

Swan Ultra Short-Term Bond – CHF December 2019



Strategy

The sub-fund aims to generate excess return vs 3m Libor CHF in combination with extremely low volatility. The strategy combines the “buy and hold” investment in a highly diversified and granular portfolio of liquid short-term fixed income securities with the opportunistic and residual allocation of the promised average spread over risk free rate to a number of interest rate and FX active strategies.

Risk Profile

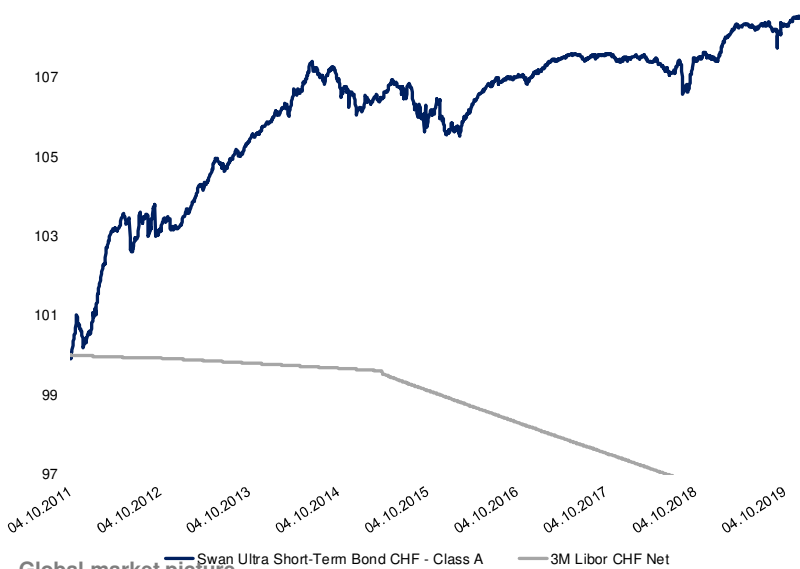
Conservative

Intermediate

High Reward

Performance

MTD :	0.03%	Fund Assets (mln) :	314.2 €
Since inception	8.57%	1 Year Std Dev :	0.66%
Last 12 Months :	1.04%	1 Year Sharpe Ratio :	2.98
NAVps :	CHF 108.57	% of positive months :	71%



Global market picture

December was a positive month for financial markets: European credit markets were positive (H9PC Index +1.10%), and equity markets were positive both in Europe (Eurostoxx 50 +1.12%) and in US (S&P 500 +2.86%). The month started with US Manufacturing ISM still below 50 (48.1), while the PMI was better than expected at 52.6; labor market confirmed its resiliency with strong change in nonfarm payrolls figures and unemployment rate at 3.5%. Due to the US data strength, the FED left rates unchanged at 1.62%, with dots signaling no rate change for 2020. Christine Lagarde took her first press conference after the ECB meeting: the event did not give significant information, and markets are still trying to understand how the ECB will move in the next months (maybe more QE). On the data side, PMI composite release at 50.6 was consistent with a 0.9% growth in 4Q19, (expectation for 2020 growth is 1%), while manufacturing sector remains the weak spot of the economy (PMI at 46.9). One significant movement in monetary policy had been taken by Riksbank (the Swedish central bank): it ended its era of negative rates amid growing concerns that “the behavior of economic agents may change and negative effects may arise”. German 10 years Bund closed the month at -0.19% (+17bps during the month) in tandem with 10 Years Treasury +1.92% (+14bps during the month). Markets bullish sentiment was due to optimism regarding the US-China negotiations progress on a potential deal, further supported by a clear victory of Boris Johnson in the UK general election that should accelerate the Brexit process. Emerging markets reported a positive performance (+1.70%) with LATAM being the best performer during the month. Oil was up 5.72% in the month, closing at 66.00 USD per barrel.

Yield-type strategy

The bucket generated a gross positive contribution to the monthly performance, with 93% of the positions (109 out of 117) contributing positively. Positive contributions were homogeneously distributed, while there were not significant negative contributions. The average life of the yield-type portfolio is very short (8 months or 0.69 of spread duration), combined with a gross yield of 1.27% (in EUR) and z-spread of 162 basis points.

Period	Class C*	Class A	Portfolio info	
MTD	0.06%	0.03%	# of Securities	134
YTD	1.24%	1.04%	% Weight	87.79%
6 months	0.32%	0.20%	Int Dur	0.25
1 year	1.24%	1.04%	Yield (gross)	1.27%
2018	0.19%	0.01%	Spread Duration	0.61
2017	0.58%	0.29%	Z-spread	162
2016	1.54%	1.43%		
2015	-0.29%	-0.53%		
2014	0.49%	0.27%		
2013	2.73%	2.54%		
2012	2.71%	2.42%		
2011	1.08%	0.83%		

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

FX breakdown (fully hedged)

USD	46.99%
EUR	22.31%
NOK	22.52%
SEK	4.47%
CHF	1.61%
GBP	1.79%
AUD	0.32%
TOTAL	100.00%

Geographic breakdown

EU	12.72%
US	0.00%
Oth DEV	33.72%
LATAM	5.81%
EMEA	24.09%
ASIA	23.67%
TOTAL	100.00%

Rating breakdown

AAA	0.00%	
AA	0.00%	
A	1.05%	
BBB	12.74%	
	tot IG	13.79%
BB	33.58%	
B	16.75%	
CCC	0.00%	
	tot HY	50.33%
NR	35.88%	
TOTAL	100.00%	

Sector breakdown - Top 10

Services	23.95%
Real Estate	23.53%
Banking	22.10%
Energy	7.34%
Sovereign	5.88%
Capital Goods	4.97%
Financial Services	4.57%
Telecommunications	1.72%
Basic Industry	1.37%
Transportation	1.35%

Active Strategies

The bucket generated a positive contribution this month due to the short position on 10yr Bund Future

Sicav Structure – Terms & Conditions

Domicile: Luxembourg

Inception Date: 4 October 2011

Minimum Investment: 1 share

Liquidity / Reporting: Daily

Fees: Class C 0.75% / Class A 1.00% 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: CBSWBAC LX, class C: CBSWBCC LX

ISIN: class A: LU0681571880, class C: LU0681572268

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