

Swan Short-Term High Yield – USD

February 2020



Strategy

The sub-fund aims to generate a significant excess return vs 3m Libor 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

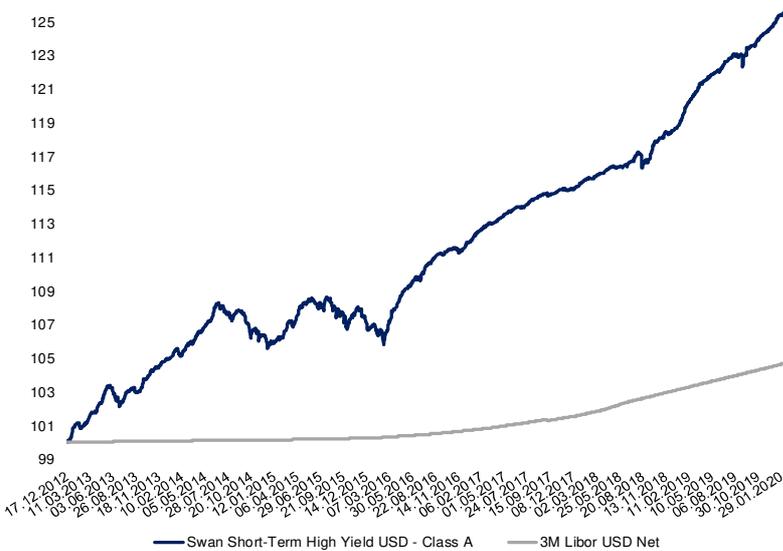
Conservative

Intermediate

High Reward

Performance

MTD :	-0.18%	Fund Assets (mln) :	208.4 €
Since inception	25.19%	1 Year Std Dev :	0.85%
Last 12 Months :	3.75%	1 Year Sharpe Ratio :	2.12
NAVps :	USD 125.19	% of positive months :	78%



Global market picture

During February European credit markets experienced a negative performance (H9PC Index -1.90%), in tandem with a negative movement of the Eurostoxx 50 (-8.55%) and the S&P 500 (-8.41%). The month started with US NFP above consensus (225k vs 165k) and unemployment rate that ticked up to 3.6%, but still close to its 50 years low, while in Europe industrial production contracted 4.1%, confirming poor data reported by Germany, France and Italy. In the second part of the month Corona virus outbreak took the center of the stage, sending markets in a downward spiral: the diffusion of the virus in Italy and in other European countries, with restrictions imposed on flights and creation of quarantine area, generated panic selling. The S&P500 registered its worst week since 2008 (-11.49%), Eurostoxx50 lost 11.24% in five days, Xover widened 73bps and 10 Years Treasury reached record low level at 1.15% (German 10 years Bund -17bps @ -0.61%). Central banks did not remain on the sideline: Jerome Powell declared that the FED was “closely monitoring” the risks to US economy from virus outbreak, further reassuring investors saying that the FED “will use its tools and act as appropriate to support the economy”, while Christine Lagarde was more prudent on imminent monetary policy changes. Notwithstanding cautious comment by ECB chair market is pricing two cuts of depo rate by March in Europe, while in US expectations are for a 50bps cut at the next meeting. Emerging Credit markets reported a negative performance (-0.74%), with ASIA area being the best performer during the month, thanks to China resilience. Oil was volatile and closed the month at 50.52 USD per barrel (-13.14%), due to downward revision to growth linked to Corona virus effects.

Active Portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 18.40%, flat relatively to the end of January (18.40%). Fund's actual exposure (beta and duration adjusted) is 14.26%, lower relatively to last month (15.51%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated gross yield of 2.70% (in EUR), a low spread duration of 0.93 and a z spread of 345.

Yield-type bucket

The bucket generated a negative gross contribution to the monthly performance, with 65% of the positions (56 out of 86) contributing positively. Positive contributions were homogeneously distributed, while COFP 05/21 generated a significant negative contribution. The average life of the YT portfolio is very short (9 months or 0.72 of spread duration), with a combination of yield

Period	Class A	Portfolio info	
MTD	-0.18%	# of Securities	123
YTD	0.26%	% Weight	96.84%
6 months	1.76%	Int Dur	0.69
1 year	3.75%	Yield (gross)	2.70%
2019	5.08%	Spread Duration	0.93
2018	2.98%	Z-spread	345
2017	2.96%		
2016	4.84%		
2015	0.93%		
2014	0.81%		
2013	4.75%		

FX breakdown (fully hedged)

USD	59.01%
EUR	17.15%
NOK	14.22%
SEK	6.97%
CHF	2.39%
GBP	0.26%
TOTAL	100.00%

Geographic breakdown

EU	6.06%
US	0.00%
Oth DEV	34.04%
LAT AM	5.59%
EMEA	26.30%
ASIA	28.01%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	4.43%
tot IG	4.43%
BB	24.77%
B	31.45%
CCC	0.73%
tot HY	56.95%
NR	38.62%
TOTAL	100.00%

Sector breakdown - Top 10

Real Estate	27.75%
Services	19.12%
Banking	15.61%
Energy	8.48%
Sovereign	5.40%
Financial Services	5.38%
Basic Industry	3.59%
Capital Goods	2.64%
Transportation	2.61%
Leisure	1.66%

close to 2.57% and z-spread of 329.

Strategic & Tactical buckets.

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

Sicav Structure – Terms & Conditions

Domicile: Luxembourg

Inception Date: 18 December 2012

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: CBASAUH LX

ISIN: class A: LU0860713980

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