

Swan Short-Term High Yield – CHF

July 2019



Strategy

The sub-fund aims to generate a significant excess return vs 3m Libor CHF in combination with below-average market volatility. Depending on market conditions, the strategy combines in variable proportions the “buy and hold” investment in a highly diversified and granular portfolio of liquid short-term fixed income securities with the “strategic” and/or “tactical” investment in HY or EM securities denominated in hard currency.

Risk Profile

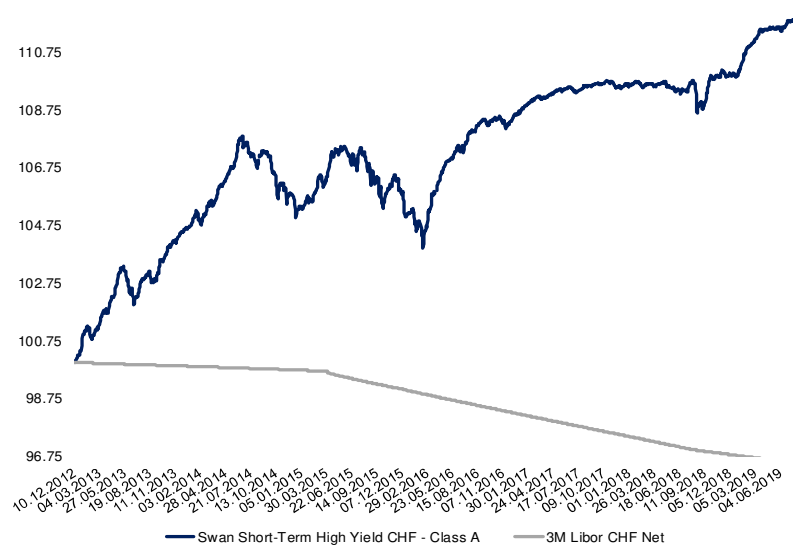
Conservative

Intermediate

High Reward

Performance

MTD :	0.14%	Fund Assets (mln) :	161.9 €
Since inception	11.98%	1 Year Std Dev :	0.84%
Last 12 Months :	2.01%	1 Year Sharpe Ratio :	3.55
NAVps :	CHF 111.98	% of positive months :	71%



Period	Class C*	Class A	Portfolio info
MTD	0.16%	0.14%	# of Securities
YTD	1.99%	1.86%	116
6 months	1.19%	1.09%	% Weight
1 year	2.24%	2.01%	96.37%
2018	0.59%	0.32%	Int Dur
2017	1.16%	0.86%	0.71
2016	3.59%	3.29%	Yield (gross)
2015	0.17%	-0.13%	2.56%
2014	0.88%	0.58%	Spread Duration
2013	4.60%	4.30%	1.03
			Z-spread
			322

*Class A adjusted for management fee difference used for periods before Class C inception.

FX breakdown (fully hedged)

USD	50.16%
EUR	20.79%
NOK	19.27%
SEK	5.63%
CHF	3.65%
GBP	0.51%
TOTAL	100.00%

Geographic breakdown

EU	6.77%
US	0.00%
Oth DEV	32.29%
LATAM	6.27%
EMEA	23.98%
ASIA	30.69%
TOTAL	100.00%

Global market picture

July was a mixed month for financial markets: European credit markets were positive (H9PC Index +0.56%), while equity markets were negative in Europe (Eurostoxx 50 -0.20%) and positive in US (S&P 500 +1.31%). Release of 2Q GDP in US (2.1% vs 3.1% in 1Q), coupled with weak flash manufacturing PMI, confirmed that economy is slowing, adding pressure on FED decision on rates. FOMC meeting took place the 31st of July and committee voted for a cut of 25bps of FED funds (now between 2% and 2.25%), but market was disappointed by an hawkish press conference with Jerome Powell calling the move a “mid-cycle adjustment policy” that was “not the beginning of a long series of rate cuts”. The ECB meeting was the other important event of the period: Draghi confirmed that interest rates are expected to remain “at their present or lower levels” at least through first half of 2020. The ECB President added that a new package of stimulus is under review and discussions are taking place about the “options for the size and composition of potential new net asset purchase”. This environment of dovish Central Banks pushed the yield of government bonds further lower (around \$13trn of debt exhibit negative yield): German 10 years Bund closed the month at -0.44% (-11bps during the month) while 10 Years Treasury was unchanged at 2%. Emerging markets reported a positive performance (+1.02%) with LATAM being the best performer during the month. EM performance was mainly due to the rally in Treasury and generic dovish stance of central bankers around the world, with the continuous “tweets” by Trump on trade war not impacting seriously the generic positive tone of the market. Oil was substantially flat during the month around 66USD per barrel.

Active Portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 18.40%, lower relatively to the end of June (21.40%). Fund's actual exposure (beta and duration adjusted) is 20.19%, higher relatively to last month (16.61%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated gross yield of 2.56% (in EUR), a low spread duration of 1.03 and a z spread of 322.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 96% of the positions (68 out of 71) contributing positively. Positive contributions were homogeneously

Rating breakdown

AAA	0.00%
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A	0.00%
BBB	4.47%
	tot IG
	4.47%
BB	27.42%
B	29.71%
CCC	0.51%
	tot HY
	57.64%
NR	37.89%
TOTAL	100.00%

Sector breakdown - Top 10

Real Estate	31.69%
Services	21.09%
Banking	16.47%
Energy	8.29%
Financial Services	6.08%
Sovereign	4.39%
Capital Goods	2.91%
Technology & Electronics	2.25%
Consumer Goods	1.58%
Basic Industry	1.28%

distributed, while there were not significant negative contributions. The average life of the YT portfolio at the end of July is very short (9 months or 0.76 of spread duration), with a combination of yield close to 2.37% and z-spread of 300.

Strategic & Tactical buckets

Tactical bucket generated a significant positive performance, with a negative contribution from IPFLN 05/21. Geographical allocation in EM was slightly positive, while picking was positive in EM and negative in EUR HY (positive overall).

Sicav Structure – Terms & Conditions

Domicile: Luxembourg

Inception Date: 11 December 2012

Minimum Investment: 1 share

Liquidity / Reporting: Daily

Fees: Class C 0.90% / Class A 1.20% Management Fee
15% Performance Fee (high water mark)

Promoter / Distributor: Corner Banca SA

Investment Manager: Swan Asset Management SA

Custodian Bank: State Street Bank Lux

Administrator Agent: State Street Bank Lux

Auditor: Ernst & Young

Bloomberg: class A: CBASACH LX, class C: CBASCCH LX

ISIN: class A: LU0860714285, class C: LU0860714442

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