



Algebris IG Financial Credit Fund (UCITS)

B EUR (Accumulating)

August 2020

Terms	
Size (€):	221m
Fund Inception:	4 November 2019
Fund Domicile:	Ireland
Fund Base Currency:	EUR
Dealing Frequency:	Daily
ISIN:	IE00BK1KGS86
Management Fee:	0.4%
Incentive Fee:	0%

Fund Information	
No. of Bonds/ No. of Issuers	80/35
Effective Duration	4.5 yrs
Avg. Credit Rating	BBB+
Current Yield (Gross)	3.3%
Yield to Worst (Gross)	2.6%

Performance Analytics	
Return Since Inception	6.1%
Annualised Return	n/a
Annualised Volatility	n/a
Sharpe Ratio	n/a

Note: Avg. Credit Rating is calculated using an internal model and includes all rated bonds and cash. Look through to underlying holdings on collective investment schemes is applied. Liquidity funds are excluded.
Source: Bloomberg LP, Algebris (UK) Limited

Note: Figures are based on returns for the B EUR (Accumulating) share class, net of management 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. Share class inception date: 4 November 2019. Source: HSBC Securities Services (Ireland) DAC, Morningstar

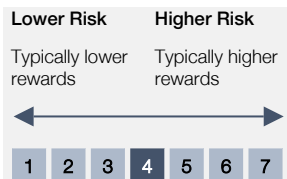
Fund Objective

The Algebris IG Financial Credit Fund aims to generate an attractive level of income and modest capital appreciation by investing predominantly in investment grade securities (rated BBB- or above by a major rating agency) issued by financial institutions globally. The securities in which the Fund invests will include senior and subordinated debt instruments, trust preferred securities, preference shares, convertible securities, Additional Tier 1 bonds and hybrid securities.

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 (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%.

Performance History (Net) % - B EUR (Accumulating)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019											0.30	0.42	0.72
2020	1.29	-0.77	-7.00	6.22	1.62	1.65	1.54	1.11					5.29

Note: Returns are net of management 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. Share class inception date: 4 November 2019. Source: HSBC Securities Services (Ireland) DAC, Algebris (UK) Limited

Commentary

- Despite the habitual activity slowdown, August witnessed some strong risk-on appetite across risk assets as the lingering adverse effects of Covid continued to percolate, requiring confirmation of central banks' easing stances, government extensions of moratoria and fiscal splurging to the most affected. Headlines of positive developments around a Covid vaccine outweighed concerns of the upcoming US elections, further boosting market sentiment. Silver (+15.4%) was the best performing asset for the second consecutive month, followed by US tech stocks (+9.7%) which remain beneficiaries of buoyant retail volumes. The S&P 500 followed suite, up +7.2%, recording the best August performance since 1986.
- In credit, HY outperformed IG across geographies as investors continue to shift their risk appetite in search for yield as direct, expected consequence of global QE and low/negative rate monetary policies. In this respect, financial credit is one of the few remaining asset classes excluded from central banks' purchases, thus their spreads offer an increasingly attractive risk-reward. Financial sector's performance was solid in August with spreads tightening 25-50bps across the subordinated capital structure. AT1s benefited from stronger equity performance, rallying 2-3pts and average spreads of 560bps remain well above long-term average.
- August marked the end of the Q2 reporting season for the sector in Europe. Banks' broadly front loaded loan losses by booking c. 65% of the full year cost of risk guidance in the first half of the year, or 110bps, which was well absorbed by organic profit generation. Despite the outlook for 2021 remaining uncertain, managements expect an improvement in the second half of this year. Capital levels were better than expected due to lower RWA inflation and regulatory tailwinds (e.g. CRR2 'quick fix'), boosting what were already solid capital buffers to the benefit of credit holders.
- Furthermore, the various policy responses to Covid at individual EU member states' levels remains a key positive for banks. Moratoria, which covered c. 7% of loans outstanding in June, is gradually decreasing: in the short term, they provided a very effective "cost-free" policy tool to avoid asset quality deterioration; in the longer term, loan guarantees provide some protection as the ECB estimates the schemes to transfer up to 60% of cost of risk from banks to governments.
- Following the ECB's vulnerability assessment, the Bank of England released its own Covid-sensitivity analysis of the UK banking system. The report reiterated what it believes to be an adequate level of capitalization for the banks despite the significant level of provisioning taken by the system in H1-20 – i.e. £18bn or 6 times the amount booked for the same period in 2019. Interestingly, the report also suggested a temporary change might be needed to the automatic restrictions of discretionary items, which we read as a potential favorable and flexible ruling on banks' ability to pay AT1 coupons in a worst case scenario.
- Primary activity picked-up into month-end as banks exited blackout periods. Issues were aimed at filling Pillar 2R's AT1 and Tier 2 buckets ex. Art 104a, in an effort to optimize capital buffers (i.e. the MDA headroom). Barclays, and CS each issued a \$1.5bn AT1, while BNP and Natwest came with two Tier 2 deals worth an overall \$2.35bn. Meanwhile, banks remain committed to filling their MREL requirements through issues of senior. New deals came at broadly attractive levels and advanced on robust primary demand. We expect this trend to continue for the foreseeable future as capital securities remain mispriced with risk-reward uniquely valuable in the global credit space.

