

# Part 2 of Form ADV Brochure Document

**Algebris Investments (US) Inc.**  
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This brochure provides information about the qualifications and business practices of Algebris Investments (US) Inc. ("Algebris Inc."). If you have any questions about the contents of this brochure, please contact us at: 857 305 3704. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

## Material Changes

This brochure contains important information about Algebris Inc. It was updated in September 2014 to include information on “Cross Transactions” in the “Brokerage Practices” section of this brochure. There have been no other material changes since its adoption.

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## **Advisory Business**

Algebris Inc. was incorporated in August 2009 under the laws of Delaware and is wholly owned by Algebris Investments Limited. Algebris Investments Limited is wholly owned by Algebris Investments (Luxembourg) SARL, which is primarily owned by Messrs. Davide Serra.

Algebris Inc. is in common ownership with Algebris Investments (UK) LLP and Algebris (UK) Limited (collectively “Algebris UK”). Algebris Inc. and Algebris UK are hereinafter collectively referred to as “Algebris” or the “Company”. Both Algebris UK entities are authorised and regulated by the UK’s Financial Conduct Authority and are also an SEC-registered Investment Adviser and an Exempt Reporting Adviser accordingly. Algebris UK’s sole office is located in London, it has no presence in the US. Algebris Inc. is a sub-advisor to Algebris UK, which provides investment advisory services to various pooled investment vehicles.

Algebris provides investment advisory services to various pooled investment vehicles (the “Funds” or the “Clients”) on a discretionary and, in some instances, non-discretionary basis with a focus on the global financial services sector. As of December 31, 2016, Algebris managed approximately \$6.3 billion on a discretionary basis. Algebris Inc. intends to co-manage \$6.3 billion of this on a discretionary basis.

With respect to the Funds, Algebris manages assets in accordance with the investment objectives and restrictions set forth in the governing documents applicable to each Fund. The individual needs of the investors in the Funds are not the basis of investment decisions. Investment advice is provided directly to the Funds and not individually to the Funds’ investors.

## **Fees and Compensation**

Algebris Inc. is compensated by Algebris UK. All fees paid by Algebris UK to Algebris Inc. are paid by Algebris UK directly and not by any Clients.

The compensation Algebris UK receives from the Funds is comprised of a management fee based on a percentage of assets under management, as well as a performance-based fee (i.e., a fee based on a share of capital gains on or capital appreciation of the assets under management). Management fees range between 0.25% and 2% per annum, depending on the share class or series of the Fund and the amount invested, and are typically paid monthly in arrears. Performance fees range between 0% and 20% of net profits and are typically paid quarterly or annually. Algebris waives fees for Company employees, members, and affiliates. Additionally, certain initial, or “seed,” investors in a Fund may pay lower fee rates than those available to subsequent investors.

In addition to the management and performance fees discussed above, the Funds are responsible for the payment of administration, brokerage, and custodial fees, as well as their own operating costs. Such costs include those relating to, amongst other things: (1) the charges and expenses of legal advisers, auditors, and consultants; (2) borrowing and trading costs; (3) taxes and corporate fees payable to governments or agencies; (4) directors’ fees; (5) preparing, printing, and distributing financial and other reports; and (6) insurance. In addition, an initial sales fee is

charged with respect to certain share classes in the UCITS Funds. A complete description of fees and expenses applicable to each Fund is available in Fund offering documents.

## **Performance-Based Fees and Side-by-Side Management**

Performance-based fees may create an incentive for Algebris to make investments that are riskier or more speculative than would be the case in the absence of a performance fee. Since the performance fees charged to each Fund are based on both realized and unrealized gains, the Company may receive a performance allocation reflecting unrealized gains at the end of a period that are not subsequently recognized by the Fund. In addition, Algebris may have an incentive to favor certain Clients from which the Company receives a higher performance fee. This risk is mitigated by the implementation of detailed allocation procedures and the ongoing review of Fund portfolios by investment and compliance personnel.

## **Types of Clients**

Algebris provides investment advisory services to various collective investment vehicles.

Subject to the discretion of Algebris to accept less, the minimum Fund investment ranges between US\$10,000 and US\$5 million, depending on the Fund and share class invested in. Although the Company has the authority to accept a lesser amount, the minimum investment for a separately managed account is generally US\$50 million.

