

# Swan Short-Term High Yield – EUR

## July 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

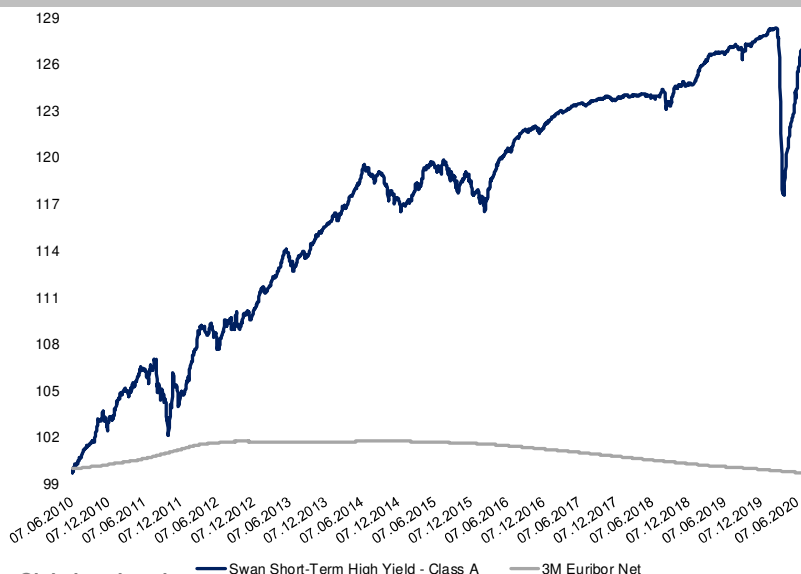
Conservative

**Intermediate**

High Reward

### Performance

MTD :	<b>0.73%</b>	Fund Assets (mln) :	162.7 €
Since inception	<b>27.84%</b>	1 Year Std Dev :	3.13%
Last 12 Months :	<b>0.46%</b>	1 Year Sharpe Ratio :	0.36
NAVps :	EUR 127.84	% of positive months :	74%



### Global market picture

During July European credit markets experienced a positive performance (H9PC Index +1.69%), in contrast with the negative movement of the Eurostoxx 50 (-1.85%), while S&P 500 closed higher (+5.51%). In this context Swan funds continued to retrace the drawdown experienced during the 1st quarter, with a significant positive monthly performance ranging from +1.17% to 0.53%: our SIF funds are in positive territory (+1.97% SLSC and +1.44% for SBE) and also UCITS funds registered positive performance YTD (+0.35% USTB and +0.14% for STHY), while credit markets are still reporting negative returns YTD (European HY -3.50%, Emerging HY -0.39%, US HY -1.44% and EUR IG +0.20%). GDP releases confirmed the COVID-19 related disruption of the economy: during 2Q GDP contracted by 9.5% in US and 12.1% in Europe, with recovery expected to be long and painful as coronavirus cases continued to increase and US-China relations came back on the stage. Central banks and European Union confirmed their role in supporting ailing economies: EU leaders reached a deal on a €750bn plan (€390bn in the form of grants and the balance in loans) but the main result obtained was that for the first time EU will be able to run a federal deficit to respond to an economic shock, while the FED maintained its dovish tone, hoping that congress will renew fiscal stimulus. Government bond yields continued their downward movements (10yrs Bund @ -0.56% and 10yrs Treasury @ 0.53%) increasing the search for spread products, while gold reached \$1983 a troy ounce, a nominal record. We still think that this is an interesting entry point for our strategy: attractive YTM combined with an average maturity of the bonds in portfolio around 1 year give us confidence on the capability to generate positive performance in line with targets during 2020

### Active Portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 15.60%, flat relatively to the end of June (15.60%). Fund's actual exposure (beta and duration adjusted) is 10.10%, lower relatively to last month (11.73%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated gross yield of 6.78% (in EUR), a low spread duration of 0.87 and a z spread of 774.

### Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 86% of the positions (63 out of 73) contributing positively. The YTM remains attractive and conditions are always interesting in the short-term part of the credit curve. The average life of the YT portfolio is

Period	Class C*	Class A	Portfolio info	
MTD	0.74%	0.73%	# of Securities	108
YTD	0.14%	-0.01%	% Weight	94.29%
6 months	-0.15%	-0.27%	Int Dur	0.70
1 year	0.70%	0.46%	Yield (gross)	6.78%
2019	2.77%	2.52%	Spread Duration	0.87
2018	0.93%	0.72%	Z-spread	774
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	53.45%
EUR	25.64%
NOK	12.48%
SEK	4.92%
CHF	3.19%
GBP	0.32%
<b>TOTAL</b>	<b>100.00%</b>

### Geographic breakdown

EU	13.42%
US	1.06%
Oth DEV	31.65%
LATAM	5.85%
EMEA	26.20%
ASIA	21.82%
<b>TOTAL</b>	<b>100.00%</b>

### Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	4.75%
	<b>tot IG 4.75%</b>
BB	26.11%
B	30.51%
CCC	2.27%
	<b>tot HY 58.89%</b>
NR	36.35%
<b>TOTAL</b>	<b>100.00%</b>

### Sector breakdown - Top 10

Services	20.83%
Real Estate	18.52%
Basic Industry	9.55%
Transportation	8.23%
Banking	8.17%
Energy	7.43%
Financial Services	6.16%
Sovereign	4.17%
Capital Goods	3.46%
Retail	2.82%

very short (8 months or 0.68 of spread duration), with a combination of yield close to 7.49% and z-spread of 870.

### Strategic & Tactical buckets.

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

### 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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