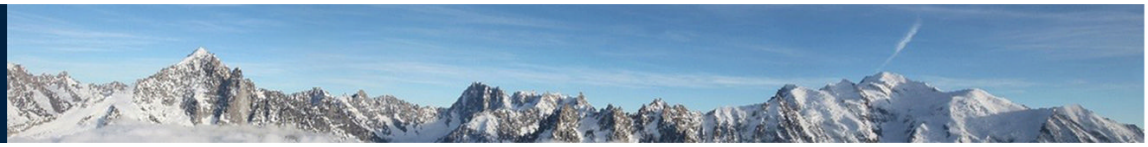

Algebris IG Financial Credit Fund (UCITS)

B EUR (Accumulating)

December 2020

Terms

Size (€): 504m

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 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

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	98/35
Effective Duration	4.6 yrs
Avg. Credit Rating	BBB+
Current Yield (Gross)	3.0%
Yield to Worst (Gross)	2.0%

Note: Avg. Credit Rating is calculated using internal methodology based on major agency ratings and includes all rated bonds, liquidity funds, collective investment schemes and cash.
Source: Bloomberg LP, Algebris Investments

Performance Analytics

Return Since Inception	11.0%
Annualised Return	9.5%
Annualised Volatility	7.3%
Sharpe Ratio	1.3

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

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	-0.33	0.27	3.69	1.04	10.25

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, Morningstar

Commentary

- Greater clarity and in some cases closure around potential headwinds provided ongoing support for a broad-based risk assets rally in December. On the pandemic front, there was better than expected efficacy metrics from various vaccines and their subsequent approvals, as well as reinforced commitment from leading Central Banks to do whatever is necessary and the EU-27s agreement on the European Resolution Fund to further mitigate economic malaise. These factors, along with Biden winning the White House race and a Brexit resolution that averted a No Deal, contributed to a better tone across markets.
- Rates were largely unchanged throughout December apart from a few exceptions in Europe's periphery (rallied on average 5-10bps versus Germany), the UK (increasing talk of negative rates), and the US (pending outcome of Georgia's Senate elections). The rate stability fomented credit spreads to grind tighter, by 5-15bps in Financials, with the capital structure compressing more across T2s and Seniors. AT1s gained on average 50c in December, taking their YTD total return performance to c6%. European bank equities closed flat in December, underperforming broader indices as the ECB reiterated its strict stance on shareholder payouts, requesting all banks it supervises to avoid declaring new dividends or performing buybacks until September 2021. In addition, FY20 dividends that have already been declared by European banks will be capped at the lower of 15% of 2019-20 cumulative profits or 20bps of CET1, a slightly tighter threshold than that of the UK's PRA. The ECB's more conservative stance is in stark contrast to that of the UK, US, and Switzerland where dividend bans for FY21 are currently non-existent.
- On the European banking front, the year ended with the shareholder approval of a couple of M&A deals, namely Intesa / UBI and CaixaBank / Bankia, while Unicaja and Liberbank finally agreed terms in a merger process that was initially contemplated a couple of years ago and then revamped earlier this year. We expect this vein of internal domestic consolidation to continue into next year as less critically significant entities struggle to meet their ongoing cost of capital hurdles and in light of the incentives to M&A offered by regulators. This should become more evident during the first half of 2021 as spreads remain under pressure from low rates, ongoing creditor unwillingness to increase borrowing due to economic uncertainty, and moratoria roll-off leading to a potential pick-up in asset quality deterioration.
- Issuance in December by leading European banks was in line with the average of the previous couple of Decembers at around EUR15bn. The mix, however, was different with c35% in capital instruments, split evenly between dated and perpetual subordinated securities, compared with just c5% in 2018 and 2019. In all instances, issuers took advantage of robust market conditions to pre-fund some of their 2021 requirements; in the case of HSBC, it marked its re-access of the AT1 space after a 2-year hiatus. A further EUR6bn MREL-eligible Seniors were issued in December, pushing the annual total to over EUR155bn, or c55% of all European banks' issuance we track and c10% higher in share terms than 2019's issuance. With the end of the holiday season, we expect primary to ramp-up across the entire capital structure.