## **Methods of Analysis, Investment Strategies, and Risk of Loss**

### *Methods of Analysis and Investment Strategies*

Algebris seeks to take advantage of any mispricing opportunities of companies in the global financial services industry through a systematic fundamental analysis and assessment of a company's intrinsic value. The strategy also tries to exploit mispricing that arises as a result of operational or structural changes in a company or a change in the macroeconomic, capital markets, or industry sector environments within which a company operates. These changes can significantly affect the short, medium, and/or long-term growth prospects, economic return, and risk profile of a company and thereby substantially impact its intrinsic value. As such, Algebris will typically seek to take either long or short positions in equity and debt securities of companies exhibiting one or more of the following characteristics:

1. Change in revenue growth prospects;
2. Change in projected operating expenses;
3. Change in balance sheet quality;
4. Speculation regarding a possible sale, disposal, or acquisition;
5. Change in execution capability and/or strategic direction due to a change in management;
6. Change in capital discipline;
7. Change in regulation;

8. A change in overall risk appetite; or
9. A change in valuation methodology.

Algebris seeks to take long positions in securities when it believes that the market price of a security is below its estimated intrinsic value and take short positions in securities (typically through derivatives) when the market price of a security is above its estimated intrinsic value.

Algebris constructs broad-based portfolios, which are represented by companies in some or all of the following financial sub-sectors, but always dependent on any investment restrictions set out in the Funds offering documents: banks, insurance companies, real estate investment trusts (“REITs”), asset managers, broker-dealers, diversified financial services providers, companies that derive a significant proportion of their total revenues as suppliers to financial services and real estate companies, and companies that depend on the provision of financial services for the sale of their core products. Algebris invests in a wide range of instruments, including, but not limited to: listed and unlisted equities, debt securities (both investment and non-investment grade), promissory notes, GDRs and ADRs, options (including uncovered options), warrants, equity swaps, contract for differences, futures, credit derivatives and other derivative instruments. Derivatives may be used for investment as well as hedging purposes. The Funds may engage in short sales of securities and may also retain amounts in cash or cash-equivalents, as considered appropriate.

#### ***Risks of Loss***

Investing in securities involves the risk of loss that Clients and investors should be prepared to bear. An investment in a Fund should only be made after consultation with independent qualified sources of investment and tax advice. No guarantee or representation is made that a Fund’s investment program will be successful and performance could be negatively impacted by a number of risks, including, but not limited to:

1. **Liquidity** – Certain markets may have a relatively low volume of trading. Securities of companies in such markets may also be less liquid and more volatile than securities of comparable companies elsewhere.
2. **Legal and Political Risk** – Many of the laws that govern private and foreign investment, equity securities transactions, and other contractual relationships in certain countries, particularly in developing countries, are new and largely untested. As a result, a Client may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets, and lack of enforcement of existing regulations.
3. **Derivatives** – The Funds may make use of various derivative instruments, such as convertible securities, options, futures, forwards, and interest rate, credit default, total return, and equity swaps. The use of derivative instruments involves a variety of risks, including the extremely high degree of leverage sometimes embedded in such instruments. The derivatives markets are frequently characterized by limited liquidity, which can make

it difficult as well as costly to close out open positions in order either to realize gains or to limit losses.

4. **Counterparty (Credit) Risk** – The Funds may enter into transactions in OTC markets whereby the Funds will be exposed to the risk that the counterparty may default on its obligations to perform under the relevant contract. In the event of a bankruptcy or insolvency of a counterparty, a Fund could experience delays in liquidating the position and may incur significant losses.
5. **International Investing** – Investing outside the United States may involve greater risks than investing in the United States. These risks include: (i) less publicly-available information; (ii) varying levels of governmental regulation and supervision; and (iii) the difficulty of enforcing legal rights in a non-U.S. jurisdiction and uncertainties as to the status, interpretation, and application of laws.
6. **Emerging and Frontier Markets** – An investment in emerging and frontier market securities involves a greater degree of risk than an investment in securities of issuers based in developed countries. Among other things, emerging and frontier market securities investments may carry the risks of less publicly-available information, more volatile markets, less strict securities market regulation, less favorable tax provisions, and a greater likelihood of severe inflation, unstable currency, war, and expropriation of personal property than investments in securities of issuers based in developed countries.
7. **Short Sales** – Short selling involves selling securities which are not owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Fund of buying those securities to cover the short position.

Investors should refer to Fund offering documents for a complete description of the risks involved in a Fund investment.

## **Disciplinary Information**

Algebris and its management personnel have not been involved in any legal or disciplinary events that would be material to a Client or investor's evaluation of the Company or its management personnel.

## **Other Financial Industry Activities and Affiliations**

### ***Pooled Investment Vehicles***

Certain of the Funds (or their sub-funds or feeders) are U.S. limited partnerships that are controlled by affiliated General Partner entities (the "GP Entities"). Algebris or the GP Entities will be responsible for decisions regarding such Funds and shall have full discretion over the

management of such Funds' investment activities. Any persons acting on behalf of the GP Entities are subject to the supervision and control of Algebris.

