



# Algebris Macro Credit Fund (UCITS)

I EUR (Accumulating)

December 2018

Terms	
Size (€):	704m
Fund Inception:	19 July 2016
Fund Domicile:	Ireland
Fund Base Currency:	EUR
Dealing Frequency:	Daily
ISIN:	IE00BYT35D51
Management Fee:	0.9%
Incentive Fee:	15%

Portfolio Characteristics		
	Bond Portfolio	Total Portfolio
Yield to Maturity	6.5%	9.3%
Yield to Call	6.7%	9.5%
Effective Duration	3.6 yrs	5.0 yrs
Average Rating	B+	B+
No. of Issuers	86	94/94*

Performance Analytics	
Return Since Inception	-4.7%
Annualised Return	-2.1%
Annualised Volatility	6.4%
Sharpe Ratio	-0.3
2018 Annual Distribution	2.2%

Note: Position ratings are calculated using the average of S&P, Moody's and Fitch ratings, excluding non-rated securities and cash equivalent government debt (e.g. U.S. T-Bills). Duration is based on Bloomberg "mid duration". Bond Portfolio includes only cash bonds. Total Portfolio includes bonds, interest rate futures, interest rate swaps, interest rate options (beta-adjusted for duration calculation) and credit default derivatives. \*Includes equities.  
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 15bps). 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: 22 September 2016  
Source: HSBC Securities Services (Ireland) DAC, Morningstar

**Fund Objective**

The Algebris Macro Credit Fund aims to generate attractive risk-adjusted returns across sovereign, bank and corporate debt globally, hedging macro risks and optimising diversification and liquidity.

The Fund adopts a multi-strategy, flexible approach, and has the ability to take long and short positions, employ prudent leverage and use derivatives where appropriate.

Performance History (Net) % - I EUR (Accumulating)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2016									-0.29	2.05	-0.16	0.50	2.10
2017	2.27	-2.10	1.26	2.13	0.26	-2.03	0.97	0.14	-0.40	3.18	0.06	1.70	7.56
2018	2.80	-3.22	-0.37	0.40	-3.99	-1.65	0.16	-0.96	0.22	-2.88	-4.12	-0.22	-13.19

Note: Returns are net of management fees, incentive fees and operating expenses but exclude ADL (Anti-Dilution Levy – Currently 15bps). 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

Top 5 Strategies (% Contribution to VaR)		
Rank	Strategy	%
1	Additional Tier 1	63%
2	HY/Special Situations	14%
3	EM Sovereigns/Corporates	11%
4	Financial Sub Debt	8%
5	Equities	2%

Top 5 Countries (% Contribution to VaR)		
Rank	Country	%
1	Spain	36%
2	Italy	30%
3	United Kingdom	7%
4	United States	6%
5	Argentina	4%

VaR Assumptions: 99% confidence interval, 1-month holding period, 2 years of historical data. Source: StatPro Group plc, Algebris (UK) Limited

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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%.

## Commentary

**How we did in December:** the fund performance was broadly flat, amidst a weak market environment (SPX -8.9%, SX5E -5.4%, SX7E -10.1%, EUR HY BAML Index (HE00 Index) at -0.4%, US HY BAML Index (HOA0 Index) at -2.2%, EM Bonds (EMGB Index) at 1.3%).

During the month, the selloff in corporate bonds amid low trading liquidity and increasing trade fears continued. However, the fund more than recovered losses in credit with bearish risk trades in equity and treasury bonds.

**What we are doing now:** we think corporate and bank bonds offer a clear investment opportunity. We were early in getting long in 2018, and did not sell as much as we should have in Q1. Today, however, credit spreads are pricing a strong decline in growth, especially in Europe, with levels close to 2016 – when ISM, oil prices and PMIs were a lot lower. In part, this is due to the presence of binary events which will affect the economy and remain uncertain – the Brexit negotiations and the US-China trade deal.

