

Swan Ultra Short-Term Bond – EUR

July 2020



Strategy

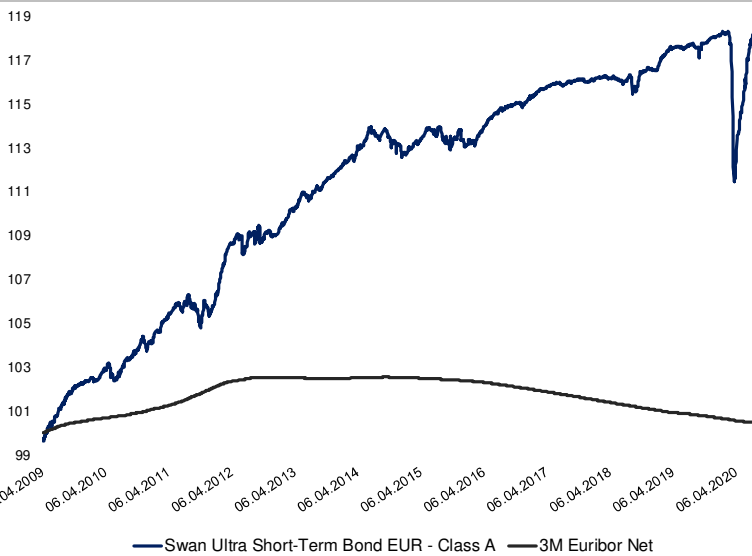
The sub-fund aims to generate excess return vs 3m Euribor in combination with extremely low volatility. The strategy combines the “buy and hold” investment in a highly diversified and granular portfolio of liquid short-term fixed income securities with the opportunistic and residual allocation of the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

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

During July European credit markets experienced a positive performance (H9PC Index +1.69%), in contrast with the negative movement of the Eurostoxx 50 (-1.85%), while S&P 500 closed higher (+5.51%). In this context Swan funds continued to retrace the drawdown experienced during the 1st quarter, with a significant positive monthly performance ranging from +1.17% to 0.53%: our SIF funds are in positive territory (+1.97% SLSC and +1.44% for SBE) and also UCITS funds registered positive performance YTD (+0.35% USTB and +0.14% for STHY), while credit markets are still reporting negative returns YTD (European HY -3.50%, Emerging HY -0.39%, US HY -1.44% and EUR IG +0.20%). GDP releases confirmed the COVID-19 related disruption of the economy: during 2Q GDP contracted by 9.5% in US and 12.1% in Europe, with recovery expected to be long and painful as coronavirus cases continued to increase and US-China relations came back on the stage. Central banks and European Union confirmed their role in supporting ailing economies: EU leaders reached a deal on a €750bn plan (€390bn in the form of grants and the balance in loans) but the main result obtained was that for the first time EU will be able to run a federal deficit to respond to an economic shock, while the FED maintained its dovish tone, hoping that congress will renew fiscal stimulus. Government bond yields continued their downward movements (10yrs Bund @ -0.56% and 10yrs Treasury @ 0.53%) increasing the search for spread products, while gold reached \$1983 a troy ounce, a nominal record. We still think that this is an interesting entry point for our strategy: attractive YTM combined with an average maturity of the bonds in portfolio around 1 year give us confidence on the capability to generate positive performance in line with targets during 2020

Yield-type strategy

The bucket generated a gross positive contribution to the monthly performance, with 90% of the positions (99 out of 110) contributing positively. The YTM remains attractive and conditions are always interesting in the short-term part of the credit curve. The average life of the yield-type portfolio is very short (11 months or 0.88 of spread duration), combined with a gross yield of 4.71% (in EUR) and z-spread of 559 basis points.

Performance

MTD :	0.53%	Fund Assets (mIn) :	269.1 €
Since inception	18.39%	1 Year Std Dev :	2.18%
Last 12 Months :	0.55%	1 Year Sharpe Ratio :	0.53
NAVps :	EUR 118.39	positive months %:	76%



Period	Class C*	Class A	Portfolio info	
MTD	0.53%	0.53%	# of Securities	136
YTD	0.35%	0.23%	% Weight	94.60%
6 months	0.31%	0.20%	Int Dur	0.42
1 year	0.76%	0.55%	Yield (gross)	4.71%
2019	1.59%	1.36%	Spread Duration	0.88
2018	0.58%	0.39%	Z-spread	559
2017	0.92%	0.75%		
2016	2.05%	1.86%		
2015	0.58%	0.35%		
2014	0.63%	0.54%		
2013	3.00%	2.77%		
2012	3.05%	2.84%		
2011	2.07%	1.85%		
2010	1.90%	1.73%		
2009	2.63%	2.38%		

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

FX breakdown (fully hedged)

USD	46.83%
EUR	30.07%
NOK	14.24%
SEK	5.25%
CHF	3.31%
GBP	0.31%
AUD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	22.55%
US	1.13%
Oth DEV	28.49%
LATAM	7.73%
EMEA	22.13%
ASIA	17.98%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.33%
BBB	17.44%
tot IG	17.77%
BB	29.35%
B	18.12%
CCC	0.26%
tot HY	47.74%
NR	34.49%
TOTAL	100.00%

Sector breakdown - Top 10

Services	19.43%
Banking	18.14%
Real Estate	16.76%
Basic Industry	7.31%
Financial Services	5.67%
Energy	5.61%
Transportation	5.14%
Capital Goods	4.44%
Sovereign	4.28%
Retail	2.67%

Sicav Structure – Terms & Conditions

Domicile: Luxembourg

Inception Date: 1 April 2009

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: CBSWBOA LX, class C: CBSWBOC LX

ISIN: class A: LU0417109773, class C: LU0417110193

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