

Swan Short-Term High Yield – EUR

April 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

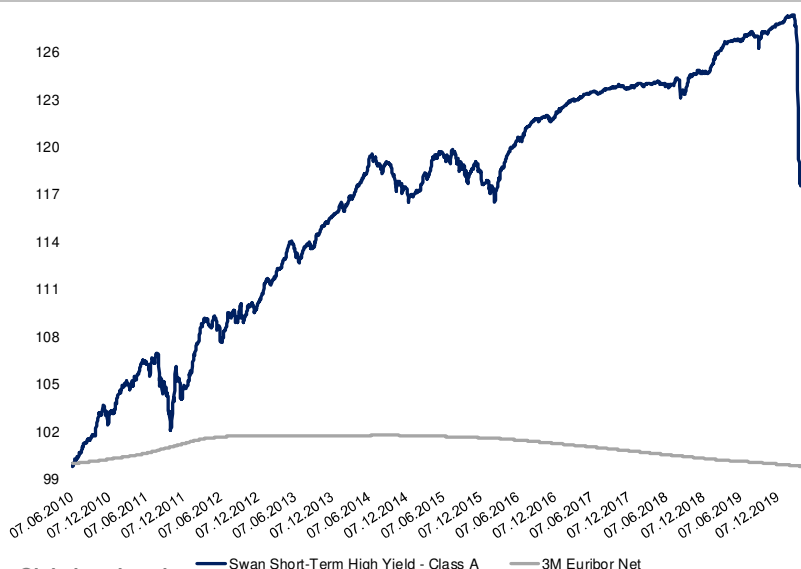
Conservative

Intermediate

High Reward

Performance

MTD :	3.25%	Fund Assets (mln) :	169.6 €
Since inception	21.99%	1 Year Std Dev :	2.91%
Last 12 Months :	-3.73%	1 Year Sharpe Ratio :	-1.05
NAVps :	EUR 121.99	% of positive months :	73%



Global market picture

During April European credit markets experienced a positive performance (H9PC Index +6.08%), in tandem with a positive movement of the Eurostoxx 50 (+5.06%) and the S&P 500 (+12.68%). In this context Swan Short-Term High Yield partially recovered the loss realized in the 1st quarter, with a significantly positive monthly performance of +3.27%; YTD performance is -4.50% while credit markets registered close to double digit negative returns YTD (EUR HY -9.54%, EM HY -10.75%, US HY -10.48% and EUR IG -2.71%). Economic data signaled a significant negative growth in 1Q20, with Eurozone at -3.4% and US at -4.8%, while estimates are for a contraction on the full year of -3.9% in US and -5.3% in Europe. Oil collapse had its peak during the last trading days of the WTI Future contract with expiration in May: price for that maturity went in negative territory with oil producers paying buyers to take the commodity off their hands over fears that storage capacity could run out. On the central banks side, ECB reiterated that it is willing to use all available flexibilities to support the economy, but rates remained unchanged and there was no upside in its asset purchase programs, while more generous conditions will be applied in upcoming TLTRO operations. The FED did not change its monetary policy during last meeting, but pledged readiness for further action in case of need; Jerome Powell already took quick and significant actions in late March to stabilize financial markets and seems to be in a wait and see mode now, stimulating US administration to use “the great fiscal power of the United States”. We still think that this is an extremely attractive entry point for our strategy: a duration adjusted YTM close to combined with an average maturity of the bonds in portfolio below 1 year (10 months) give us confidence on the capability to recover YTD losses and generate positive performance in 2020.

Active Portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 15.60%, flat relatively to the end of March (15.60%). Fund's actual exposure (beta and duration adjusted) is 15.66%, higher relatively to last month (15.58%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated gross yield of 10.38% (in EUR), a low spread duration of 1.06 and a z spread of 1057.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 88% of the positions (69 out of 78) contributing positively. The YTM remains significantly attractive:

Period	Class C*	Class A	Portfolio info	
MTD	3.27%	3.25%	# of Securities	114
YTD	-4.50%	-4.58%	% Weight	98.05%
6 months	-4.12%	-4.26%	Int Dur	0.85
1 year	-3.49%	-3.73%	Yield (gross)	10.38%
2019	2.77%	2.52%	Spread Duration	1.06
2018	0.93%	0.72%	Z-spread	1057
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	58.90%
EUR	18.69%
NOK	13.21%
SEK	6.24%
CHF	2.67%
GBP	0.30%
TOTAL	100.00%

Geographic breakdown

EU	5.64%
US	1.49%
Oth DEV	36.03%
LATAM	6.28%
EMEA	29.71%
ASIA	20.85%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	3.84%
	tot IG 3.84%
BB	26.72%
B	29.11%
CCC	1.57%
	tot HY 57.40%
NR	38.76%
TOTAL	100.00%

Sector breakdown - Top 10

Services	21.81%
Real Estate	21.17%
Banking	12.73%
Energy	10.13%
Sovereign	6.15%
Financial Services	5.41%
Basic Industry	5.24%
Capital Goods	3.16%
Retail	2.40%
Healthcare	2.30%

conditions are much more interesting now in the short-term part of the credit curve. The average life of the YT portfolio is very short (10 months or 0.81 of spread duration), with a combination of yield close to 10.82% and z-spread of 1102.

Strategic & Tactical buckets.

Tactical bucket generated a positive performance, with homogeneous contributions. Geographical allocation in EM was positive, while picking was 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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