



Algebris Financial Credit Fund (UCITS)

I EUR (Accumulating)

October 2018

Terms	
Size (€):	4.7bn
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 Information	
No. of Bonds/ No. of Issuers	95/39
Effective Duration	3.9 yrs
Avg. Credit Rating	BB+
Current Yield (Gross)	6.4%
Yield to Maturity (Gross)	7.1%
Yield to Worst (Gross)	6.1%

Performance Analytics	
Return Since Inception	49.6%
Annualised Return	6.7%
Annualised Volatility	4.7%
Sharpe Ratio	1.4
2017 Annual Distribution	4.6%

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 (Id EUR).
Share class inception date: 3 September 2012
Source: HSBC Securities Services (Ireland) DAC, Morningstar

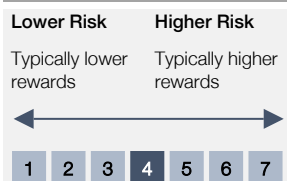
Fund Objective

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) 2013 – Present

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2013	0.34	0.51	0.45	2.46	0.02	-2.18	1.16	-0.14	0.96	2.66	0.89	0.98	8.32
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			-4.40

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

- October was a difficult month for assets across the board with sharply negative returns for both risk assets and traditional safe havens. What has been called a rolling bear market reached even the best performing equities, with stocks like Amazon and Netflix down ~20% for the month. Fed Chair Jerome Powell said that interest rates were still “a long way from neutral” implying continued rate hikes and tighter financial conditions which precipitated the selloff in the US. In Europe, the rejection of the Italian budget by the EU Commission kept the concerns around the country's fiscal plans in the spotlight, bringing the BTP-Bund spread to 304bps (+36bps MoM) and causing major losses across the domestic market. The FTSE MIB, Italy's main index, was down 7.1%, with banks leading the sell-off at -13.3%
- An unexpected Court ruling in Spain on mortgage taxes added pressure to the banking sector. With the exception of Santander (-2.9%), Spanish banks lost north of 9% this month, while the EU bank index closed at -8.8% (Eurostoxx 600: -5.5%). In early November we expect an update from the Spanish Supreme court as to whether banks can be responsible for property taxes previously charged to mortgage customers. The result will determine whether changes can be retroactive, which could potentially lead to billions of losses for the Spanish banks. The more likely scenario is for a change just on new mortgages or a much shorter lookback period for retroactivity
- After a rebound last month, AT1s fared poorly in October given the weak backdrop. EC officials rejected the first draft Italian budget proposal, asking the Italian government to review its 2.4% deficit target and arguing that the GDP growth targets assumed by the government are too optimistic (2019: +1.5%). This was later confirmed by the weak GDP print for Q3, showing an annualised growth of <1% for 2018. Meanwhile, S&P and Moody's announced their rating review on the country, with fears of more severe downgrades not realized. Nevertheless, BTP spreads moved modestly wider over the month
- Results from the EBA Stress Test, released in early November were positive, revealing continued capital build-up and strong resiliency to stresses, in line with our expectations. 48 banks from 15 countries participated in the test, which assumed a combination of severe stress conditions over a period of three years (2018-20). More severe macro assumptions compared to the 2016 test included a -2.7% fall in GDP, unemployment growing up to 9.7%, residential and commercial real estate prices down by -19% and -20%, respectively. Credit losses, increased by the application of IFRS 9 which serves to front load life of loan credit costs, represented the main capital drawdown at €358bn (-4.3% of CET1). Despite the above, average CET1 and leverage ratios were higher than the last test, at 10.3% (vs. 9.4%) and 4.4% (vs. 4.2%) respectively. No subordinated bond was triggered in the adverse scenario, which is supportive to our investment case. Moreover, it is worth noting that the banks that came out weaker in the test have completed a significant de-risking over the past ten months, which would mitigate the exercise drawdown. The tests also assume a static balance sheet which is somewhat unrealistic given the effort banks will make to reduce leverage exposures and capital consumption in a severe recession
- As for supply, October was a quiet month. This was partly due to banks being in earnings blackout for a large part of the month, but also to the overall market weakness. A small bank, Volksbank Wien, postponed an AT1 issue, with only Lloyds in Europe and Citizens Financial in the US launching an AT1 and preferred deal respectively. Barclays announced the redemption of a \$2bn AT1 as expected after their new issue in September. They also announced the redemption of a high coupon USD preferred with 2.65bn outstanding volume. So far this year we've had €25bn AT1 and €16bn of Tier 2 gross supply, with just a handful of candidates who might come to the market before year end.

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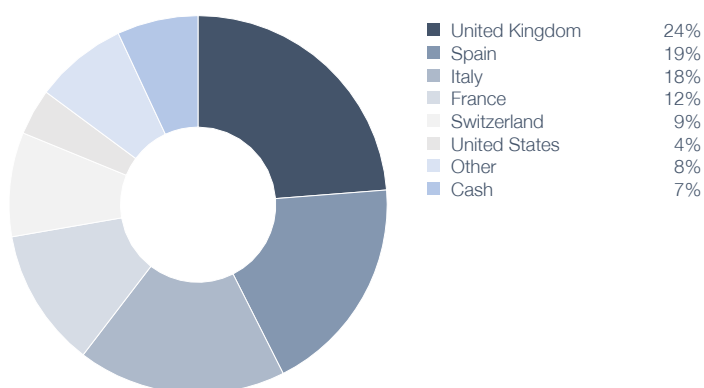
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Top 10 Bond Issuers by Exposure

Name	Total	Name	Total
Unicredit	9%	BBVA	5%
Santander	9%	HSBC	5%
Barclays	8%	Crédit Agricole	5%
Intesa Sanpaolo	8%	CaixaBank	5%
Société Générale	6%	Credit Suisse	5%

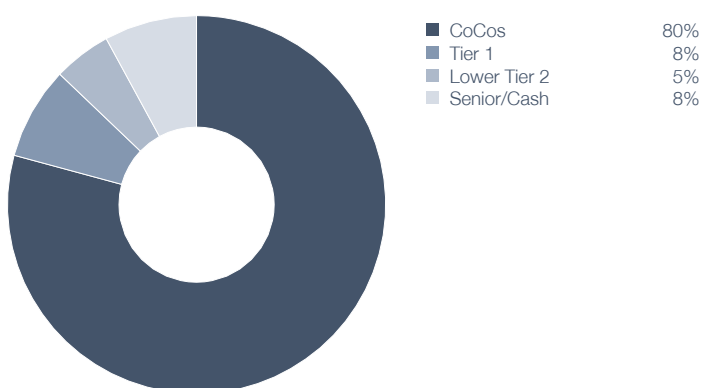
Note: Figures are rounded to the nearest percentage point.
Source: Algebris (UK) Limited

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. Algebris has a team of 21 investment professionals and manages EUR 11.2bn AUM (inclusive of committed capital), split between credit and equity investments (data as of 31.10.2018).

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, Affolternstrasse 56, CH-8050 Zurich, whilst the Paying agent is Vontobel Ltd, Gotthardstrasse 43, CH-8022 Zürich. 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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