



Algebris Financial Credit Fund (UCITS)

I EUR (Accumulating)

December 2019

Terms	
Size (€):	5.2bn
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	97/38
Effective Duration	2.8 yrs
Avg. Credit Rating	BBB-
Current Yield (Gross)	5.0%
Yield to Maturity (Gross)	4.9%
Yield to Worst (Gross)	3.6%

Performance Analytics	
Return Since Inception	69.1%
Annualised Return	7.4%
Annualised Volatility	4.6%
Sharpe Ratio	1.6
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 – currently 25bps). 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 (I 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.

Performance History (Net) % - I EUR (Accumulating) 2014 – Present													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2014	1.26	2.07	0.61	1.46	1.20	0.70	-0.29	0.66	-1.87	1.40	0.65	-0.35	7.70
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

Note: Returns are net of management fees, incentive fees and operating expenses but exclude ADL (Anti-Dilution Levy – Currently 25bps). 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

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 (SRR) 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%.

Commentary

- December was a robust risk-on month across most assets driven mainly by constructive Central Banks' actions, positive developments on the global trade front, and encouraging events across European banks. In rates, duration sold off with curves steepening while across Europe there was compression between periphery and core. Credit spreads tightened by c7%, broadly offsetting the rates move, with Financials outperforming the broader market also thanks to the c4% gain in their respective equity indices.
- Agreement on a phase-one trade deal between the US and China was a key driver of performance in December. The deal, expected to be signed on January 15th, drove upside optimism for economic growth, further supported by the latest projections by leading Central Banks suggesting some sign of stability in macro data. The FOMC forecasts the US economy to grow 1.9% over the next few years, inflation to be kept in check at 2% and rates expected to remain on hold for the foreseeable future with only one rate hike out to YE21. The ECB kept its projections largely unchanged, with the most noteworthy change being lower unemployment rate and unit labour costs whilst leaving inflation untouched out to YE21.
- The outcome of the UK elections was also positive for risk assets. The expected decisive Conservative win triggered Brexit at the end of January, to be followed by a transition period until December by which time a trade agreement needs to be reached. Sentiment for UK-based assets was accordingly strong in December on the back of the Tory majority and this likely foments issuance ahead of blackout periods.
- European banks started disclosing their P2Rs for 2020, which for the vast majority remained unchanged. A couple of noteworthy reductions came for DB and Unicredit, with both having 25bps lower requirements going forward after their efforts to reduce risk and simplify their business models. For Unicredit the reduction comes as a very good news for our fund, this being one of our top exposures and key conviction name. In the UK, the annual stress tests revealed a 1% increase in the counter-cyclical buffer on domestic exposure to be implemented from next year. While this increase was unexpected, part of it (up to 50%) is to be offset by a lower P2A (equivalent to the ECB's P2R) as the regulator seeks to improve the quality of capital.
- Subordinated issuance is expected to pick-up in the coming months after a subdued December where financial entities focused more on funding. Leading European banks are still some EUR10bn shy of filling their AT1 buffer requirements, on top of which there are EUR15bn refinancing needs in 2020. The equivalent figures for Tier2 are smaller still and combined they are minor in the context of a EUR50tn investment grade universe where one-third remains negative yielding.
- Despite the strong rally in 2019, we remain positive on bank capital securities and particularly on the highest quality names representing our focus and the majority of the fund's portfolio. We continue to prefer older vintages to the most recently issued securities, particularly in AT1 as coupons and backend spreads are higher, resulting in a limited extension risk and better overall risk-return profile.

Contact Details

Call: +44 (0) 203 196 2450
Email: algebrisR@algebris.com
Visit: www.algebris.com



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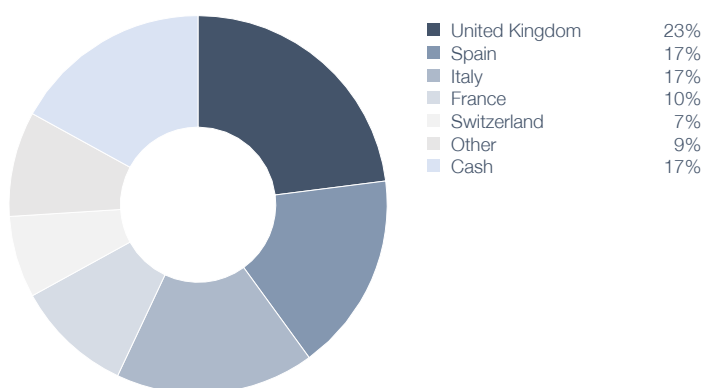
December 2019

Top 10 Bond Issuers by Exposure

Name	Total	Name	Total
Unicredit	9%	CaixaBank	5%
Santander	8%	BBVA	4%
Barclays	8%	Société Générale	4%
Intesa Sanpaolo	7%	Crédit Agricole	4%
Lloyds	5%	Credit Suisse	4%

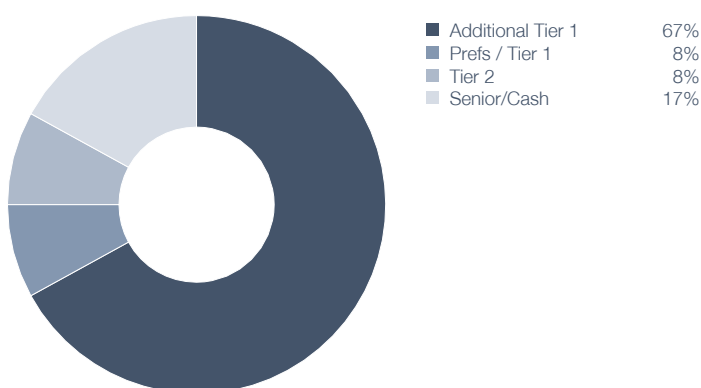
Note: Figures are rounded to the nearest percentage point.
Source: Algebris (UK) Limited

Country Exposure



Allocation may not add up to 100% due to rounding. Excludes bond futures used for hedging duration 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. Most recently, Algebris on-boarded a quant team that has embraced a statistical arbitrage strategy based on mean reversion. Algebris has a team of 26 investment professionals and manages EUR 11.7bn AUM (inclusive of committed capital), split between credit and equity investments (data as of 31.12.2019).

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Contact Details

London Algebris (UK) Limited 4th Floor, 1 St James's Market London SW1Y 4AH	Singapore Algebris Investments (Asia) Pte. Ltd 9 Straits View, #05-08 Marina One West Tower Singapore 018937	Boston Algebris Investments (US) Inc. 699 Boylston Street Boston MA 02116 United States of America	Milan Algebris (UK) Limited - Milan Branch Via Fatebenefratelli 10 20121 Milano, Italy	Luxembourg Algebris Investments (Luxembourg) S.a.r.l. 40 Avenue Monterey L-2163 Luxembourg	Tokyo Algebris Investments K.K. JA Building 12F, 1-3-1 Otemachi, Chiyoda-ku Tokyo 100-0004 Japan
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Tel: +44 (0) 203 196 2450
 Email: algebrisIR@algebris.com
 Visit: www.algebris.com



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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 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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