

Swan Short-Term High Yield – EUR September 2019



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

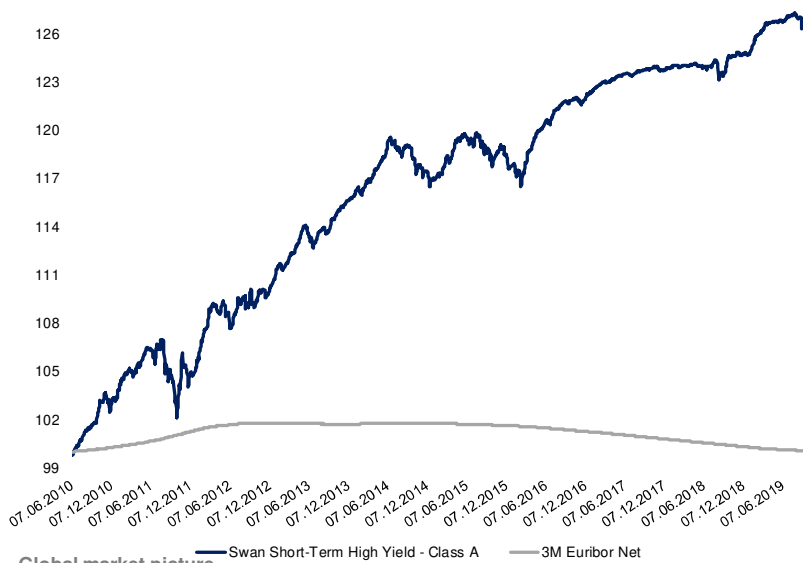
Conservative

Intermediate

High Reward

Performance

MTD :	0.24%	Fund Assets (mln) :	180.1 €
Since inception	27.26%	1 Year Std Dev :	0.88%
Last 12 Months :	2.19%	1 Year Sharpe Ratio :	3.11
NAVps :	EUR 127.26	% of positive months :	73%



Global market picture

September was a mixed month for financial markets: European credit markets were negative (H9PC Index -0.22%), while equity markets were positive both in Europe (Eurostoxx 50 +4.16%) and in US (S&P 500 +1.72%). The month started with a weak US Manufacturing ISM (first time below 50 since August 2016) while a slowing German economy was confirmed by PMI data slightly above 40. The central banks' dovish tone used during the summer was confirmed in September: the ECB launched a new open-ended QE program (purchase of €20bio per month), cut rates on deposit to -0.50% in connection with a tiering system and announced a more generous term for TLTRO III operation, while the FED cut rates by 25bps leaving space for an additional reduction in FED funds before year end. Notwithstanding the continuous dovish statement and movement from central bank around the world, German 10 years Bund closed the month at -0.58% (+12bps during the month) while 10 Years Treasury rebounded to 1.66% (+17bps during the month), both recovering from the ultra-low levels of August. On the political side, the main news was the impeachment inquiry for Donald Trump proposed by Nancy Pelosi, after a whistleblower revealed a conversation between the US president and the Ukrainian leader Zelensky during which Trump asked for an investigation on his rival Joe Biden. Emerging markets reported a positive performance (+1.36%) with LATAM being the best performer during the month: Argentina was the main driver of this movement after the huge sell-off experienced in August following the proposal of debt extension. Oil prices bounced on the 16th of September immediately after the main Saudi refinery was attacked: Brent jumped by 15% to 69USD per barrel, but after clarification that global supply would have only been partially impacted, it closed the month at 60USD (flat during the month).

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 18.93%, higher relatively to last month (18.49%). 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 1.02 and a z spread of 348.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 89% of the positions (66 out of 74) contributing positively. Positive contributions were homogeneously

Period	Class C*	Class A	Portfolio info	
MTD	0.26%	0.24%	# of Securities	115
YTD	2.21%	2.04%	% Weight	97.68%
6 months	0.65%	0.55%	Int Dur	0.71
1 year	2.39%	2.19%	Yield (gross)	2.56%
2018	0.93%	0.72%	Spread Duration	0.99
2017	1.53%	1.28%	Z-spread	348
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	52.83%
EUR	21.13%
NOK	17.73%
SEK	5.89%
CHF	1.95%
GBP	0.47%
TOTAL	100.00%

Geographic breakdown

EU	6.99%
US	0.00%
Oth DEV	31.28%
LATAM	5.28%
EMEA	27.37%
ASIA	29.08%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	4.60%
	tot IG 4.60%
BB	25.30%
B	32.39%
CCC	0.62%
	tot HY 58.31%
NR	37.08%
TOTAL	100.00%

Sector breakdown - Top 10

Real Estate	28.66%
Banking	19.97%
Services	19.40%
Energy	6.71%
Sovereign	6.43%
Financial Services	4.60%
Capital Goods	3.71%
Technology & Electronics	2.24%
Retail	1.82%
Healthcare	1.64%

distributed, while a negative contribution was generated DOFSUB 05/20. The average life of the YT portfolio at the end of September is very short (9 months or 0.76 of spread duration), with a combination of yield close to 2.30% and z-spread of 317.

Strategic & Tactical buckets.

Tactical bucket generated a positive performance, with positive contribution from AES 02/24. Geographical allocation in EM was negative, while picking was positive both in EM and EUR HY.

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

Contacts at Swan Asset Management SA:

E-mail: info@swan-am.ch - Tel: +41 91 986 31 90