Swan Short-Term High Yield – CHF March 2020
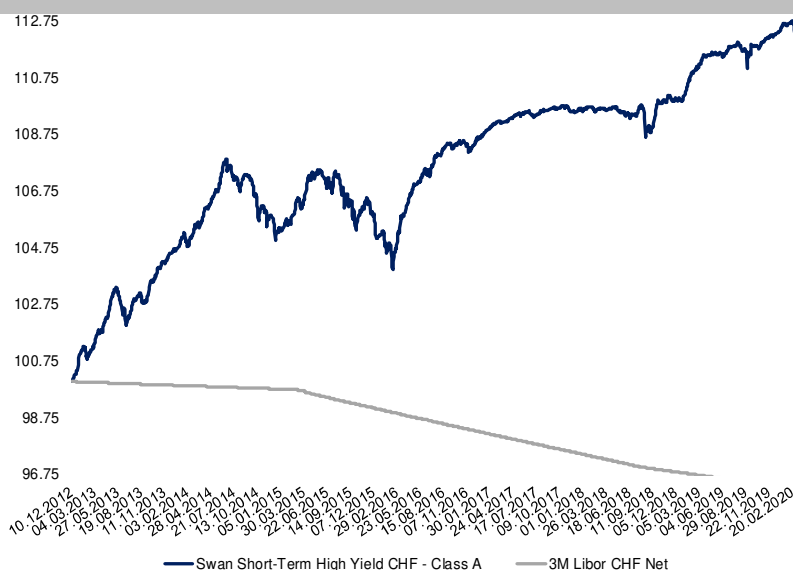
SWAN
Managers of your future

Strategy

The sub-fund aims to generate a significant excess return vs 3m Libor CHF 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.

Performance

MTD :	**-7.58%**	Fund Assets (mln) :	168.1 €
Since inception :	**3.69%**	1 Year Std Dev :	4.76%
Last 12 Months :	**-6.99%**	1 Year Sharpe Ratio :	-0.49
NAVps :	CHF 103.69	% of positive months :	70%

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300 MIGLIORI FONDI 2019 — OBB. EURO BREVE TERMINE — BEST 300

Risk Profile

Conservative | **Intermediate** | High Reward

Period	Class C*	Class A
MTD	**-7.56%**	**-7.58%**
YTD	**-7.62%**	**-7.68%**
6 months	**-7.19%**	**-7.32%**
1 year	**-6.77%**	**-6.99%**
2019	**2.42%**	**2.17%**
2018	**0.59%**	**0.32%**
2017	**1.16%**	**0.86%**
2016	**3.59%**	**3.29%**
2015	**0.17%**	**-0.13%**
2014	**0.88%**	**0.58%**
2013	**4.60%**	**4.30%**

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

Portfolio info	
# of Securities	118
% Weight	98.72%
Int Dur	0.77
Yield (gross)	15.16%
Spread Duration	0.97
Z-spread	1551

Legend: Swan Short-Term High Yield CHF - Class A · 3M Libor CHF Net

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%

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 life of the YT portfolio is very short (9 months or 0.73 of spread duration), with a combination of yield

Rating breakdown		
AAA		0.00%
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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%

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.