Our view for 2019 remains one of persistent volatility due to populism, but without a recession, as we discussed in our latest Silver Bullet ([The Silver Bullet | 2019: Populism and Volatility, But No Recession](#)). The pre-conditions for a recession – an overheating of the cycle followed by tighter monetary policy and/or financial debt overhangs – are still absent. The Federal Reserve has already showed it is more sensitive to market movements, as from the [latest discussions by Chair Powell](#), and the recent panel with former Chairs Yellen and Bernanke. The PBOC has also recently lowered its reserve requirement. We expect the ECB to recognise that the balance of risks has shifted to the downside. Against this backdrop, debt overhangs have grown across sovereigns and some corporates, particularly in the US, but consumer leverage, bank balance sheets and leverage across European corporates remain stable.

Away from credit, we have taken profits on our longs in rates, but we remain biased to receive long-end duration in U.S. Treasuries, given the imminent pause or end in the Fed's hike cycle. We still think the ECB is likely to make one or two "technical" normalisation hikes towards year-end and in 2020, to bring the deposit rate back to zero. We continue to be short risk in equities since Q3 2018, focusing on high leverage and EM-exposed stocks in the US and Europe.

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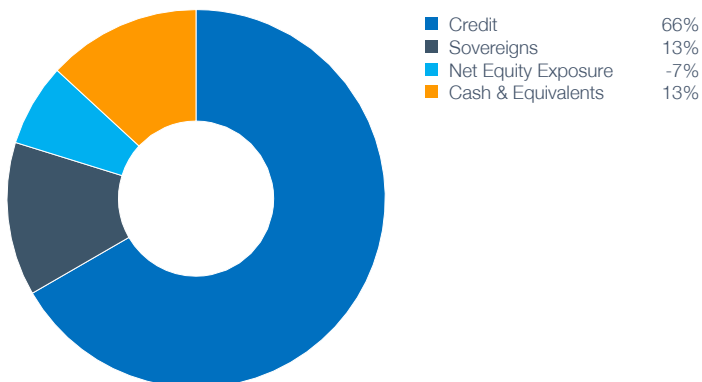
December 2018

## Performance since Fund Inception



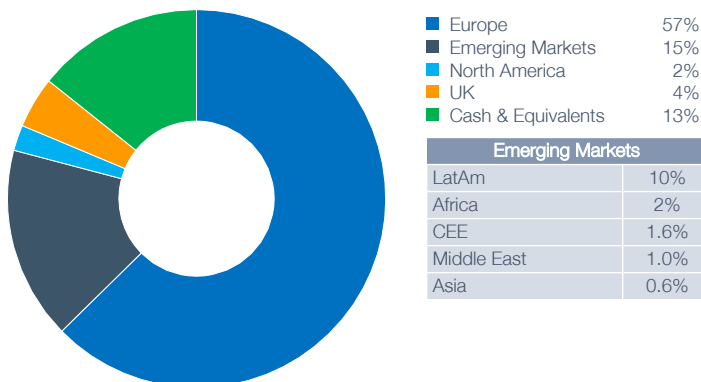
Performance is net of admin, management and incentive fees and includes ADL (Anti Dilution Levy – Currently 15bps). The actual price at which an investor subscribes or redeems shares in the fund will vary, depending on the swung price based on the ADL applied on the day in question. Further information is contained in the Prospectus. Past performance is not a guarantee of future results. Source: HSBC Securities Services (Ireland) DAC, Algebris (UK) Limited

## Asset Allocation (Cash Portfolio)



Exposure as a % of AUM. Excludes derivatives, except for Net Equity Exposure. Source: Algebris (UK) Limited, Bloomberg LP

## Allocation by Geography (Bond Portfolio)



Exposure as a % of AUM. Excludes derivatives. Source: Algebris (UK) Limited, Bloomberg LP

## Sector Breakdown (Bond Portfolio)

Sector	%
<b>Sovereigns</b>	<b>13.0%</b>
Developed Markets Investment Grade Sovereigns	2.1%
Developed Markets High Yield Sovereigns	0.0%
Emerging Markets Sovereigns	10.9%
<b>Corporates</b>	<b>17.1%</b>
Oil & Gas	2.8%
Telecommunications	2.2%
Others	12.1%
<b>Financials</b>	<b>49.1%</b>
Banks	45.4%
Others	3.6%

Exposure as a % of AUM. Excludes derivatives. Source: Algebris (UK) Limited, Bloomberg LP