#### ***Other Investment Advisers***

Algebris Investments (Asia) PTE Ltd (the "Singapore Office") is under common ownership with Algebris Inc. and Algebris UK. The Singapore Office is registered as a Fund Management Company with the Monetary Authority of Singapore. It provides research and advisory services to Algebris UK pursuant to a written sub-advisory agreement. The Singapore Office does not provide services to anyone other than Algebris UK. All fees paid to the Singapore Offices are paid by Algebris directly and not by any Clients.

#### ***Group Service Providers***

Algebris Italy (the "Milan Office") is under common ownership with Algebris Inc. and Algebris UK. It does not perform any regulated activities, and acts solely as an adviser to Algebris UK.

## **Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading**

#### ***Code of Ethics and Personal Securities Transactions***

Algebris permits its employees to engage, on a limited basis, in personal securities transactions. To avoid any potential conflicts of interest involving personal trades, Algebris has adopted a Code of Ethics. The Code of Ethics addresses, among other things, insider trading, information barriers, and personal securities transactions and requires employees to adhere to the following principles:

1. The interests of Clients must take precedence over those of employees;
2. All personal securities transactions must be conducted in a manner consistent with applicable laws and must avoid any actual or potential conflicts of interest or any abuse of a position of trust and responsibility;
3. Employees may not take inappropriate advantage of their position at Algebris; and
4. Information about Clients, portfolio holdings, and investment recommendations must be kept confidential.

In all cases, Clients' interests are paramount and take priority over employees' interests. Employees must not effect transactions that could involve them in a conflict between their own interests and that of a Client.

The Code of Ethics governs personal trading activities by employees and their immediate family members. Specifically, the Code of Ethics requires employees to pre-clear certain personal

securities transactions, report all personal trades on at least a quarterly basis, and provide initial and annual holdings reports. In addition, if Algebris partners and employees wish to obtain equity or credit exposure to Financial issuers, they should achieve this through investment into a fund managed by Algebris, or through mutual funds, and not by way of direct investment into financial instruments.

The Compliance Department monitors employees' personal trading activity to ensure that transactions have been executed in accordance with the Code of Ethics and relevant rules and regulations. A copy of the Company's Code of Ethics is available to Clients, investors, and prospective Clients and investors upon request.

### ***Participation or Interest in Client Transactions***

Algebris does not engage in principal trades. However, Algebris, its employees, and other related entities may have an ownership interest in certain Funds in which other Funds may invest (e.g., feeder funds will invest in a master fund for which an affiliate of Algebris serves as managing member).

Employees are not permitted to invest in securities that may also be held in Client portfolios. The Company has adopted policies and procedures to ensure that employees do not front run Clients or otherwise engage in activities that would or could be perceived as market abuse.

## **Brokerage Practices**

Algebris considers the following factors in selecting broker-dealers for Fund transactions and determining the reasonableness of their compensation:

1. Knowledge of the security and/or market,
2. Ability to deal at the best price,
3. Execution efficiency,
4. Credit standing and reputation,
5. Value of research, and
6. Quality of access to corporates.

Although Algebris seeks competitive commission rates, it will not necessarily pay the lowest commission rate available. Transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions than would be the case for more routine services.

Algebris does not accept any research or products other than execution from a broker-dealer or a third party in connection with Client securities transactions unless: (1) the research or product received relates to the execution of the trade or the provision of research, (2) will assist the Company in the provision of its services to its Clients, and (3) is not likely to conflict with its duty to act in the best interests of Clients.

Algebris has entered into commission sharing arrangements ("CSAs") with several broker-dealers. CSAs are generally understood to be those where products or services other than the execution of



securities transactions are obtained by an investment adviser from a broker-dealer in exchange for the direction of client brokerage transactions by the investment adviser to the broker-dealer. Algebris intends to comply with the “safe harbor” provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, which permits the use of CSAs to obtain brokerage and research services that provide lawful and appropriate assistance to the investment adviser in the performance of its investment decision-making responsibilities.

The products and services Algebris obtains from broker-dealers in exchange for commissions include internally-generated items (e.g., proprietary research reports prepared by a broker-dealer), as well as items acquired by the broker-dealer from third parties (e.g., research prepared by third-party research firms). Research services include written information and analyses concerning specific securities, companies, or sectors; market, financial, and economic studies and forecasts; discussions with research personnel; and services utilized in the investment management process. Brokerage services may include, but are not limited to execution, clearance, and settlement.

