

Swan Short-Term High Yield – EUR June 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

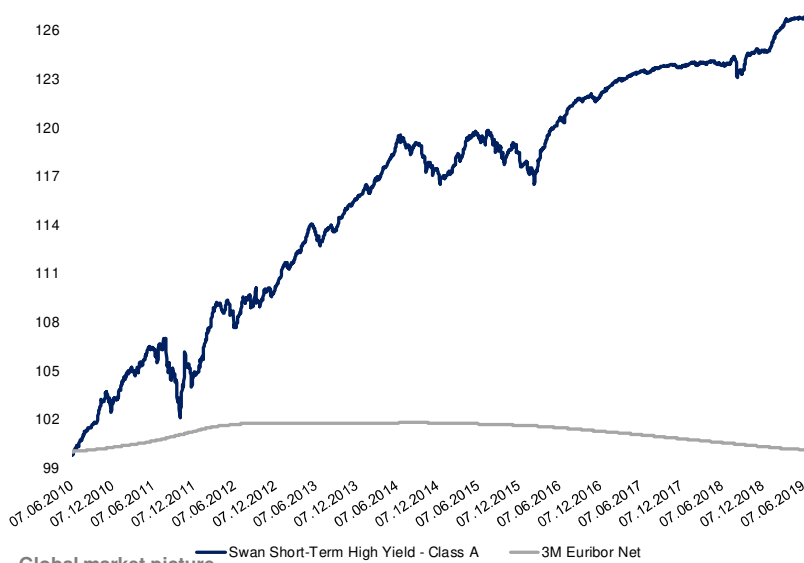
Conservative

Intermediate

High Reward

Performance

MTD :	0.22%	Fund Assets (mln) :	147.6
Since inception	27.06%	1 Year Std Dev :	0.81%
Last 12 Months :	2.53%	1 Year Sharpe Ratio :	3.77
NAVps :	EUR 127.06	% of positive months :	73%



Global market picture

June reversed the negative returns experienced during May: European credit markets were positive (H9PC Index +2.17%), likewise equity markets with Eurostoxx 50 and S&P 500 gaining respectively +6.89% and 5.89%. Weak labor market in US coupled with manufacturing PMI slightly above 50 (at 50.5) increased concerns about the future path of US economy; these circumstances added to ongoing trade tensions with China caused a continuation in downward movement of 10 years Treasury from 2.12% to 2.01% (lowest level since August 2017). The G20 meeting held in Japan in the last days of the month did not deliver significant improvements, with Trump and Xi agreeing on a new truce and on a new round of negotiations: this result avoid an immediate escalation but leaves significant uncertainty over the evolution of this saga. On the central banks side, the most remarkable event was Mario Draghi speech at Sintra, that opened the doors to rate cuts and a new round of QE by the ECB: Yield on 10 years German Bund was significantly impacted and closed the month at -0.33% (lowest level on history). The FED left rates unchanged on its June meeting, but there are increasing chances that several “insurance cuts” will be delivered in 2019: markets price close to three cuts in 2019, while consensus expect two cuts before year end. Emerging markets reported a positive performance (+2.49%) with EMEA being the best performer during the month (thanks in particular to a rebound in Turkish credits). EM performance was mainly due to the rally in Treasury and generic dovish tone of central bankers around the world. Oil partially recovered previous month loss (Brent up 3.19% at 66USD per barrel) due to renewed tensions on global supply.

Active Portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 21.40%, flat relatively to the end of May (21.40%). Fund's actual exposure (beta and duration adjusted) is 16.61%, higher relatively to last month (14.68%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated gross yield of 2.37% (in EUR), a low spread duration of 1.06 and a z spread of 313.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 89% of the positions (64 out of 72) contributing positively. Positive contributions were homogeneously

Period	Class C*	Class A	Portfolio info	
MTD	0.24%	0.22%	# of Securities	114
YTD	1.99%	1.88%	% Weight	99.71%
6 months	1.99%	1.88%	Int Dur	0.70
1 year	2.73%	2.53%	Yield (gross)	2.37%
2018	0.93%	0.72%	Spread Duration	1.06
2017	1.53%	1.28%	Z-spread	313
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	48.85%
EUR	21.34%
NOK	19.20%
SEK	7.02%
CHF	3.03%
GBP	0.56%
TOTAL	100.00%

Geographic breakdown

EU	6.60%
US	0.00%
Oth DEV	33.88%
LATAM	6.26%
EMEA	26.18%
ASIA	27.09%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	3.87%
	tot IG 3.87%
BB	27.60%
B	28.73%
CCC	1.03%
	tot HY 57.36%
NR	38.77%
TOTAL	100.00%

Sector breakdown - Top 10

Real Estate	30.49%
Services	21.02%
Banking	18.26%
Energy	7.82%
Financial Services	7.10%
Sovereign	4.58%
Technology & Electronics	2.41%
Capital Goods	2.08%
Consumer Goods	1.63%
Basic Industry	1.32%

distributed, the only exception being AABAR 03/20, while a negative contribution was generated by DOFSUB 05/20. The average life of the YT portfolio at the end of June is very short (9 months or 0.77 of spread duration), with a combination of yield close to 2.09% and z-spread of 279.

Strategic & Tactical buckets.

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

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

Contacts at Swan Asset Management SA:

E-mail: info@swan-am.ch - Tel: +41 91 986 31 90