

Swan Short-Term High Yield – EUR May 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

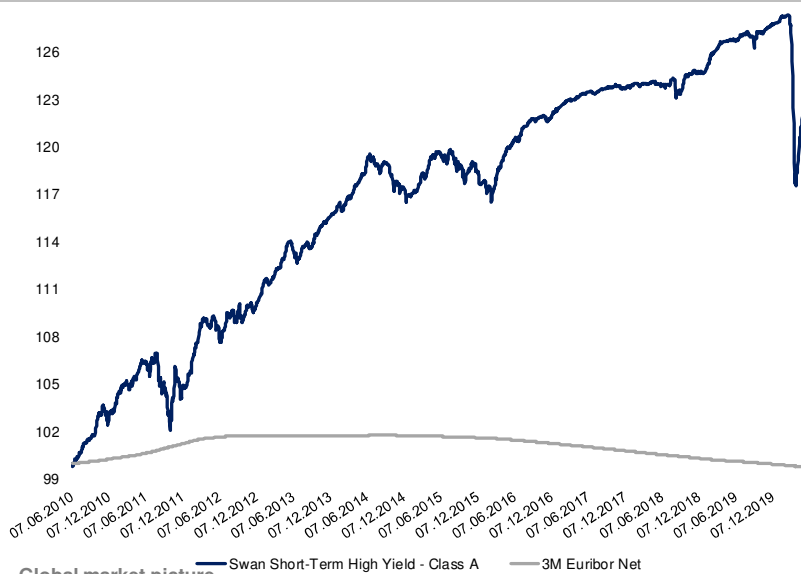
Conservative

Intermediate

High Reward

Performance

MTD :	1.50%	Fund Assets (mln) :	168.0 €
Since inception	23.82%	1 Year Std Dev :	3.02%
Last 12 Months :	-2.33%	1 Year Sharpe Ratio :	-0.55
NAVps :	EUR 123.82	% of positive months :	73%



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.

Active Portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 15.60%, flat relatively to the end of April (15.60%). Fund's actual exposure (beta and duration adjusted) is 14.31%, lower relatively to last month (15.66%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated gross yield of 8.31% (in EUR), a low spread duration of 1.09 and a z spread of 897.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 89% of the positions (72 out of 81) 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 YT portfolio

Period	Class C*	Class A	Portfolio info	
MTD	1.52%	1.50%	# of Securities	114
YTD	-3.04%	-3.14%	% Weight	99.96%
6 months	-2.91%	-3.05%	Int Dur	0.88
1 year	-2.07%	-2.33%	Yield (gross)	8.31%
2019	2.77%	2.52%	Spread Duration	1.09
2018	0.93%	0.72%	Z-spread	897
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	59.28%
EUR	19.61%
NOK	13.16%
SEK	5.00%
CHF	2.66%
GBP	0.29%
TOTAL	100.00%

Geographic breakdown

EU	7.13%
US	1.54%
Oth DEV	36.74%
LATAM	6.30%
EMEA	27.32%
ASIA	20.97%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	4.68%
tot IG	4.68%
BB	26.58%
B	27.26%
CCC	1.63%
tot HY	55.47%
NR	39.85%
TOTAL	100.00%

Sector breakdown - Top 10

Services	23.47%
Real Estate	20.09%
Energy	10.16%
Banking	9.80%
Basic Industry	6.46%
Financial Services	5.50%
Sovereign	5.01%
Transportation	3.50%
Capital Goods	3.14%
Healthcare	2.34%

is very short (10 months or 0.81 of spread duration), with a combination of yield close to 8.52% and z-spread of 927.

Strategic & Tactical buckets.

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