Investment research and brokerage services received through CSAs may be used by the Company in servicing various Clients, and not all such services will necessarily benefit all Clients. In addition, investment research and brokerage services received through CSAs may benefit Clients whose brokerage commissions did not generate the soft dollars used to pay for such services.

Relationships with broker-dealers providing research products and services may influence Algebris’ judgment in allocating brokerage business, and may create a conflict of interest in using the services of these broker-dealers to execute securities transactions for Clients. While Algebris believes these relationships are beneficial, selecting broker-dealers on the basis of considerations other than applicable commissions may at times result in higher transaction costs than would otherwise be the case. However, at all times, the broker-dealers are subject to the requirement to provide Algebris’ clients with ‘Best Execution’.

### ***Trade Aggregation***

Orders for the same security entered on behalf of more than one Fund will usually be aggregated (i.e., blocked or bunched) as this is deemed to be in the best interests of all participating Funds. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders for the same security for the same account(s) will not be aggregated with any previously filled orders. All Funds participating in an aggregated order shall receive the average price and pay a pro rata portion of transaction costs.

The allocation of securities across Fund accounts will be determined prior to execution and will be based on various factors, including: account size, diversification, cash availability, and investment strategy. In the event an order is partially filled, Algebris shall seek to ensure that each account gets a pro rata allocation based on its initial allocation.

### ***Cross transactions***

As a result of subscriptions or withdrawals and the changes in the value of the assets of the various Funds or accounts managed by Algebris in any month, the Company may adjust, to the

extent practicable, the exposure levels in the respective Funds which may follow the same, or similar, investment strategies to instruments in their respective portfolio at the beginning of each month in order to maintain the exposures deemed most appropriate by Algebris.

Such adjustments may be effected by purchases and sales in the market or by a transfer from one or more Funds to other Funds (a "Cross-Transaction"). A Cross-Transaction may be effected if Algebris determines the transaction to be in the best interests (and consistent with the investment program, risk management and other relevant considerations) of the affected Funds. Generally, the relevant asset will be transferred at a price equal to its market price on the transfer date, as determined by either the market on the relevant day, or by the administrator to the Funds involved.

## **Review of Accounts**

Generally, Client accounts are reviewed on a continuous basis by investment personnel. These reviews are designed to monitor and analyze Client transactions and positions and ensure compliance with investment objectives and restrictions. Particular attention is given to changes in company fundamentals, industry outlook, market outlook, and price levels.

Investors will receive a variety of reports on a regular basis, depending on the Fund in which they are invested. Such reports include monthly Factsheets and net asset value reports, quarterly account statements, and annual financial statements.

## **Client Referrals and Other Compensation**

No one who is not a Client provides an economic benefit to Algebris for providing investment advice or other advisory services to Clients.

## **Custody**

All Client assets are held in custody by unaffiliated broker-dealers or banks. However, Algebris has access to the Funds' accounts since an affiliate serves as the managing member or general partner of the Funds. Investors do not receive statements directly from Fund custodians. Instead, the Funds are subject to an annual audit and audited financial statements are distributed to each investor. Audited financial statements are prepared in accordance with generally accepted accounting principles and distributed within 120 days of each Fund's fiscal year end.

## **Investment Discretion**

Algebris manages the Funds on a discretionary and, in some instances, on a non-discretionary basis subject to the guidelines and restrictions set forth in Fund offering documents. For the discretionary managed Funds the Company typically has authority to determine the securities to be bought and sold without obtaining Fund or investor consent to specific transactions. Moreover, for the discretionary managed Funds, the Company typically has the authority to determine the

amount of the securities to be bought and sold without obtaining Fund or investor consent to specific transactions.

## **Voting Client Securities**

Algebris has authority to vote proxies on behalf of the Funds. Algebris votes proxies so as to promote the long-term economic value of the underlying securities. Each proxy proposal will be considered on its own merits, and the Company will vote exclusively with the goal of best serving the financial interests of the Funds.

Algebris may have a conflict of interest in voting a particular proxy. A conflict of interest could arise, for example, as a result of a business relationship with a company, or a direct or indirect business interest in the matter being voted upon, or as a result of a personal relationship with corporate directors or candidates for directorships. If Algebris determines that it or one of its employees faces a material conflict of interest in voting a proxy, Algebris' procedures provide for the governing body of each Fund to determine the appropriate vote.

Clients may obtain a copy of Algebris' proxy voting policies and procedures, as well as information about how the Company voted with respect to their securities, by contacting us at: 857 305 3704.

## **Financial Information**

Algebris has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage Client accounts.