



Algebris Financial Credit Fund (UCITS)

September 2016 Factsheet

Fund Terms	
Size (€):	2.7bn
Domicile:	Ireland
Share Classes:	R (Accumulating) Rd (Distributing)
Liquidity:	Daily
Management Fee:	1.20%
Incentive Fee:	10%
Bloomberg Ticker:	AFCRREU ID / AFCRDEU ID
ISIN (R/Rd EUR Share Classes):	IE00B8J38129 / IE00B8XCT900

Data as at 30.09.2016

Fund Information	
No. of Bonds/ No. of Issuers	105/ 43
Effective Duration	2.8 yrs
BLP Composition Rating	BB+
Current Yield (gross)	6.4%
Yield to Maturity (gross)	8.2%
Yield to Worst (gross)	6.6%

Source: Bloomberg LP, Algebris Investments (UK) LLP

Performance Analytics	
Return Since Inception	37.4%
Annualised Return	8.1%
Annualised Volatility	4.9%
Sharpe Ratio	1.6

Note: Figures are based on net returns for I EUR (Accumulating) class assuming admin, management and incentive fees and excluding ADL (Anti-Dilution Levy – Currently 25bps). This Share Class is used as it provides the longest track record. The returns of the R or Rd EUR Share Classes may differ from the I EUR (Accumulating) Share Class. The actual price at which an investor subscribes or redeems shares in the fund will vary, depending on the swung price based on the ADL applied on the day in question. Further information is contained in the Prospectus.
Inception date: 3 September, 2012.

Source: Bloomberg LP, Algebris Investments (UK) LLP

Performance Information (Net) % – I EUR (Accumulating)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2012									1.65	2.27	1.68	1.84	7.65
2013	0.34	0.51	0.46	2.45	0.02	-2.17	1.15	-0.14	0.96	2.67	0.88	0.99	8.33
2014	1.25	2.07	0.61	1.46	1.20	0.70	-0.29	0.66	-1.87	1.40	0.65	-0.36	7.69
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	3.74	1.73	1.42	-2.00	3.60	1.49	-1.09				3.71

Note : Figures are available on Bloomberg, daily. This Share Class is used as it provides the longest track record. The returns of the R or Rd EUR Share Classes may differ from the I EUR (Accumulating) Share Class. The I EUR (Accumulating) Share Class charges a 0.50% management fee and 10% performance fee.
Source: HSBC Securities Services (Ireland) Ltd, Algebris Investments (UK) LLP

Fund Objective
<p>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.</p> <p>Currency exposure will be systematically hedged. Investment in the Fund may be suitable for investors with a medium to long term investment horizon.</p>

Commentary
<ul style="list-style-type: none"> The Algebris Financial Credit Fund was down 1.09% in September, bringing the performance for the year to 3.71%. Top detractors to the fund's performance were Intesa Sanpaolo and Credit Suisse September continued the recovery from the post Brexit sell off until the US Department of Justice announced it was seeking \$14bn from Deutsche Bank to settle mortgage claims from the financial crisis. This amount was well above both the market and the company's expectations which have been shaped by several other settlements reached by banks with similar underwriting exposure over the last few years. The size of the ultimate fine is crucial for the DB AT1 securities as the ability to pay coupons is limited by their ADI. The DB capital structure took another leg lower on a new story that several hedge funds were concerned about their counterparty risk and were reducing exposure to DB While there is still another potentially large settlement to be reached over the banks Russian mirror trades, resolving the DOJ fine for something closer to the \$4-6bn number would be a welcome relief to AT1 holders. An unverified story on September 30 placed the likely fine at \$5.4bn which led to a recovery across the Deutsche capital structure. While there are several moving parts to the ADI and consequent likelihood of coupon payments in 2017 on AT1s, given current litigation reserves we think DB can likely afford any fine less than \$7bn without an issue. Beyond that level the uncertainty around the Russia settlement make the math more challenging for calculating whether the bank will have sufficient ADI to pay coupons for 2017. We have increased exposure over the last few days of September but have focused more on parts of the capital structure with mandatory coupon payments as the risk reward appears more favourable Italy was once again in the spotlight, with the much awaited announcement of December 4th as the date for the referendum on the constitutional reform. Banca Monte dei Paschi di Siena appointed a new CEO and is considering a voluntary debt-to-equity exchange to reduce the quantum of the previously announced €5bn equity sale. We continue to monitor this situation closely, and see limited implications for the rest of the sector overall. On a positive note, the Bank of Italy announced its decision to unwind the front-loading of the Capital Conservation Buffer (2.5%), aligning Italian banks' CET1 requirements to their Eurozone peers from 2017, and creating a further 125bps buffer to MDA in the 2017 SREP. We think this will have a positive impact on the perception of risk around coupons, benefiting mainly UniCredit within the at1 issuers The primary market was soft this month, with only one issuance in the European bank AT1 space by Société Générale. The new bond, issued in USD with 5 years to the first call, carries a coupon of 7.375% and a backend spread of 6.238%, which compares reasonably well with the stock of existing Socgen AT1s. This is their 6th AT1 issue overall, the 5th transaction in USD, and could well be their last until they need to replace existing bonds beginning late 2018. There was another deal from the Korean bank Woori, it was structured as a USD perpetual with a 5 year fixed coupon of just 4.5% and a reset spread of 3.31%. While this particular deal was not appealing it does highlight the continued growth in the global market for AT1s

