



Algebris Financial Credit Fund (UCITS)

I EUR (Accumulating)

February 2020

Terms	
Size (€):	5.8bn
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	103/40
Effective Duration	2.6 yrs
Avg. Credit Rating	BBB-
Current Yield (Gross)	4.7%
Yield to Worst (Gross)	3.5%

Performance Analytics	
Return Since Inception	71.1%
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) 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											1.19

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

- February was a tale of two halves for risk assets. The first couple of weeks were broadly positive, as early signs of a successful containment and the PBOC's easing action resulted in apathy towards the potential macroeconomic consequences of the virus outbreak in China. The perception quickly changed in the second half of the month, as a swift rise in reported infections across the Middle East, Europe and ultimately the Americas brought to the realisation that the virus was not going to be contained within China. A series of corporate profit warnings on supply chain issues and rising concerns around the consequences of global containment on demand brought stocks sharply down towards month-end, with both the S&P500 and Stoxx600 recording their worst weekly performance since October 2008. From a record high on 19th February, the S&P500 traded off 16% and US10y rallied 50bps as the market's odds for a 25bps FED rate cut in March went from 0% to fully pricing a 50bps cut.
- US and European banks' equities closed the month -12.4% and -7.8% respectively, hit by falling rates and rising concerns of a global economic slowdown. The move was less severe in financial credit, as lower rates partly offset wider spreads. Our names were particularly resilient, as we remain focused on those banks with strong capital positions and high profitability, which provides an ample buffer to absorb unexpected losses. In AT1 we own the securities with the strongest combinations of coupons and backends. Therefore, while expecting some volatility in the markets, we maintain high conviction on our portfolio.
- European banks' final Q4-19 results season were broadly positive, with most banks benefitting from trading gains to beat expectations. Core capital was built up across the board ahead of another round of Stress Tests later this year. The highlight in February was Intesa's all-share takeover of UBI. The deal, which would involve also the acquisition by BPER of at least ~€20bn UBI to comply with antitrust requirements, would make Intesa the first bank in Italy with ~20% of market share across businesses. Intesa should present its formal offer soon, which could include an accounting benefit from goodwill that, if approved by the ECB, would in our view pave the way for other M&A deals across Europe.
- February's primary issuance of €27bn across leading European banks, concentrated in the first half of the month, was broadly in line with the amount printed one year ago. The mix was unchanged as entities continue to pre-finance callable capital and fill their MREL requirements. One entity that took advantage of beneficial market conditions was Deutsche Bank which came back to the AT1 space. The bank hasn't yet indicated whether it will redeem the \$6.25% AT1 callable in April, and we believe that clarity in the communication of its decision-making process around the call is key to keep investor confidence. More importantly, we would not expect a materially adverse price action for DB and wider financial credit space should bonds not be called.
- We continue to see AT1s as the most attractive risk/reward part of the global financials' capital stack but the reset spreads on new AT1 deals are not as convexly skewed to the upside as earlier vintages. This has been the reason underpinning our selective approach to primary issuance over the past quarter, something that might change in the coming weeks given the upcoming combination of yields and spreads.

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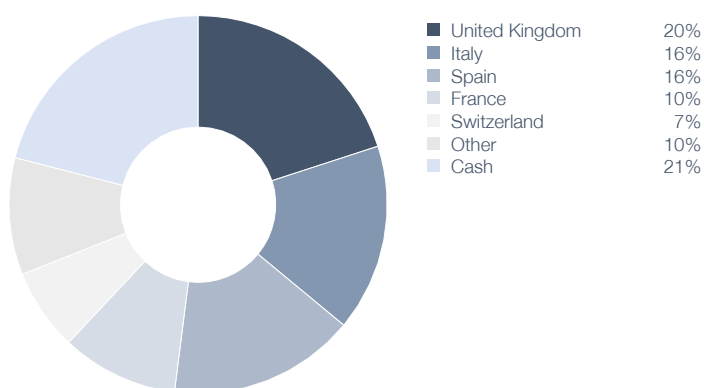
February 2020

Top 10 Bond Issuers by Exposure

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

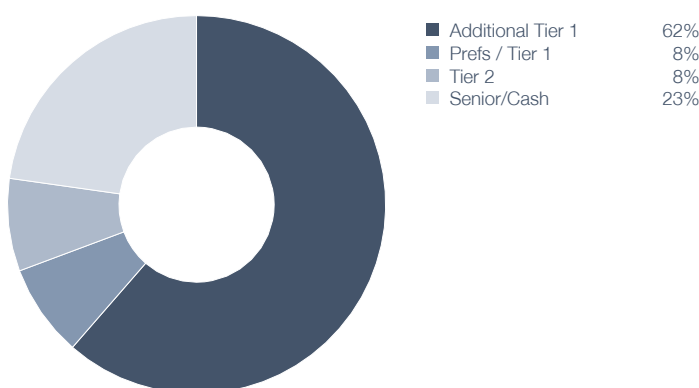
Note: Figures are rounded to the nearest percentage point.
Source: Algebris (UK) Limited

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 27 investment professionals and manages EUR 12.3bn AUM (inclusive of committed capital), split between credit and equity investments (data as of 29.02.2020).

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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	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 as well as the annual and, if applicable, semi-annual report may be obtained free of charge from the Representative.

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