

Swan Short-Term High Yield – EUR September 2020



Strategy

The sub-fund aims to generate a significant excess return vs 3m Euribor 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

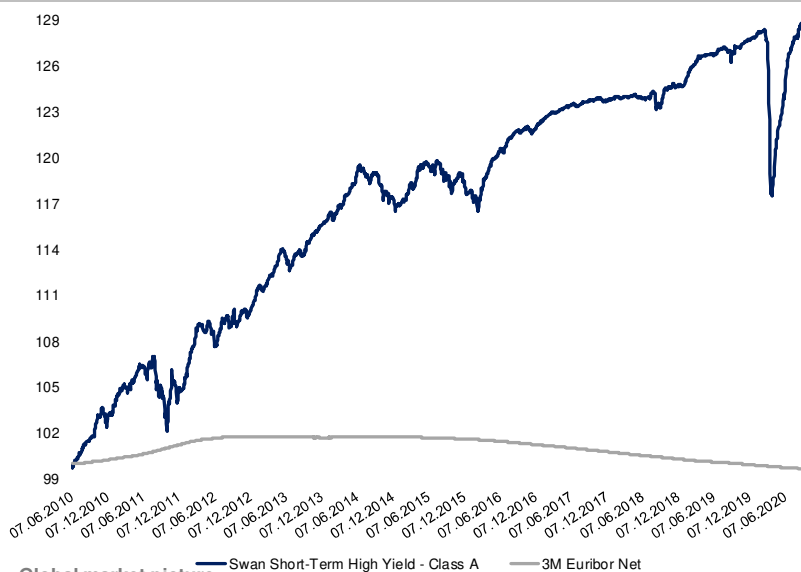
Conservative

Intermediate

High Reward

Performance

MTD :	0.13%	Fund Assets (mln) :	171.1 €
Since inception	28.99%	1 Year Std Dev :	3.06%
Last 12 Months :	1.36%	1 Year Sharpe Ratio :	0.67
NAVps :	EUR 128.99	% of positive months :	74%



Global market picture

During September European credit markets experienced a negative performance (H9PC Index -0.59%), in tandem with the movement of the Eurostoxx 50 (-2.41%) and S&P 500 (-3.92%). In this context Swan funds continued to move higher with a positive monthly performance ranging from +0.09% to 0.20%: our SIF funds are in positive territory (+3.37% SLSC and +2.86% for SBE) and also UCITS funds registered positive performance YTD (+1.13% USTB and +1.07% for STHY), while credit markets are still reporting negative returns YTD (European HY -2.71%, Emerging HY -0.02%, US HY -1.67% and EUR IG +0.68%). In US monthly data signaled a slowing growth, while politics added further uncertainty with negotiations on new fiscal stimulus still stalling. The 1st presidential debate did not bring significant news about candidate programs, but markets was scared by Trump continuous declaration about a unpeaceful transfer of power should he loses to Joe Biden. In its meeting the FED committed to a dovish policy until inflation has risen to 2% and is “on track to moderately exceed 2% for some time”, with dots now forecasting rates at these levels for the next three years. In Europe, notwithstanding the increase in COVID-19 cases especially in Spain and France, lockdown measures were only local and selective, but flash PMIs show signals of weakness. Government bond yields moved lower (10yrs Bund @ -0.52% and 10yrs Treasury @ 0.68%), while gold continued its retracement from August peak. We think that this is an interesting entry point for our strategy: current YTM combined with an average maturity of the bonds around 1 year give us confidence on the capability to generate positive performance in line with targets during 2020 and give us the opportunity to build portfolios with attractive returns on a 1 year horizon.

Active Portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 15.60%, flat relatively to the end of August (15.60%). Fund's actual exposure (beta and duration adjusted) is 10.84%, higher relatively to last month (10.10%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated gross yield of 6.02% (in EUR), a low spread duration of 0.86 and a z spread of 722.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 71% of the positions (56 out of 79) 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 YT portfolio is

Period	Class C*	Class A	Portfolio info	
MTD	0.15%	0.13%	# of Securities	119
YTD	1.07%	0.89%	% Weight	97.11%
6 months	9.29%	9.17%	Int Dur	0.70
1 year	1.62%	1.36%	Yield (gross)	6.02%
2019	2.77%	2.52%	Spread Duration	0.86
2018	0.93%	0.72%	Z-spread	722
2017	1.53%	1.28%		
2016	4.29%	3.82%		
2015	1.12%	0.74%		
2014	1.20%	0.90%		
2013	4.96%	4.66%		
2012	5.49%	5.19%		
2011	2.13%	1.83%		
2010	3.65%	3.35%		

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

FX breakdown (fully hedged)

USD	57.14%
EUR	24.35%
NOK	11.78%
SEK	3.35%
CHF	2.55%
GBP	0.82%
TOTAL	100.00%

Geographic breakdown

EU	12.90%
US	0.84%
Oth DEV	31.60%
LATAM	5.00%
EMEA	29.85%
ASIA	19.81%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	2.07%
	tot IG 2.07%
BB	25.06%
B	30.22%
CCC	5.05%
	tot HY 60.33%
NR	37.61%
TOTAL	100.00%

Sector breakdown - Top 10

Services	21.55%
Real Estate	16.14%
Basic Industry	11.25%
Banking	8.21%
Energy	8.12%
Transportation	7.49%
Financial Services	4.52%
Sovereign	3.92%
Capital Goods	3.89%
Retail	2.65%

very short (8 months or 0.65 of spread duration), with a combination of yield close to 6.48% and z-spread of 798.

Strategic & Tactical buckets.

Tactical bucket generated a positive performance, with homogeneous contributions. Geographical allocation in EM was positive, while picking was positive both in EUR HY and EM.

Sicav Structure – Terms & Conditions

Domicile: Luxembourg

Inception Date: 7 June 2010

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: CBASHYA LX, class C: CBASHYC LX

ISIN: class A: LU0511796509, class C: LU0511796764

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