



Algebris Financial Credit Fund (UCITS)

I EUR (Accumulating)

December 2020

Terms	
Size (€):	6.7bn
Fund Inception:	3 September 2012
Fund Domicile:	Ireland
Fund Base Currency:	EUR
Dealing Frequency:	Daily
ISIN:	IE00B81TMV64
Management Fee:	0.5%
Incentive Fee:	10%

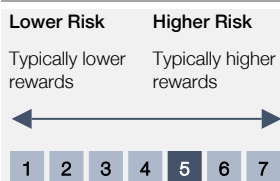
Fund Objective

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 5 means the Fund's historic volatility is between 10% and 15%.

Fund Information	
No. of Bonds/ No. of Issuers	143/42
Effective Duration	2.9 yrs
Avg. Credit Rating	BBB-
Current Yield (Gross)	4.9%
Yield to Worst (Gross)	3.3%

Note: Avg. Credit Rating is calculated using internal methodology based on major agency ratings and includes all rated bonds, liquidity funds and cash. Source: Bloomberg LP, Algebris Investments

Performance Analytics	
Return Since Inception	87.0%
Annualised Return	7.8%
Annualised Volatility	6.7%
Sharpe Ratio	1.2
2019 Annual Distribution	5.4%

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 0.5%). 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

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	2.87	1.75	1.00	2.41	-0.65	-0.26	4.93	0.69	10.56

Note: Returns are net of management fees, incentive fees and operating expenses but exclude ADL (Anti-Dilution Levy – up to 0.5%). 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. The performance shown does not take account of any commissions from intermediaries and costs charged when subscribing and redeeming shares. Prices are published daily on Bloomberg. Past performance is not a guarantee of future results. Source: HSBC Securities Services (Ireland) DAC, Morningstar

Commentary

- Greater clarity and in some cases closure around potential headwinds provided ongoing support for a broad-based risk assets rally in December. On the pandemic front, there was better than expected efficacy metrics from various vaccines and their subsequent approvals, as well as reinforced commitment from leading Central Banks to do whatever is necessary and the EU-27s agreement on the European Resolution Fund to further mitigate economic malaise. These factors, along with Biden winning the White House race and a Brexit resolution that averted a No Deal, contributed to a better tone across markets.
- Rates were largely unchanged throughout December apart from a few exceptions in Europe's periphery (rallied on average 5-10bps versus Germany), the UK (increasing talk of negative rates), and the US (pending outcome of Georgia's Senate elections). The rate stability fomented credit spreads to grind tighter, by 5-15bps in Financials, with the capital structure compressing more across T2s and Seniors. AT1s gained on average 50c in December, taking their YTD total return performance to c6%. European bank equities closed flat in December, underperforming broader indices as the ECB reiterated its strict stance on shareholder payouts, requesting all banks it supervises to avoid declaring new dividends or performing buybacks until September 2021. In addition, FY20 dividends that have already been declared by European banks will be capped at the lower of 15% of 2019-20 cumulative profits or 20bps of CET1, a slightly tighter threshold than that of the UK's PRA. The ECB's more conservative stance is in stark contrast to that of the UK, US, and Switzerland where dividend bans for FY21 are currently non-existent.
- On the European banking front, the year ended with the shareholder approval of a couple of M&A deals, namely Intesa / UBI and CaixaBank / Bankia, while Unicaja and Liberbank finally agreed terms in a merger process that was initially contemplated a couple of years ago and then revamped earlier this year. We expect this vein of internal domestic consolidation to continue into next year as less critically significant entities struggle to meet their ongoing cost of capital hurdles and in light of the incentives to M&A offered by regulators. This should become more evident during the first half of 2021 as spreads remain under pressure from low rates, ongoing creditor unwillingness to increase borrowing due to economic uncertainty, and moratoria roll-off leading to a potential pick-up in asset quality deterioration.
- Issuance in December by leading European banks was in line with the average of the previous couple of Decembers at around EUR15bn. The mix, however, was different with c35% in capital instruments, split evenly between dated and perpetual subordinated securities, compared with just c5% in 2018 and 2019. In all instances, issuers took advantage of robust market conditions to pre-fund some of their 2021 requirements; in the case of HSBC, it marked its re-access of the AT1 space after a 2-year hiatus. A further EUR6bn MREL-eligible Seniors were issued in December, pushing the annual total to over EUR155bn, or c55% of all European banks' issuance we track and c10% higher in share terms than 2019's issuance. With the end of the holiday season, we expect primary to ramp-up across the entire capital structure.

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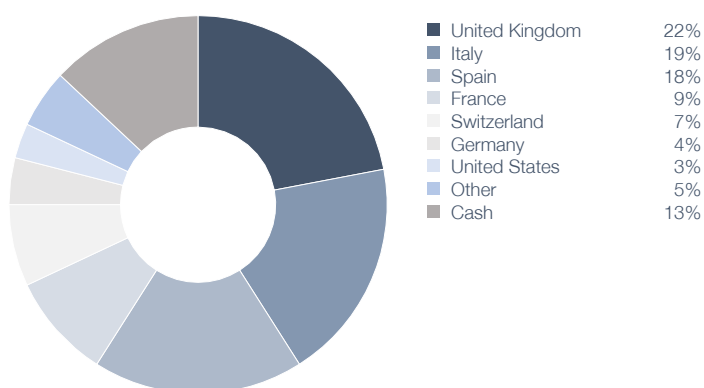
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Top 10 Bond Issuers by Exposure

Name	Total	Name	Total
Intesa Sanpaolo	8%	BBVA	4%
Santander	8%	Société Générale	4%
Unicredit	8%	Credit Suisse	4%
Barclays	7%	Lloyds	4%
CaixaBank	6%	HSBC	4%

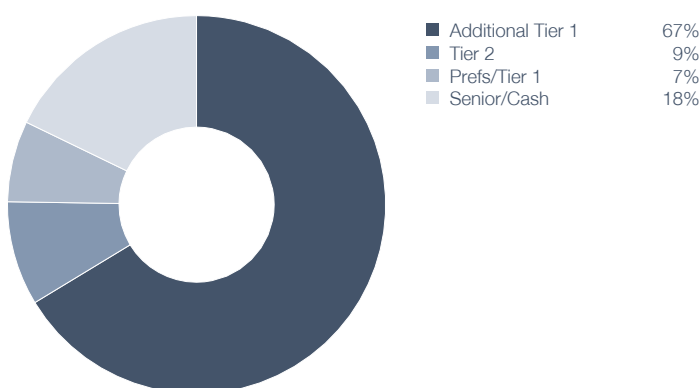
Note: Figures are rounded to the nearest percentage point.
Source: Algebris Investments

Country Exposure



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

Capital Structure



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

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 28 investment professionals and manages EUR 14.3bn AUM (inclusive of committed capital), split between credit and equity investments (data as of 31.12.2020).

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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	ALGFCRC ID
	SGD	SGD equivalent of €10,000	IE00BYYJY759	ALGFERS 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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Prospective investors must review the Fund Documents, including the risk factors, before making a decision to invest and should rely only on the information contained in the Fund Documents in making their investment decision and where necessary consult an advisor.

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The strategy employed may result in the NAV exhibiting a high level of volatility. The Fund may be leveraged which can potentially increase losses. 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. There is no secondary market for investments in the Fund and none are expected to develop. The Fund may lack diversification. The Fund's high fees and expenses may offset the Fund's trading profits.

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