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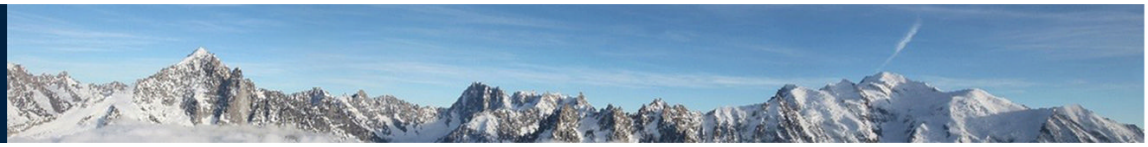


Algebris IG Financial Credit Fund (UCITS)

B EUR (Accumulating)

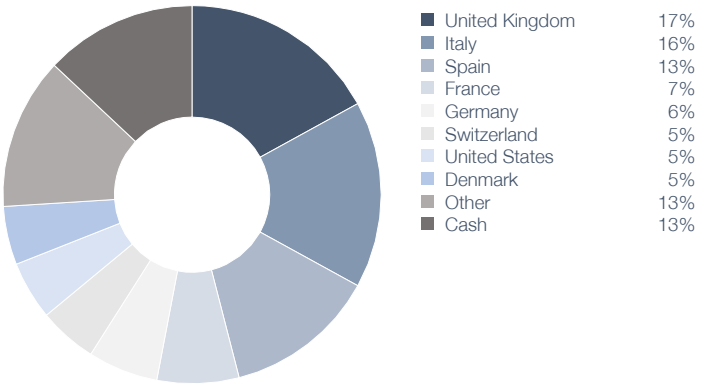
December 2020

Top 10 Bond Issuers by Exposure

Name	Total	Name	Total
Unicredit	7%	Danske Bank	5%
Intesa Sanpaolo	7%	Natwest	4%
Barclays	7%	Santander	4%
Credit Suisse	5%	BBVA	4%
Caixabank	5%	Deutsche Bank	4%

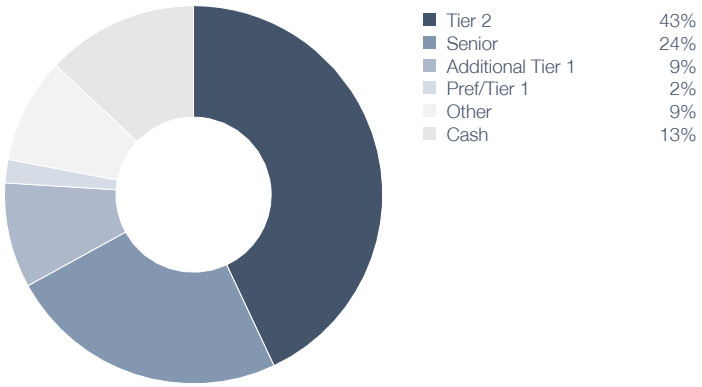
Note: Figures are rounded to the nearest percentage point. Excludes exposure to collective investment schemes and derivatives.
Source: Algebris Investments

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 Investments

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 Investments

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 28 investment professionals and manages EUR 14.3bn AUM (inclusive of committed capital), split between credit and equity investments (data as of 31.12.2020).

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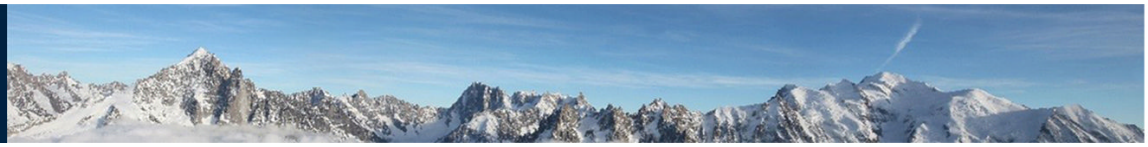

Algebris IG Financial Credit Fund (UCITS)

B EUR (Accumulating)

December 2020

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	ALIFCIG 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	ALIFCIJ 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	ALIFIJP 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	IE00BK1KHX05	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	IE00BK1KHW97	ALIFCRS ID
	HKD	HKD equivalent of €10,000	IE00BK1KG991	ALIFRHK ID
	JPY	JPY equivalent of €10,000	IE00BK1KHY12	ALIFRJP ID

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