

Swan Short-Term High Yield – EUR August 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

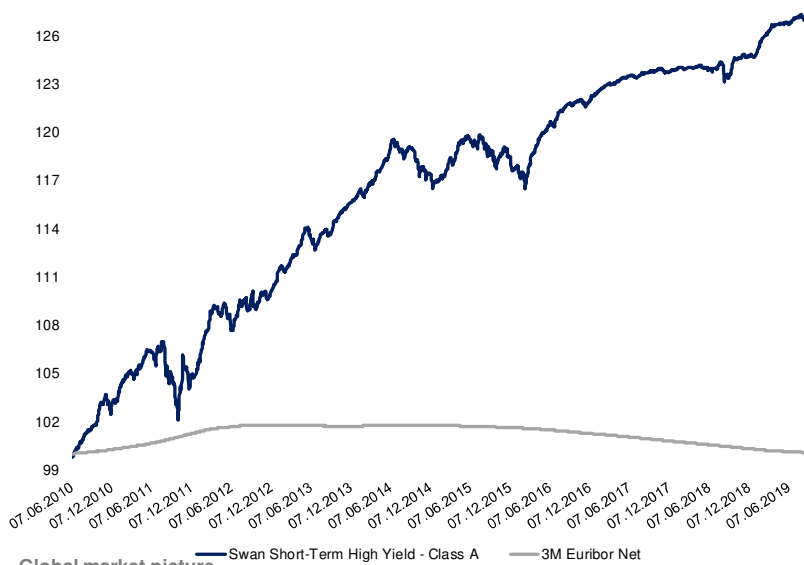
Conservative

Intermediate

High Reward

Performance

MTD :	-0.24%	Fund Assets (mln) :	177.9 €
Since inception	26.96%	1 Year Std Dev :	0.53%
Last 12 Months :	2.96%	1 Year Sharpe Ratio :	6.55
NAVps :	EUR 126.96	% of positive months :	73%



Global market picture

August was a mixed month for financial markets: European credit markets were positive (H9PC Index +0.64%), while equity markets were negative both in Europe (Eurostoxx 50 -1.16%) and in US (S&P 500 -1.81%). The month started with a bounce in volatility due to renewed tension on trade war: Trump tweeted that US would place a 10% tariff on additional \$300bn Chinese goods starting from 1st of September while China retaliated with a ban on imports of agricultural products from United States and further devaluation of CNY above the psychological level of 7 USDCNY. Additional pressure on growth expectations has been generated by negative economic data in Europe: a bigger than expected fall in industrial production in Germany was confirmed by a negative (-0.1% QoQ in 2Q) GDP reading, while at the same time the Italian coalition reached a breaking point with League leader Matteo Salvini asking for snap elections. Negative sentiment pushed yield on government bonds further lower: German 10 years Bund closed the month at -0.70% (-26bps during the month) while 10 Years Treasury reached 2016 lows at 1.50% (-52bps during the month). The central banks' dovish tone added pressure on “risk-free” rates: the FED is expected to cut rates for the second time at its September meeting, while a new QE plan coupled with a rate cut could be unveiled by the ECB next month. Emerging markets reported a negative performance (-2.60%) with LATAM being the worst performer during the month. Argentina was the main driver of this movement: ARS lost a fifth of its value after opposition candidate Fernandez won primary election, forcing current president Macri to delay \$7bn of payment on short term local debt and seek a voluntary reprofiling of \$50bn of longer-term debt.

Active Portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 18.40%, flat relatively to the end of July (18.40%). Fund's actual exposure (beta and duration adjusted) is 18.49%, lower relatively to last month (20.19%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated gross yield of 3.78% (in EUR), a low spread duration of 0.99 and a z spread of 454.

Yield-type bucket

The bucket generated a negative gross contribution to the monthly performance, with 84% of the positions (63 out of 75) contributing positively. Positive contributions were homogeneously

Period	Class C*	Class A	Portfolio info	
MTD	-0.24%	-0.24%	# of Securities	118
YTD	1.94%	1.80%	% Weight	97.18%
6 months	0.78%	0.67%	Int Dur	0.69
1 year	3.12%	2.96%	Yield (gross)	3.78%
2018	0.93%	0.72%	Spread Duration	0.99
2017	1.53%	1.28%	Z-spread	454
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	51.23%
EUR	20.74%
NOK	17.82%
SEK	5.90%
CHF	3.85%
GBP	0.46%
TOTAL	100.00%

Geographic breakdown

EU	6.45%
US	0.00%
Oth DEV	30.93%
LATAM	6.74%
EMEA	26.92%
ASIA	28.96%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	4.65%
	tot IG 4.65%
BB	25.44%
B	31.23%
CCC	1.36%
	tot HY 58.03%
NR	37.31%
TOTAL	100.00%

Sector breakdown - Top 10

Real Estate	28.81%
Services	19.48%
Banking	18.08%
Energy	8.31%
Sovereign	6.94%
Financial Services	4.50%
Capital Goods	3.77%
Technology & Electronics	2.29%
Healthcare	1.48%
Consumer Goods	1.45%

distributed, while negative contributions were generated by DOFSUB 05/20 and YPFAR 09/19. The average life of the YT portfolio at the end of August is very short (9 months or 0.73 of spread duration), with a combination of yield close to 3.84% and z-spread of 455.

Strategic & Tactical buckets.

Tactical bucket generated a negative performance, with negative contributions from TECOAR 06/21 and AES 02/24. Geographical allocation in EM was positive, while picking was negative 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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