

Swan Short-Term High Yield – EUR

August 2020



Strategy

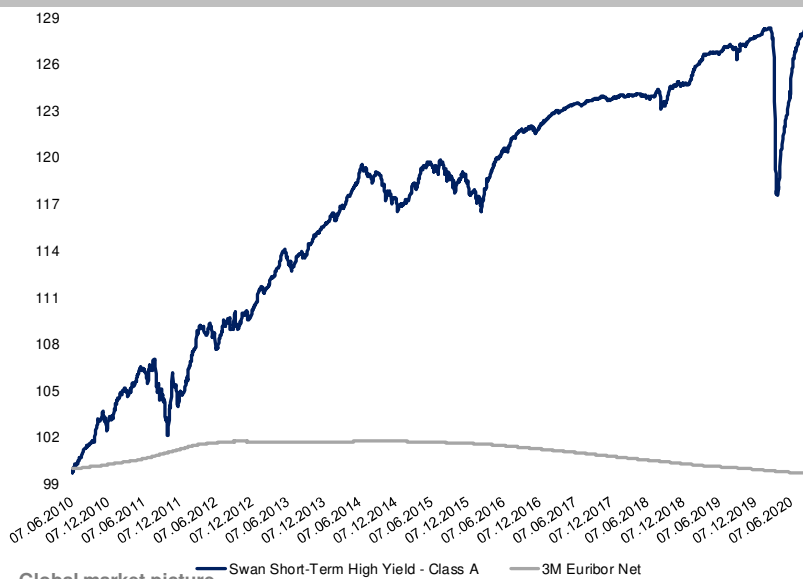
The sub-fund aims to generate a significant excess return vs 3m Euribor in combination with below-average market volatility. Depending on market conditions, the strategy combines in variable proportions the “buy and hold” investment in a highly diversified and granular portfolio of liquid short-term 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



Global market picture

During August European credit markets experienced a positive performance (H9PC Index +1.41%), in tandem with the positive movement of the Eurostoxx 50 (+3.09%) and S&P 500 (+7.01%). In this context Swan funds continued to move higher, with a significant positive monthly performance ranging from +0.58% to 1.28%: our SIF funds are in positive territory (+3.27% SLSC and +2.72% for SBE) and also UCITS funds registered positive performance YTD (+0.93% USTB and +0.92% for STHY), while several credit markets are still reporting negative returns YTD (European HY -1.74%, Emerging HY +1.89%, US HY -0.73% and EUR IG +0.73%). Flash PMI in US was stronger than expected and existing home sales jumped 24.7%, reaching the highest level since 2007, supported by historically low interest rates, while consumer spending was struggling due to expiring unemployment benefits. In Europe alternative indicators (mobility statistics) indicated that activity continued to increase during the month with GDP on track to rebound 60% on 3Q20, notwithstanding a resurgence in COVID19 case, especially in Spain and France. Both ECB and FED minutes did not provide significant news, with focus now on the FED September meeting that should reveal the conclusion of the framework review. Government bond yields moved higher (10yrs Bund @ -0.40% and 10yrs Treasury @ 0.70%) but still at ultra-low levels, while gold remained just below \$2000 per ounce. We think that this is an interesting entry point for our strategy: current YTM combined with an average maturity of the bonds around 1 year give us confidence on the capability to generate positive performance in line with targets during 2020 and give us the opportunity to build portfolios with attractive returns on a 1 year horizon.

Active Portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 15.60%, flat relatively to the end of July (15.60%). Fund's actual exposure (beta and duration adjusted) is 10.84%, higher relatively to last month (10.10%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated gross yield of 5.92% (in EUR), a low spread duration of 0.80 and a z spread of 700.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 92% of the positions (71 out of 77) contributing positively. The YTM remains attractive and conditions are always interesting in the short-term part of the credit curve. The average life of the YT portfolio is

Performance

MTD :	0.77%	Fund Assets (mln) :	169.7 €
Since inception	28.82%	1 Year Std Dev :	3.14%
Last 12 Months :	1.47%	1 Year Sharpe Ratio :	0.69
NAVps :	EUR 128.82	% of positive months :	74%



Period	Class C*	Class A	Portfolio info	
MTD	0.78%	0.77%	# of Securities	113
YTD	0.92%	0.76%	% Weight	95.09%
6 months	0.95%	0.83%	Int Dur	0.62
1 year	1.74%	1.47%	Yield (gross)	5.92%
2019	2.77%	2.52%	Spread Duration	0.80
2018	0.93%	0.72%	Z-spread	700
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	52.90%
EUR	25.86%
NOK	13.57%
SEK	4.75%
CHF	2.61%
GBP	0.31%
TOTAL	100.00%

Geographic breakdown

EU	13.57%
US	1.01%
Oth DEV	34.31%
LATAM	5.13%
EMEA	25.38%
ASIA	20.59%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	4.60%
	tot IG 4.60%
BB	24.81%
B	28.90%
CCC	2.78%
	tot HY 56.49%
NR	38.91%
TOTAL	100.00%

Sector breakdown - Top 10

Services	23.69%
Real Estate	17.52%
Basic Industry	9.53%
Transportation	8.59%
Banking	7.71%
Energy	7.20%
Financial Services	5.59%
Sovereign	3.94%
Capital Goods	3.31%
Retail	2.71%

very short (8 months or 0.64 of spread duration), with a combination of yield close to 6.67% and z-spread of 803.

Strategic & Tactical buckets.

Tactical bucket generated a positive performance, with homogeneous contributions. Geographical allocation in EM was negative, while picking was overall positive (negative in EUR HY and positive in EM).

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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