Contact Us

Call: +44 (0) 203 196 2450
Email: algebrisIR@algebris.com
Visit: www.algebris.com



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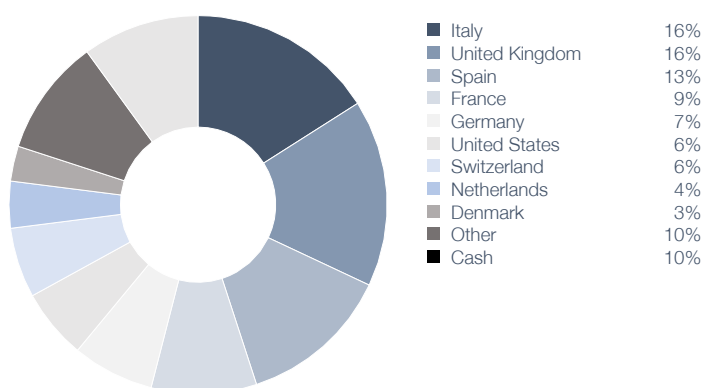
August 2020

Top 10 Bond Issuers by Exposure

Name	Total	Name	Total
Unicredit	7%	BNP Paribas	5%
BBVA	6%	Credit Agricole	4%
Barclays	6%	Santander	4%
Intesa Sanpaolo	6%	Natwest	4%
Credit Suisse	6%	Commerzbank	4%

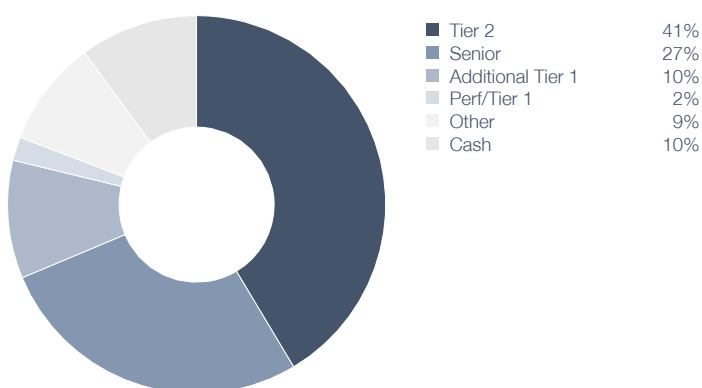
Note: Figures are rounded to the nearest percentage point. Excludes exposure to collective investment schemes and derivatives.
Source: Algebris (UK) Limited

Country Exposure



Allocation may not add up to 100% due to rounding. Excludes bond futures used for hedging duration and index options. "Other" includes exposure to a collective investment scheme invested in subordinated financial debt.
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. "Other" includes exposure to a collective investment scheme invested in subordinated financial debt.
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 27 investment professionals and manages EUR 12.2bn AUM (inclusive of committed capital), split between credit and equity investments (data as of 31.08.2020).