## Top 10 Holdings by Issuer (Bond Portfolio)

Issuer	%
UniCredit	8.0%
Intesa	6.9%
CaixaBank	5.4%
Banco Sabadell	5.3%
Republic Of Argentina (excludes 3.1% CDS notional hedge)	5.2%
Banco Santander	4.6%
BBVA	3.1%
Republic Of Italy	2.1%
Garfunkelux Holdco	1.9%
Republic Of Ecuador	1.8%

Exposure as a % of AUM. Excludes derivatives. Source: Algebris (UK) Limited, Bloomberg LP

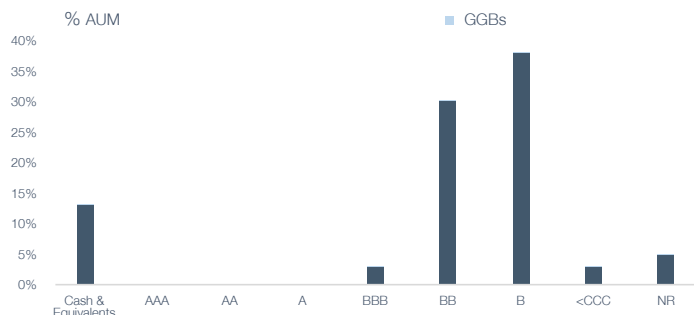


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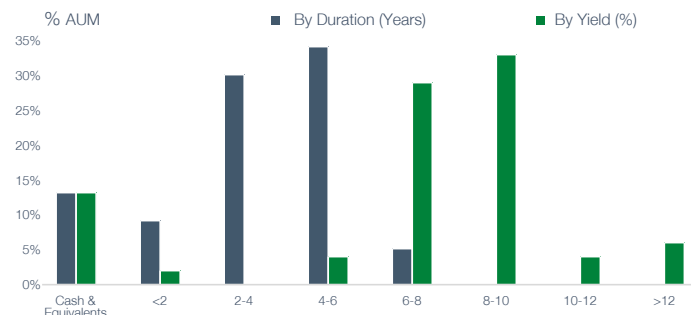
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## Ratings Distribution (Bond Portfolio)



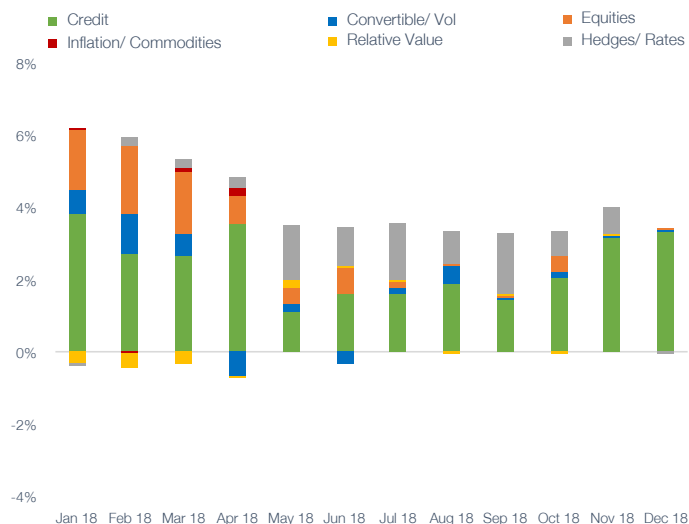
Exposure as a % of AUM. Excludes derivatives. GGBs – Greek Government Bonds. Ratings calculated using the average of S&P, Moody's and Fitch ratings. Source: Bloomberg LP, Algebris (UK) Limited

## Yield and Duration Distribution (Bond Portfolio)



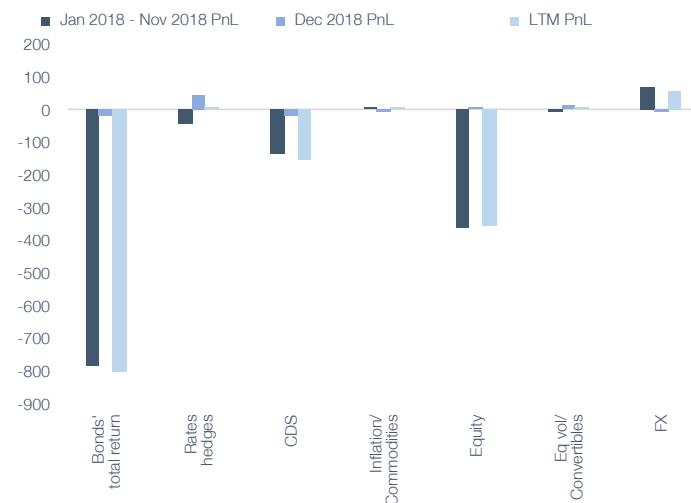
Exposure as a % of AUM. Excludes derivatives. Source: Algebris (UK) Limited, Bloomberg LP

