

Swan Ultra Short-Term Bond – USD

May 2020



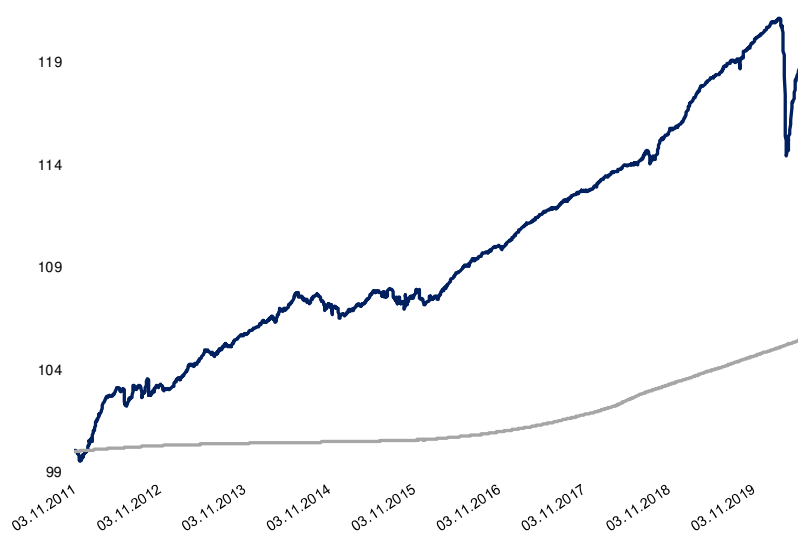
Strategy

The sub-fund aims to generate excess return vs 3m Libor in combination with extremely low volatility. The strategy combines the “buy and hold” investment in a highly diversified and granular portfolio of liquid short-term fixed income securities with the opportunistic and residual allocation of the promised average spread over risk free rate to a number of interest rate and FX active strategies.

Performance

MTD :	1.17%	Fund Assets (mln) :	275.8 €
Since inception	19.48%	1 Year Std Dev :	2.13%
Last 12 Months :	0.90%	1 Year Sharpe Ratio :	-0.13
NAVps :	USD 119.48	% of positive months :	81%

Risk Profile



Period	Class C*	Class A	Portfolio info	
MTD	1.19%	1.17%	# of Securities	146
YTD	-0.88%	-0.99%	% Weight	99.84%
6 months	-0.58%	-0.69%	Int Dur	0.56
1 year	1.08%	0.90%	Yield (gross)	6.38%
2019	3.90%	3.94%	Spread Duration	0.95
2018	2.91%	2.66%	Z-spread	698
2017	2.68%	2.43%		
2016	3.13%	2.88%		
2015	0.88%	0.63%		
2014	0.78%	0.53%		
2013	3.11%	2.86%		
2012	3.11%	2.86%		
2011	0.52%	0.27%		

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

FX breakdown (fully hedged)

USD	53.00%
EUR	26.01%
NOK	13.46%
SEK	4.71%
CHF	2.56%
GBP	0.28%
AUD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	18.18%
US	1.02%
Oth DEV	31.54%
LAT AM	7.48%
EMEA	22.13%
ASIA	19.65%
TOTAL	100.00%

Global market picture

During May European credit markets experienced a positive performance (H9PC Index +2.94%), in tandem with a positive movement of the Eurostoxx 50 (+4.18%) and the S&P 500 (+4.53%). In this context Swan funds continued to retrace the drawdown experienced during the 1st quarter, with a significant positive monthly performance ranging from +3.24% to 1.11%; YTD performance is between -1.81% and -3.04% while credit markets are still reporting deep negative returns YTD (EUR HY -6.89%, EM HY -5.91%, US HY -6.50% and EUR IG -2.54%). During the month, several European countries relaxed their lockdown measures with positive results: there has not been evidence of increasing infection rates, and further softening could come in the next weeks, while COVID infections are still high especially in LATAM countries. First print of Eurozone GDP for 1Q20 signaled a contraction of 3.8%, in line with estimates; to support the economy, EU commission reached an agreement for a Eur750bn recovery fund, where the so called “frugal four” countries (Netherlands, Austria, Finland and Sweden) plus France and Germany will contribute between 4% and 2% of their GDP to support the more fragile economies (Spain and Italy are the larger beneficiary, respectively 6.6% and 3.2% of their GDP). Negotiations on rules of this fund will be one of the main theme of the next months and we think the two factions will struggle to find an agreement, bringing volatility on markets. Brent strongly recovered reaching 35USD per barrel (+40% monthly performance) thanks to strict compliance to cuts agreed between OPEC+ countries. We still think that this is an interesting entry point for our strategy: attractive YTM combined with an average maturity of the bonds in portfolio around 1 year give us confidence on the capability to recover YTD losses and generate positive performance in 2020.

Yield-type strategy

The bucket generated a gross positive contribution to the monthly performance, with 90% of the positions (90 out of 105) contributing positively. The YTM remains attractive: conditions are much more interesting now in the short-term part of the credit curve. The average life of the yield-type portfolio is very short (11 months or 0.95 of spread duration), combined with a gross yield of 6.38% (in EUR) and z-spread of 698 basis points.

Rating breakdown

AAA	0.00%
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A	0.33%
BBB	17.37%
tot IG	17.69%
BB	28.30%
B	17.30%
CCC	0.76%
tot HY	46.36%
NR	35.95%
TOTAL	100.00%

Sector breakdown - Top 10

Real Estate	19.92%
Services	19.87%
Banking	17.52%
Energy	8.77%
Basic Industry	6.60%
Financial Services	5.74%
Sovereign	4.14%
Capital Goods	3.67%
Transportation	2.40%
Retail	2.35%

Sicav Structure – Terms & Conditions

Domicile: Luxembourg
Inception Date: 3 November 2011
Minimum Investment: 1 share
Liquidity / Reporting: Daily
Fees: Class C 0.75% / Class A 1.00% 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: CBSBAUH LX, class C: CBSBCUH LX

ISIN: class A: LU0698400198, class C: LU0698400354

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