Algebris Financial Credit Fund (UCITS)

I EUR (Accumulating)

September 2018

Terms

Size (€): 4.9bn

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 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

Lower Risk	Higher Risk
Typically lower rewards	Typically higher rewards

1	2	3	4	5	6	7

Note: The synthetic risk and reward indicator (SRRI) 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%.

Fund Information

No. of Bonds/ No. of Issuers	97/39
Effective Duration	4.5 yrs
Avg. Credit Rating	BB+
Current Yield (Gross)	6.1%
Yield to Maturity (Gross)	6.9%
Yield to Worst (Gross)	5.6%

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

Performance Analytics

Return Since Inception	52.3%
Annualised Return	7.2%
Annualised Volatility	4.7%
Sharpe Ratio	1.5
2017 Annual Distribution	4.6%

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

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				-2.65

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 September were Unicredit and Intesa Sanpaolo, while top detractors were Société Générale and HSBC
- September was a positive month for European financials with bank and insurance stocks up by +2.3% and +3.3% respectively, to outperform the broader market (Eurostoxx 600: +0.3%). European AT1s also performed positively although gains were limited by the significant amount of new supply and a selloff driven by the Italian budget proposals on the last trading day. In the US, the combination of stronger economic data and another quarter point hike by the Fed pushed the US 10-yr rates to 3.06%, up from 2.86% in August. Emerging Markets in focus recently such as Turkey and Brazil recovered on more traditional monetary policy in Turkey with a large rate hike and optimism in Brazil around a more market friendly leadership
- Initial optimism for a positive outcome in Italy's budget plan led to gains in Italian bank AT1s and a recovery in BTP levels. The rally reverted on the very last day of the month, as the government announced an intended deficit/GDP target of 2.4% over the next three years. Although the number came higher than the expected 2%, it is significantly lower than the >3% previously announced by the leaders of M5S and Lega, and in line or lower than the deficit achieved by previous governments. The announcement caused a spike in BTP-Bund spread to close to 300bps, putting pressure on Italian AT1s. There is still considerable uncertainty around the budget both in terms of composition of revenue and spending as well as whether it will set up a protracted showdown with the Eurozone. It will continue to generate market driving headlines over the next few weeks
- New deals in September were issued by CS, HSBC, BBVA, Bankia, Rabobank and Abanca, for an overall ~ €7bn followed by Lloyds in early October. Bank of China issued an AT1 and JPM issued a $2bn $25 par deal to fund the partial redemption of a $6bn 2008 institutional deal. CS issued a $1.5bn high-trigger write-down bond with first call in 7 years, carrying a 7.25% coupon and 4.33% backend. HSBC issued the first sterling deal in some time with a £1bn high-trigger equity conversion bond with first call in 8 years, carrying a 5.875% coupon and 4.28% backend
- September was one of the busiest months for AT1 issuance, with ~€10bn of supply across 9 deals. The total amount of new AT1 supply for European banks for the year is €24bn and could increase to as much as ~€30bn by year-end depending on the timing for a handful of issuers. While overall supply is in line with our expectations, we are getting closer to a steady state point in the AT1 asset class for national champion European banks that constitute the core of our portfolio. Over the past six years banks have had to build these buckets, but as we sit today, we are probably 85-90% of the way through gross supply needs
- There are still a few banks with identifiable needs for AT1 issuance but more banks are at or above the 1.5% of RWA threshold that means limited needs going forward. Lower net supply will likely be supportive for spreads. Once the US banks like Citi and Bank of America rebuilt their preferred buckets through regular supply after the 2008-09 period, it was a catalyst for spread compression across the US preferred market. We are pleased that the recent bout of supply has come in a backdrop of higher rates and spreads, setting up structurally solid bonds to own for the next few years.

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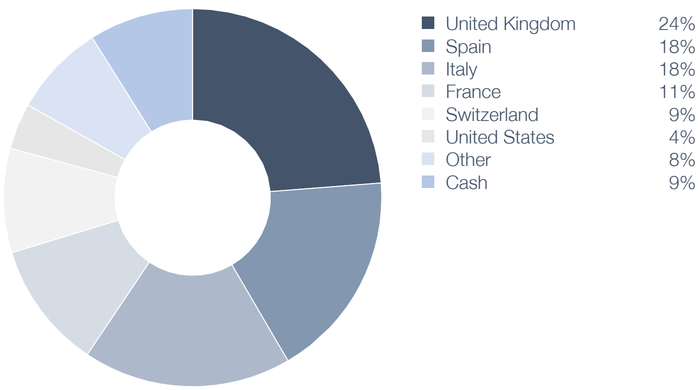
Top 10 Bond Issuers by Exposure

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

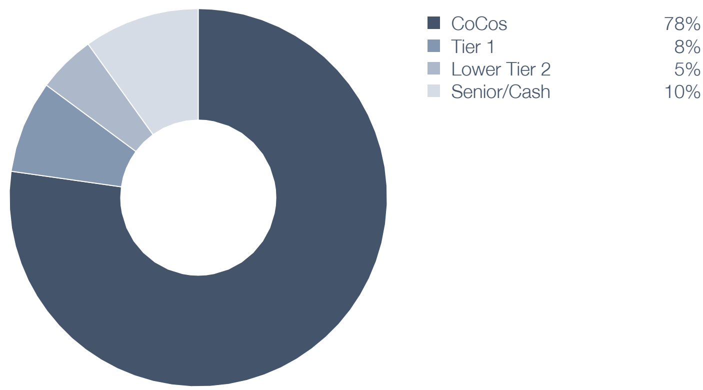
Note: Figures are rounded to the nearest percentage point.
Source: Algebris (UK) Limited

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 11.7bn AUM (inclusive of committed capital), split between credit and equity investments (data as of 30.09.2018).

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	ALGFIUS 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	IE00BMMVVZ61	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	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