algebris (UK) Limited

Performance Information (Net) % – I EUR (Accumulating)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	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	0.96	2.67	0.88	0.99	8.33
2014	1.25	2.07	0.61	1.46	1.20	0.70	-0.29	0.66	-1.87	1.40	0.65	-0.36	7.69
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	3.74	1.73	1.42	-2.00	3.60	1.49	-1.09	1.96	-1.29	2.55	7.04

Note: Figures are available on Bloomberg, daily. 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 I EUR (Accumulating) Share Class. The I EUR (Accumulating) Share Class charges a 0.50% management fee and 10% performance fee.  
 Source: HSBC Securities Services (Ireland) DAC, Algebris (UK) Limited

**Commentary**

- The Algebris Financial Credit Fund was up 2.55% in December, bringing the performance for the year to 7.04%. Top contributors to the fund's performance during the month were Intesa Sanpaolo and Unicredit
- The fund performed strongly in December, driven primarily by a reduction in idiosyncratic and systemic risk in Europe, mainly led by the positive developments in Italy. Following Prime Minister Renzi's defeat in the December 4th constitutional referendum and his resignation, the Head of State mandated Paolo Gentiloni to form a new Democratic Party coalition government, in an attempt to guarantee continuity and deal with the most pressing issues of MPS and other troubled Italian lenders. The handover proved successful, with Veneto and Vicenza committing new funds to boost capital ratios, and the State committing to inject money in MPS following the ECB's approval of a 'precautionary recapitalisation' plan for the bank. As reported by the Bank of Italy, based on the amount required by the ECB under the 'precautionary recapitalisation' (€8.8bn), the estimated cost to the State would amount to €6.6bn and be subject to changes. Meanwhile, Unicredit unveiled its new business plan, which includes the sale of a €17.7bn legacy NPL portfolio and the strengthening of capital ratios through a €13bn (345bps) capital raise and the already executed disposal of stakes in Pekao, Fineco and Pioneer, worth an additional €6bn (164bps) of capital. These measures, combined with the announced cost savings, make the bank's turnaround credible and represent a tangible improvement of the issuer from a credit perspective. Overall, the above are positive developments for Italian as well as for European banks, representing a key step towards the resolution of their long-standing issues and to the restoration of investors' confidence
- Further positives to European bank credit in December were Deutsche Bank and Credit Suisse's settlements with the DoJ on the RMBS case. Both settlements came out either in line with or below analysts' expectations. Deutsche Bank settled for \$7.2bn (\$3.1bn in cash and the rest in consumer relief which has taken many creative forms in other settlements), with the management anticipating full and timely AT1 coupon payments in a memo to its staff circulated by Reuters. Credit Suisse announced a headline amount of \$5.3bn, which should leave the bank CET1 within the 11-12% target for 2016. Meanwhile, regulation remains a tailwind, with the finalisation of Basel 4 being delayed further into the new year, and 2017 SREP ratios coming out on average 100-225bps lower than last year
- Primary market activity in AT1/CoCos picked up in December, with three new deals from Unicredit, BNP and Swedbank. The new deals combined market value was €1.75bn which brought the total new issuance for 2016 above €22bn, which was slightly lower than our expectations at the start of the year but reasonable considering the periods of volatility seen over the year. The Unicredit bond was done as a private placement and came in with temporary write-down features (5.125% trigger) and a very attractive 9.25% coupon. The 930bps backend and 5-year optional redemption period compare extremely well with Unicredit's existing AT1s. Between the structure, the balance sheet clean-up and capital raise and the larger cushion to MDA levels, we think this bond will continue to perform well.



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### Commentary (continues)

- We expect new supply to continue in 2017, both in AT1s/CoCos as well as in TLAC-eligible instruments. The first four days of 2017 have already been busy in terms of new issuances, with European banks printing ~\$12.5bn equivalent over 5 different names in HoldCo senior (Barclays, Santander UK), non-preferred senior (BNP, Credit Agricole) and vanilla senior (Rabobank). We have also seen the first AT1 of the year with Intesa issuing €1.25bn at a 7.75% coupon

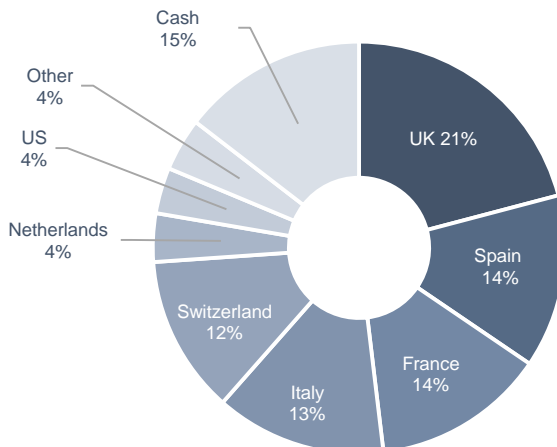
### Top 10 Bond Issuers by Exposure

Rank	Name	Total	Rank	Total	Total
1	Intesa Sanpaolo	8%	6	Société Générale	5%
2	UBS	8%	7	Barclays	5%
3	BBVA	7%	8	Crédit Agricole	5%
4	Lloyds	7%	9	BNP Paribas	4%
5	Unicredit	5%	10	Credit Suisse	4%

Note: Figures are rounded to the nearest percentage point.

