

# Swan Short-Term High Yield – EUR September 2021



## Strategy

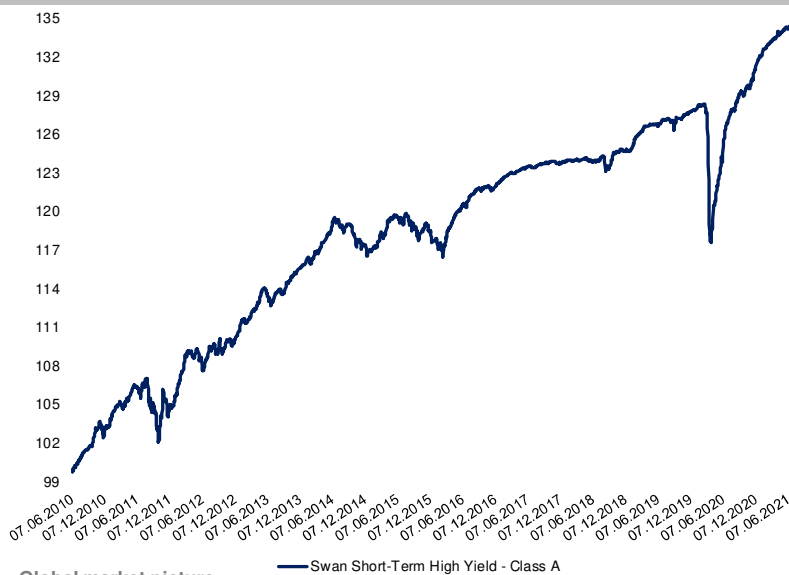
Swan Short-Term High Yield is the UCITS version of our Fixed Income Intermediate risk profile. Depending on market conditions, the strategy combines an highly diversified buy and hold portfolio of liquid short-term fixed income securities with an opportunistic allocation to longer dated securities in Global HY markets. Target Return is 3 months LIBOR + 250 bps.

## Risk Profile

Conservative

**Intermediate**

High Reward



— Swan Short-Term High Yield - Class A

## Global market picture

During September, European credit markets experienced a negative performance (H9PC Index - 0.07%), in tandem with the movement of the Eurostoxx 50 (-3.53%) and S&P 500 (-4.76%). The liquidity crisis that hit Evergrande, the biggest China Property developer, negatively impacted both equity and credit markets: the company has close to \$300bn in liabilities and missed payment on a coupon the 28th of September. While the Chinese Government did not release any statement suggesting a possible bail-out of bondholders, the PBOC injected substantial liquidity in the financial system in order to support the economy. In the end, we think the government will act to prevent a domino effect on the sector and on the financial system, facilitating an orderly restructuring of Evergrande liabilities avoiding an immediate potential systemic risk. Strong inflation data in US and Europe further raised concerns that the move up in prices could not be transitory as widely expected: inflation is raising in many countries due to post pandemic reopening and pressure is mounting on central banks to start winding down stimulus launched in 2020. Norwegian Central Bank was the first to raise rates, indicating another rate hike in December this year and BOE said the case for tightening policy has "strengthened" recently; the FED expects tapering before the end of the year and a first rate hike in 2022, while the ECB said it will buy less bonds in a sign of confidence that economic recovery will not derail. In this context, the 10 years bund yield was higher at -0.20% (+18bps in the month), in tandem with the 10 years Treasury at 1.49% (+18bps in the month). Gold was lower at 1758 \$ per ounce, while oil was up at 79 USD per barrel, highest level since 2018. We think that this is still an interesting entry point for our strategy: current YTM gives us confidence on the capability to generate positive performance in line with targets during 2021; average maturity of the bonds in our portfolios is still around 1 year and should help reduce volatility in case of new episodes of market stress.

## Active Portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 18.40%, flat relatively to the end of August (18.40%). Fund's actual exposure (beta and duration adjusted) is 26.65%, higher relatively to last month (21.87%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated gross yield of 3.53% (in EUR), a low spread duration of 1.17 and a z spread of 424.

## Yield-type bucket

The bucket generated a negative gross contribution to the monthly performance, with 43% of the

## Performance

MTD :	<b>-0.27%</b>	Fund Assets (mln) :	253.0 €
Since inception	<b>34.76%</b>	1 Year Std Dev :	0.82%
Last 12 Months :	<b>4.47%</b>	1 Year Sharpe Ratio :	6.33
NAVps :	EUR 134.76	% of positive months :	76%



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Period	Class C*	Class A	Portfolio info	
MTD	<b>-0.30%</b>	<b>-0.27%</b>	# of Securities	114
YTD	<b>2.27%</b>	<b>2.13%</b>	% Weight	99.39%
6 months	<b>1.03%</b>	<b>0.97%</b>	Int Dur	0.66
1 year	<b>4.63%</b>	<b>4.47%</b>	Yield (gross)	3.53%
2020	<b>3.40%</b>	<b>3.21%</b>	Spread Duration	1.17
2019	<b>2.77%</b>	<b>2.52%</b>	Z-spread	424
2018	<b>0.93%</b>	<b>0.72%</b>		
2017	<b>1.53%</b>	<b>1.28%</b>		
2016	<b>4.29%</b>	<b>3.82%</b>		
2015	<b>1.12%</b>	<b>0.74%</b>		
2014	<b>1.20%</b>	<b>0.90%</b>		
2013	<b>4.96%</b>	<b>4.66%</b>		
2012	<b>5.49%</b>	<b>5.19%</b>		
2011	<b>2.13%</b>	<b>1.83%</b>		
2010	<b>3.65%</b>	<b>3.35%</b>		

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

## FX breakdown (fully hedged)

USD	56.73%
EUR	15.06%
NOK	17.64%
SEK	10.46%
CHF	0.00%
GBP	0.11%
<b>TOTAL</b>	<b>100.00%</b>

## Geographic breakdown

EU	9.83%
US	3.64%
Oth DEV	44.19%
LATAM	0.16%
EMEA	23.94%
ASIA	18.25%
<b>TOTAL</b>	<b>100.00%</b>

## Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	2.45%
	<b>tot IG 2.45%</b>
BB	17.40%
B	21.84%
CCC	1.77%
	<b>tot HY 41.01%</b>
NR	56.54%
<b>TOTAL</b>	<b>100.00%</b>

## Sector breakdown - Top 10

Real Estate	31.95%
Services	26.17%
Basic Industry	8.08%
Banking	6.05%
Energy	5.76%
Financial Services	5.08%
Consumer Goods	4.78%
Leisure	3.23%
Transportation	2.46%
Retail	2.39%

positions (29 out of 68) 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 very short (8 months or 0.75 of spread duration), with a combination of yield close to 3.42% and z-spread of 414.

## Strategic & Tactical buckets.

Tactical bucket generated a negative performance, with homogeneous contributions. Geographical allocation in EM was slightly positive, while picking was negative in EM and positive in EUR HY (overall positive).

## 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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*This is an advertising document. The state of origin of the fund is Luxembourg. In Switzerland the representative of the SICAV is Cornèr Banca S.A., with registered office in Via Canova 16, CH-6901 Lugano and the payment service is provided by Cornèr Banca S.A., Via Canova 16, CH-6901 Lugano.*

*The basic documents of the fund as well as the annual and if applicable the semi-annual report may be obtained free of charge from the representative. Past performance is no indication of current or future performance. The performance data do not take account of the commissions and costs incurred on the issue and redemption units.*

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