## 1-Month VaR - Contribution by Strategy (Last 12 Months)



VaR Assumptions: 99% confidence interval, 1-month holding period, 2 years of historical data. Source: StatPro Group plc, Algebris (UK) Limited

## PnL by Strategy (Last 12 Months)



PnL as % of average AUM during the period, in bps. Gross of fees and expenses. LTM – Last Twelve Months. Source: Bloomberg LP, 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 26 investment professionals and manages EUR 10.5bn AUM (inclusive of committed capital), split between credit and equity investments (data as of 31.12.2018).

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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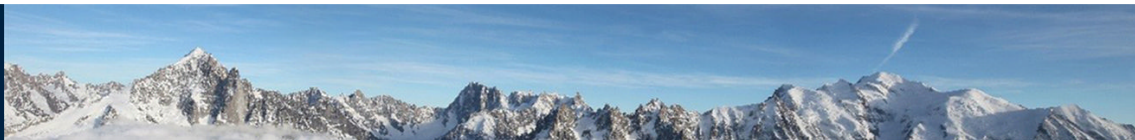
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Fund Details				
Share Classes			Identifiers	
Class	Currency	Minimum Initial Investment	ISIN	BBG ticker
I	EUR	€500,000	IE00BYT35D51	SLVBTE ID
	GBP	GBP equivalent of €500,000	IE00BYT35N59	SLVBTI ID
	USD	USD equivalent of €500,000	IE00BYT35S05	SLVBTIU ID
	CHF	CHF equivalent of €500,000	IE00BYT35Q80	SLVBTC ID
	SGD	SGD equivalent of €500,000	IE00BYT35V34	SLVBTS ID
	JPY	JPY equivalent of €500,000	IE00BD71VP87	ALGMCIJ ID
Id	EUR	€500,000	IE00BYT35F75	SLVBIDE ID
	GBP	GBP equivalent of €500,000	IE00BYT35P73	SLVBIDG ID
	USD	USD equivalent of €500,000	IE00BYT35T12	SLVBIDU ID
	CHF	CHF equivalent of €500,000	IE00BYT35R97	SLVBIDC ID
	SGD	SGD equivalent of €500,000	IE00BYT35W41	SLVBIDS ID
	JPY	JPY equivalent of €500,000	IE00BD71VQ94	ALMCIDJ ID
R	EUR	€10,000	IE00BYT35X57	SLVBTRE ID
	GBP	GBP equivalent of €10,000	IE00BYT35Z71	SLVBTRG ID
	USD	USD equivalent of €10,000	IE00BYT37C84	SLVBTRU ID
	CHF	CHF equivalent of €10,000	IE00BYT36101	SLVBTRC ID
	SGD	SGD equivalent of €10,000	IE00BYT3MH83	SLVBTRS ID
	JPY	JPY equivalent of €10,000	IE00BD71VR02	ALGMCRJ ID
Rd	EUR	€10,000	IE00BYT35Y64	SLVBRDE ID
	GBP	GBP equivalent of €10,000	IE00BYT36093	SLVBRDG ID
	USD	USD equivalent of €10,000	IE00BYT3MG76	SLVBRDU ID
	CHF	CHF equivalent of €10,000	IE00BYT36M18	SLVBRDC ID
	SGD	SGD equivalent of €10,000	IE00BYT3MJ08	SLVBRDS ID
	JPY	JPY equivalent of €10,000	IE00BD71VS19	ALMCRDJ 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 ("CoCos"). CoCos 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 CoCos may fluctuate. Additional risk factors associated with CoCos 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, Affolternstrasse 56, CH-8050 Zurich, whilst the Paying agent is Vontobel Ltd, Gotthardstrasse 43, CH-8022 Zürich. 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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