Source: Algebris (UK) Limited

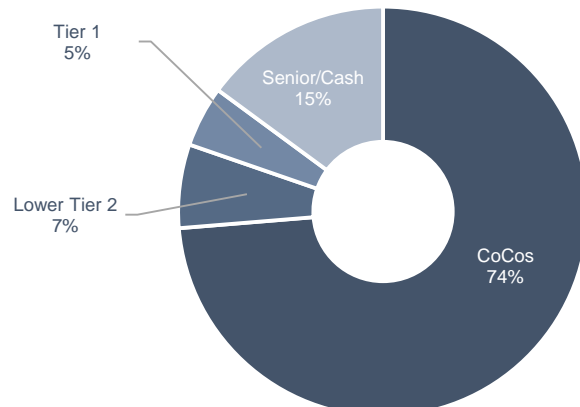
### Country Exposure



Allocation may not add up to 100% due to rounding. Excludes bond futures used for hedging duration.

Source: Algebris (UK) Limited

### Capital Structure



Allocation may not add up to 100% due to rounding. Excludes bond futures used for hedging duration.

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. We recently expanded our expertise into global credit. Algebris has a team of 19 investment professionals and manages ~\$6.1bn AUM (inclusive of committed capital and advisory capital), split between credit and equity investments (data as of 31 December 2016).

Algebris (UK) Limited is authorised and regulated by the Financial Conduct Authority. Algebris Investments (UK) LLP is authorised and regulated by the Financial Conduct Authority and registered with the SEC. The US office is registered with the SEC and the Singapore office is registered with MAS.

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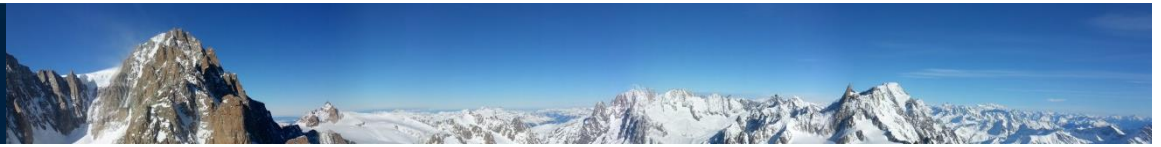
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\*Algebris (Italy) Srl does not conduct any regulated activities, it provides research and analysis services with respect to Italian NPLs to Algebris Investments (UK) LLP.



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## Fund Details

Share Class				Identifiers	
Class	CCY	Min Investment	Launch Date	ISIN	BBG ticker
I	EUR	€ 500,000	3/9/12	IE00B81TMV64	AFCIEUR ID
	GBP	GBP equivalent of €500,000	14/9/12	IE00B85LPZ38	AFCIGBP ID
	USD	USD equivalent of €500,000	10/2/15	IE00BK017B22	ALGIUS ID
	CHF	CHF equivalent of €500,000	3/10/12	IE00B8HNZW49	AFCICHF ID
	SGD	SGD equivalent of €500,000	N/A	IE00BYYJY973	N/A
R	EUR	€ 10,000	23/1/13	IE00B8J38129	AFCRREU ID
	GBP	GBP equivalent of €10,000	N/A	IE00BMMVZ61	ALGFRGB ID
	USD	USD equivalent of €10,000	14/4/14	IE00BK017F69	AFCRUSD ID
	CHF	CHF equivalent of €10,000	30/6/14	IE00B8ZQ4Z18	ALGFCRC ID
	SGD	SGD equivalent of €10,000	N/A	IE00BYYJY759	N/A
ID	EUR	€ 500,000	18/9/12	IE00B7SR3R97	AFCIDEU ID
	GBP	GBP equivalent of €500,000	3/5/13	IE00B8DD4P49	AFCIDGB ID
	USD	USD equivalent of €500,000	3/7/14	IE00BK017C39	AFCIDUS ID
	CHF	CHF equivalent of €500,000	N/A	IE00B7W1NB16	ALGFIDC ID
	SGD	SGD equivalent of €500,000	N/A	IE00BYYJYC06	N/A
RD	EUR	€ 100,000	4/2/13	IE00B8XCT900	AFCRDEU ID
	GBP	GBP equivalent of €100,000	3/2/15	IE00BMMVW089	ALGFRDG ID
	USD	USD equivalent of €100,000	24/6/14	IE00BK017D46	AFCRDUS ID
	CHF	CHF equivalent of €100,000	N/A	IE00B7RCR403	ALGFRDC ID
	SGD	SGD equivalent of €100,000	N/A	IE00BYYJYD13	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 Zurich. 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.

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