



Algebris Financial Credit Fund (UCITS)

I EUR (Accumulating)

September 2019

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	90/36
Effective Duration	3.2 yrs
Avg. Credit Rating	BB+
Current Yield (Gross)	5.3%
Yield to Maturity (Gross)	5.1%
Yield to Worst (Gross)	4.4%

Performance Analytics	
Return Since Inception	62.8%
Annualised Return	7.1%
Annualised Volatility	4.7%
Sharpe Ratio	1.5
2018 Annual Distribution	5.5%

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) 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	0.54	2.50	-1.97	3.11	0.71	0.15	1.12				11.28

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 (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%.

Commentary

- September was characterised by a general dislocation across financial asset classes. Overall it was a strong month for equities, with European banks up +9% on a small sell-off in rates and supporting measures announced by the ECB. More broadly, European indices outperformed the US, with the STOXX 600 up +3.7% against the +1.9% and +0.5% posted by the S&P 500 and NASDAQ, respectively. Conversely, credit suffered a wobble driven by a generic 5bps sell-off across Bunds and Treasuries rates curves, with Italian BTPs the only outright exception 10bps tighter on the back of the agreement found between M5S and PD to form a new government in Italy ahead of next year's budget law. Financial credit mostly outperformed the broader fixed income space, particularly in Europe, with spreads rallying despite the sell-off in rates. AT1 spreads compressed c25bps in September, ending around 410bps which remains an attractive risk-reward level in the current, low yield environment.
- The ECB issued a comprehensive dovish set of measures including open-ended QE, deposit tiering and another TLTRO. We believe the latter two measures should provide some relief to banks' net interest income as those with current account excess reserves will be exempt from the 50bps deposit charge. Banks' profitability remains at the forefront of regulatory concerns as emphasis increasing on sustainability of franchises' business models. In recent years, asset quality has been the main driver of profitability gains and focus has shifted to operational efficiency in order to meet more onerous requirements. As a result, we think that domestic consolidation will eventually end up being the solution.
- The EBA published its latest estimate of risk weighted asset (RWA) inflation from the Basel 4 impact. According to the new study, RWA should grow on average c19% through the phasing period, with a lower than previously modelled impact of the output floors (+5% RWA inflation versus +9% previously). This is a positive for banks across the capital structure, especially subordinated creditors from a fundamental (higher capital) as well as technical (lower net new supply) perspective. We note the slight increase in Operational Risk (+4.7% versus +3.3% previously) could be construed negatively but it would trap more capital in the banks which ultimately is credit-positive.
- September was one of the busiest months this year in terms of financial supply with ~€33bn (~€223bn YTD) across AT1, Tier 2 and Senior. MREL/TLAC senior supply remained in the spotlight at ~€14bn (~€113bn YTD) across 18 deals as banks keep filling resolution requirements ahead of their implementation. Also, there was a pickup in subordinated issuance - ~€5bn, ~€28bn YTD for AT1s; ~€4bn, ~€20bn YTD for T2 - from leading players which pushes them closer to filling their buckets and reinforces the positive technical construct, on top of which allows for ongoing redemption of legacy Tier 1 bonds.

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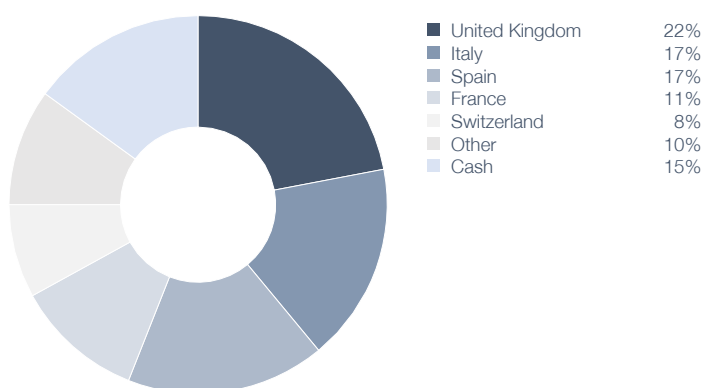
September 2019

Top 10 Bond Issuers by Exposure

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

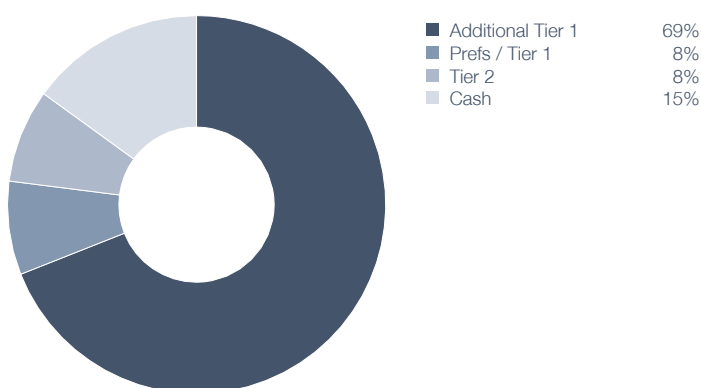
Note: Figures are rounded to the nearest percentage point.
Source: Algebris (UK) Limited

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 27 investment professionals and manages EUR 10.8bn AUM (inclusive of committed capital), split between credit and equity investments (data as of 30.09.2019).

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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 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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