Contact us

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Commentary - continued

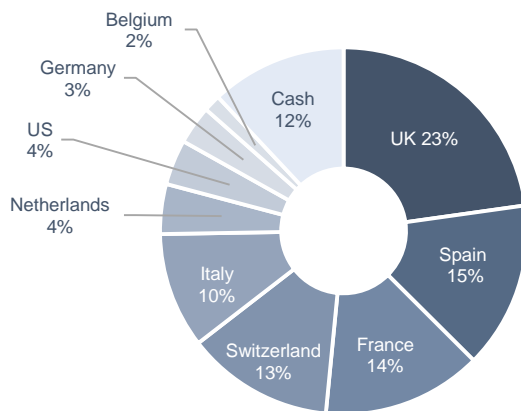
- Finally, a brief comment on the broader macro backdrop. We believe we are in the early stages of a potentially profound regime shift away from a unilateral focus on lower rates and weaker currencies. The benefits to economic growth of NIRP have been modest and the costs – to pension funds, savers, banks, and insurance companies – have been significant. In its place we think there will be a greater focus on supporting credit markets (TLTRO2, FLS), ensuring some steepness to the yield curve (BOJ) and quite possibly a resurgence of fiscal stimulus such as we have already seen in countries like Japan, Korea, and Canada. While this transition will not take place overnight, it has critical implications for asset allocation going forward. The case for owning core fixed income assets without additional central bank purchases at continually lower yields removes the potential for further capital appreciation and the carry aspect of returns looks very unappealing with negative real returns in core fixed income markets. The end of the “lower forever” interest rate era could well lead to the beginning of substantial outperformance of financial equity versus the broader market and spread compression in AT1s.

Top 10 Bond Issuers by Exposure

Rank	Name	Total	Rank	Total	Total
1	UBS	8%	6	Société Générale	5%
2	BBVA	8%	7	Crédit Agricole	5%
3	Lloyds	8%	8	BNP Paribas	5%
4	Intesa Sanpaolo	8%	9	Santander	4%
5	Barclays	5%	10	RBS	4%

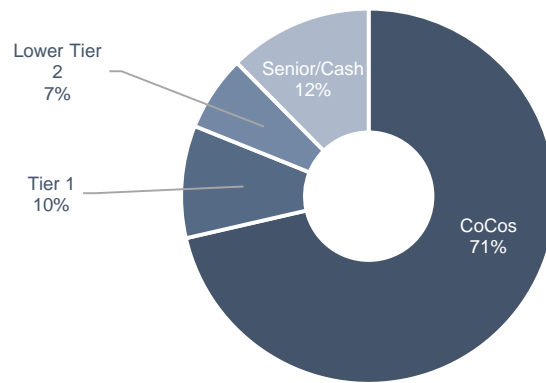
Note: Figures are rounded to the nearest percentage point.
Source: Algebris Investments (UK) LLP

Country Exposure



Allocation may not add up to 100% due to rounding.
Source: Algebris Investments (UK) LLP

Capital Structure



Allocation may not add up to 100% due to rounding.
Source: Algebris Investments (UK) LLP

About Algebris

Algebris Investments (UK) LLP is an investment manager specialised in the global financial sector. The firm has traditionally invested in the capital structure of financial institutions across equity and credit. We recently expanded our expertise into global credit. Algebris has a team of 18 investment professionals and manages ~\$5.2bn AUM (inclusive of committed capital and advisory capital), split between credit and equity investments (data as of 30 September 2016).

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Share Class				Identifiers	
Class	CCY	Min Investment	Launch Date	ISIN	BBG ticker
I	EUR	€ 500,000	3/9/12	IE00B81TMV64	AFCIEUR ID
	GBP	GBP equivalent of €500,000	14/9/12	IE00B85LPZ38	AFCIGBP ID
	USD	USD equivalent of €500,000	10/2/15	IE00BK017B22	ALGFIUS ID
	CHF	CHF equivalent of €500,000	3/10/12	IE00B8HNZ49	AFCICHF ID
	SGD	SGD equivalent of €500,000	N/A	IE00BYYJY973	N/A
R	EUR	€ 10,000	23/1/13	IE00B8J38129	AFCRREU ID
	GBP	GBP equivalent of €10,000	N/A	IE00BMMVZ61	ALGFRGB ID
	USD	USD equivalent of €10,000	14/4/14	IE00BK017F69	AFCRUSD ID
	CHF	CHF equivalent of €10,000	30/6/14	IE00B8ZQ4Z18	ALGFCRC ID
	SGD	SGD equivalent of €10,000	N/A	IE00BYYJY759	N/A
ID	EUR	€ 500,000	18/9/12	IE00B7SR3R97	AFCIDEU ID
	GBP	GBP equivalent of €500,000	3/5/13	IE00B8DD4P49	AFCIDGB ID
	USD	USD equivalent of €500,000	3/7/14	IE00BK017C39	AFCIDUS ID
	CHF	CHF equivalent of €500,000	N/A	IE00B7W1NB16	ALGFIDC ID
	SGD	SGD equivalent of €500,000	N/A	IE00BYYJYC06	N/A
RD	EUR	€ 100,000	4/2/13	IE00B8XCT900	AFCRDEU ID
	GBP	GBP equivalent of €100,000	3/2/15	IE00BMMVW089	ALGFRDG ID
	USD	USD equivalent of €100,000	24/6/14	IE00BK017D46	AFCRDUS ID
	CHF	CHF equivalent of €100,000	N/A	IE00B7RCR403	ALGFRDC ID
	SGD	SGD equivalent of €100,000	N/A	IE00BYYJYD13	N/A

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