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Contact Us

London
Algebris (UK) Limited
4th Floor,
1 St James's Market
London SW1Y 4AH

Singapore
Algebris Investments
(Asia) Pte. Ltd
9 Straits View, #05-08
Marina One West Tower
Singapore 018937

Boston
Algebris Investments (US) Inc.
699 Boylston Street
Boston MA 02116
United States of America

Milan
Algebris (UK) Limited -
Milan Branch
Via Fatebenefratelli 10
20121 Milano, Italy

Luxembourg
Algebris Investments
(Luxembourg) S.a.r.l.
40 Avenue Monterey
L-2163 Luxembourg

Tokyo
Algebris Investments K.K.
JA Building 12F, 1-3-1
Otemachi, Chiyoda-ku
Tokyo 100-0004 Japan

Tel: +44 (0) 203 196 2450
Email: algebrislR@algebris.com
Visit: www.algebris.com



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Fund Details				
Share Classes			Identifiers	
Class	Currency	Minimum Initial Investment	ISIN	BBG ticker
I	EUR	€ 500 000	IE00BK1KH528	ALIFIEU ID
	GBP	GBP equivalent of €500,000	IE00BK1KH742	ALIFIG ID
	USD	USD equivalent of €500,000	IE00BK1KHB84	ALIFCIU ID
	CHF	CHF equivalent of €500,000	IE00BK1KH965	ALIFICH ID
	SGD	SGD equivalent of €500,000	IE00BK1KHD09	ALIFISG ID
	HKD	HKD equivalent of €500,000	IE00BK1KHJ60	ALIFCAI ID
	JPY	JPY equivalent of €500,000	IE00BK1KHG30	ALIFCJ ID
Id	EUR	€ 500 000	IE00BK1KH635	ALIFCIE ID
	GBP	GBP equivalent of €500,000	IE00BK1KH858	ALIFIGB ID
	USD	USD equivalent of €500,000	IE00BK1KHC91	ALIFIDU ID
	CHF	CHF equivalent of €500,000	IE00BK1KW246	ALIFCIC ID
	SGD	SGD equivalent of €500,000	IE00BK1KHF23	ALIFCIS ID
	HKD	HKD equivalent of €500,000	IE00BK1KHK75	ALIFCIH ID
	JPY	JPY equivalent of €500,000	IE00BK1KHH47	ALIFJJP ID
R	EUR	€ 10 000	IE00BK1KHL82	ALIFCRE ID
	GBP	GBP equivalent of €10,000	IE00BK1KHN07	ALIFCRG ID
	USD	USD equivalent of €10,000	IE00BK1KHS51	ALIFCRU ID
	CHF	CHF equivalent of €10,000	IE00BK1KHQ38	ALIFCRC ID
	SGD	SGD equivalent of €10,000	IE00BK1KHV80	ALIFRSG ID
	HKD	HKD equivalent of €10,000	IE00BK1KG884	ALIFCRH ID
	JPY	JPY equivalent of €10,000	IE00BK1KH005	ALIFCRJ ID
Rd	EUR	€ 10 000	IE00BK1KHM99	ALIFREU ID
	GBP	GBP equivalent of €10,000	IE00BK1KHP21	ALIFRGP ID
	USD	USD equivalent of €10,000	IE00BK1KHT68	ALIFRUS ID
	CHF	CHF equivalent of €10,000	IE00BK1KHR45	ALIFRCH ID
	SGD	SGD equivalent of €10,000	IE00BK1KH097	ALIFCRS ID
	HKD	HKD equivalent of €10,000	IE00BK1KG991	ALIFRHK ID
	JPY	JPY equivalent of €10,000	IE00BK1KH012	ALIFRJP ID

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Prospective investors must review the Fund Documents, including the risk factors, before making a decision to invest and should rely only on the information contained in the Fund Documents in making their investment decision and where necessary consult an advisor.

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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.