

Swan Short-Term High Yield – EUR May 2019



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

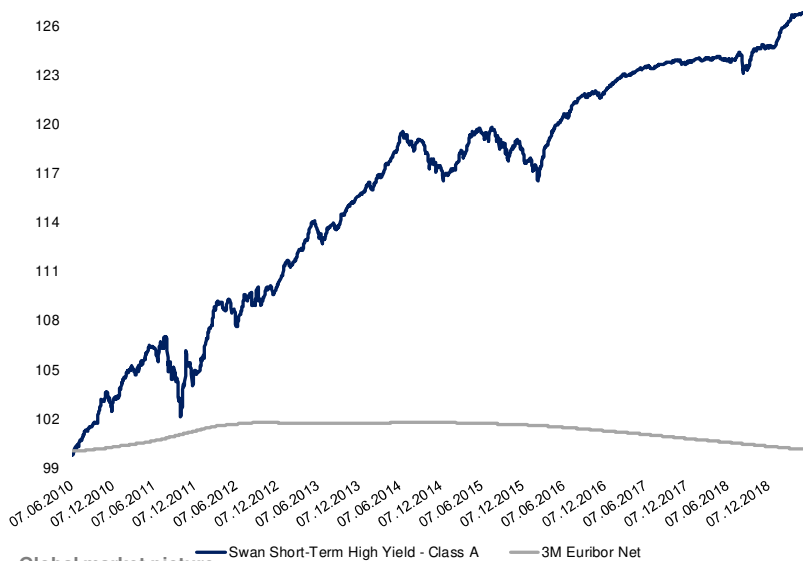
Conservative

Intermediate

High Reward

Performance

MTD :	0.05%	Fund Assets (mln) :	143.8 €
Since inception	26.78%	1 Year Std Dev :	0.81%
Last 12 Months :	2.37%	1 Year Sharpe Ratio :	3.56
NAVps :	EUR 126.78	% of positive months :	73%



Global market picture

May was the first negative month of 2019: European credit markets were negative (H9PC Index -1.39%), likewise equity markets with Eurostoxx 50 and S&P 500 losing respectively -6.66% and -6.58%. Economic data sent negative messages in US: flash PMI at 50.9 coupled with weak retail sales indicated possible further weakness in the economy; these circumstances added to ongoing trade tensions with China caused a significant downward movement in 10 years Treasury from 2.50% to 2.12% (lowest level since August 2017). The FED left rates unchanged on 1st May meeting and during the conference Jerome Powell was quite hawkish, rejecting the possibility of rates cut, but markets participants continued to be highly skeptical about FED policy, pricing around two cumulative cuts for 2019 and three and a half for 2020. Yield on 10 years German Bund was influenced by the risk-off tone of the markets, closing the month at -0.20% (lowest level on history). Political risk was concentrated on the Brexit saga (with Teresa May announcing to step down) and continuous trade war between China and US: new sanctions imposed by Trump administration on tech giant Huawei caused retaliation by China that threatened bans on export of rare earth. Emerging markets reported a slightly negative performance (-0.15%) with LATAM being the best performer during the month. EM resilience was mainly due to the rally in Treasury and generic dovish tone of central bankers around the world. Oil retraced significantly during the month (Brent down 11% at 64USD per barrel) due to renewed worries on global growth.

Active Portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 21.40%, flat relatively to the end of April (21.40%). Fund's actual exposure (beta and duration adjusted) is 14.68%, lower relatively to last month (15.26%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated gross yield of 2.60% (in EUR), a low spread duration of 0.93 and a z spread of 316.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 88% of the positions (61 out of 69) contributing positively. Positive contributions were homogeneously distributed, while negative contribution was generated by the COFP complex.

Period	Class C*	Class A	Portfolio info	
MTD	0.05%	0.05%	# of Securities	110
YTD	1.74%	1.66%	% Weight	95.84%
6 months	1.78%	1.69%	Int Dur	0.60
1 year	2.56%	2.37%	Yield (gross)	2.60%
2018	0.93%	0.72%	Spread Duration	0.93
2017	1.53%	1.28%	Z-spread	316
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	45.22%
EUR	23.16%
NOK	20.15%
SEK	7.22%
CHF	3.65%
GBP	0.60%
TOTAL	100.00%

Geographic breakdown

EU	9.72%
US	0.33%
Oth DEV	35.09%
LATAM	4.70%
EMEA	26.55%
ASIA	23.61%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	3.01%
	tot IG 3.01%
BB	24.29%
B	28.97%
CCC	0.57%
	tot HY 53.83%
NR	43.16%
TOTAL	100.00%

Sector breakdown - Top 10

Real Estate	27.31%
Banking	22.19%
Services	22.15%
Financial Services	8.10%
Energy	7.24%
Transportation	2.65%
Technology & Electronics	2.27%
Sovereign	2.12%
Basic Industry	1.49%
Media	1.27%

The average life of the YT portfolio at the end of May is very short (7 months or 0.66 of spread duration), with a combination of yield close to 2.52% and z-spread of 309.

Strategic & Tactical buckets.

Tactical bucket generated a significant positive performance. Geographical allocation in EM was negative, while picking was extremely positive 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

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