

Swan Short-Term High Yield – EUR

March 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

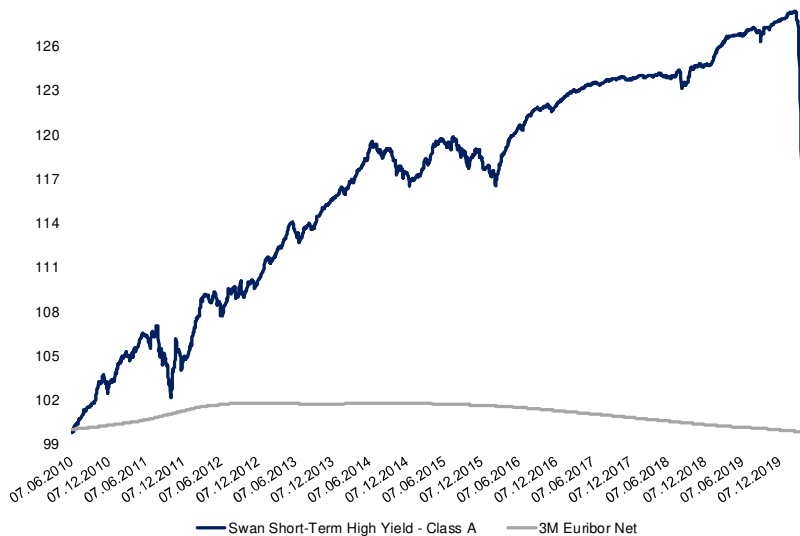
Conservative

Intermediate

High Reward

Performance

MTD :	-7.52%	Fund Assets (mln) :	168.1 €
Since inception :	18.15%	1 Year Std Dev :	4.76%
Last 12 Months :	-6.65%	1 Year Sharpe Ratio :	-0.5
NAVps :	EUR 118.15	% of positive months :	73%



Global market picture

During March European credit markets experienced a negative performance (H9PC Index -13.10%), in tandem with a negative movement of the Eurostoxx 50 (-16.30%) and the S&P 500 (-12.51%). In this context Swan Short Term High Yield contained the loss at -7.5%, thanks to its ultra-low duration: bond price movement was too fast and the carry generated did not compensate it. The catalysts were the Covid-19 global diffusion and the Oil price shock, that changed the global growth outlook to a possible recession in only two weeks, influencing investor sentiment and global financial conditions. On top of the macro considerations, a very bad technical picture hurt credit markets, due to strong outflows from credit funds and ETFs: market participants sold bonds to generate liquidity. The price action was indiscriminate, penalizing also short-term bonds and quality credits; apparently, company fundamentals were not considered by investors, who sold quality bonds only because they had a lower drawdown. Conditions are extremely attractive now in the short-term part of the credit curve because of this huge movement and markets could rebound quickly, as happened during GFC, when it took just 9 months for credit markets to recover from the bottom to the previous peak. Portfolio is mainly composed by good credit stories: some companies are buying back bonds at discounted prices, while others have already refinanced their near-term maturities. At the moment none of the credits in our portfolio is in default; in the next months credit selection will be one of the key drivers of performance that in connection with the low duration will help to get back quickly the YTD losses. This is an extremely attractive entry point also considering the strongest ever measures delivered by central banks to support credit markets.

Active Portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 15.60%, lower relatively to the end of February (18.40%). Fund's actual exposure (beta and duration adjusted) is 15.58%, higher relatively to last month (14.26%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated gross yield of 15.16% (in EUR), a low spread duration of 0.97 and a z spread of 1551.

Yield-type bucket

The bucket generated a negative gross contribution to the monthly performance, with 5% of the positions (4 out of 80) contributing positively. During the month the YTM increased significantly: conditions are much more attractive now in the short-term part of the credit curve. The average

Period	Class C*	Class A	Portfolio info	
MTD	-7.49%	-7.52%	# of Securities	118
YTD	-7.52%	-7.59%	% Weight	98.72%
6 months	-7.01%	-7.16%	Int Dur	0.77
1 year	-6.41%	-6.65%	Yield (gross)	15.16%
2019	2.77%	2.52%	Spread Duration	0.97
2018	0.93%	0.72%	Z-spread	1551
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	59.20%
EUR	17.81%
NOK	13.25%
SEK	6.76%
CHF	2.70%
GBP	0.28%
TOTAL	100.00%

Geographic breakdown

EU	5.90%
US	0.00%
Oth DEV	33.84%
LATAM	5.57%
EMEA	28.74%
ASIA	25.95%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	5.69%
tot IG	5.69%
BB	23.27%
B	32.67%
CCC	0.73%
tot HY	56.67%
NR	37.65%
TOTAL	100.00%

Sector breakdown - Top 10

Real Estate	24.69%
Services	19.18%
Banking	15.78%
Energy	9.38%
Sovereign	5.79%
Basic Industry	4.75%
Financial Services	4.14%
Capital Goods	3.18%
Healthcare	2.43%
Transportation	2.08%

life of the YT portfolio is very short (9 months or 0.73 of spread duration), with a combination of yield close to 16.28% and z-spread of 1657.

Strategic & Tactical buckets.

Tactical bucket generated a negative performance, with homogeneous contributions. Geographical allocation in EM was positive, while picking was negative 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