



Algebris Financial Credit Fund (UCITS)

I EUR (Accumulating)

February 2019

Terms	
Size (€):	4.4bn
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	85/37
Effective Duration	3.2 yrs
Avg. Credit Rating	BB+
Current Yield (Gross)	6.0%
Yield to Maturity (Gross)	6.5%
Yield to Worst (Gross)	5.6%

Performance Analytics	
Return Since Inception	53.2%
Annualised Return	6.8%
Annualised Volatility	4.7%
Sharpe Ratio	1.4
2018 Annual Distribution	5.5%

Note: Avg. Credit Rating is calculated using the average of the top two credit ratings from S&P, Fitch and Moody's 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

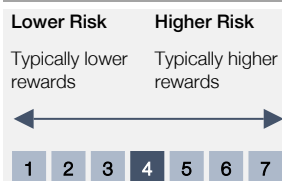
Fund Objective

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 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



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) 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											4.74

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

Commentary

- Top contributors to the fund performance for the month of February were Santander, Intesa Sanpaolo, Crédit Agricole and Unicredit. We did not have material detractors in the month, given the ongoing recovery across geographies and names.
- February proved a very strong month for risk assets. The S&P 500 ended up +3.2%, just ~5% off its all-time high, while European equities (SXXP) gained +4.2%. Banks rallied across the US (+4%) and Europe (+4.8%), while VIX fell back to the lows of last summer. Chinese markets benefitted strongly from progress on trade negotiations and government efforts to support the economy. The favourable backdrop drove financial hybrids higher, particularly high beta and periphery names. Spreads on European AT1s tightened by an average of -54bps. EUR denominated AT1s in our view maintain the most attractive relative value, with spreads in the 400-500bps range at a record wide to USD equivalent issues.
- Santander's decision to extend its €6.25% AT1 at its first call date in March had no negative read-across for the asset class, as we expected. The two Santander AT1s callable in 2019 are somewhat unique: they were not refinanced early, the bank does not have excess AT1 and it has been very clear around purely economic rationale for a call. Despite the confusion around the bank's intention caused by the AT1 new issue in early February, characteristics of the new bond didn't lead to strong expectation of a call of the €6.25% or the \$6.375% callable in May. We had no exposure to either of these bonds for over six months into the call and we do not see the decision to extend as a big negative for bondholders. The coupon will reset close to 5.5%, which we see as reasonable for a high quality name like Santander, given the low duration, reasonable backend (541bps) and the potential for a quarterly call at par.
- Primary activity picked up in February following the end of the Q4-18 blackout period. Crédit Agricole, ING, KBC, Santander and Handelsbanken issued new AT1s for an overall amount of €4.2bn, bringing the total EU AT1 issued YTD to €6.8bn. This compares to an expected gross supply of €20/25bn for the year, which should nearly mark the end of net new issuance needs for EU banks. In T2 we also had four new deals by UBI, BBVA, Unicredit and Bankia. Demand was strong across deals showing the sentiment shift from late 2018.

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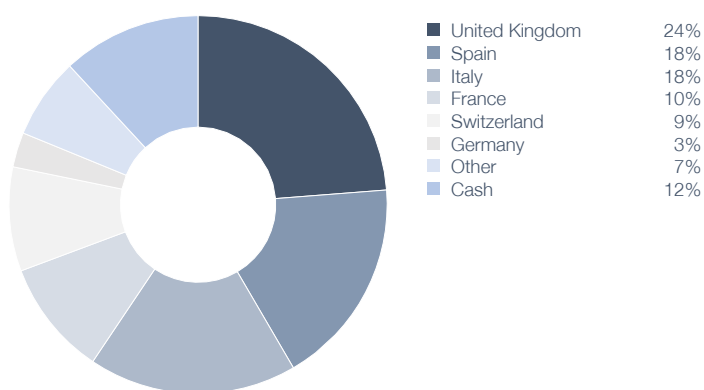
February 2019

Top 10 Bond Issuers by Exposure

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

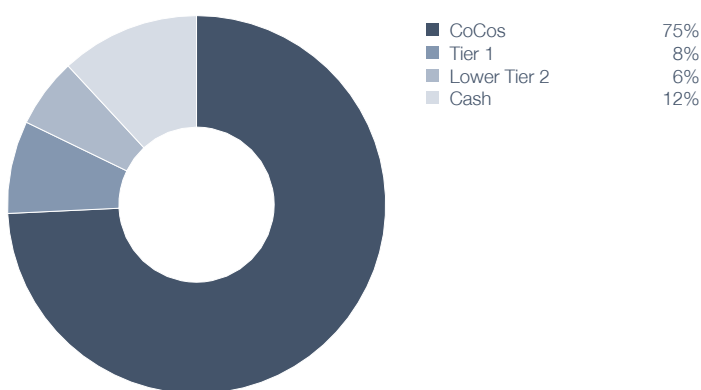
Note: Figures are rounded to the nearest percentage point.
Source: Algebris (UK) Limited

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 10.6bn AUM (inclusive of committed capital), split between credit and equity investments (data as of 28.02.2019).

Algebris (UK) Limited is authorised and regulated by the Financial Conduct Authority. Algebris Investments (US) Inc is a SEC registered Investment Adviser. Algebris Investments (Asia) Pte Ltd is a Licensed Fund Management Company with the MAS.

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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 ('CoCos'). CoCos 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 CoCos may fluctuate. Additional risk factors associated with CoCos 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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