

Swan Ultra Short-Term Bond – USD September 2020



Strategy

The sub-fund aims to generate excess return vs 3m Libor in combination with extremely low volatility. The strategy combines the “buy and hold” investment in a highly diversified and granular portfolio of liquid short-term fixed income securities with the opportunistic and residual allocation of the promised average spread over risk free rate to a number of interest rate and FX active strategies.

Performance

MTD :	0.21%	Fund Assets (mln) :	275.7 €
Since inception	23.12%	1 Year Std Dev :	2.12%
Last 12 Months :	2.97%	1 Year Sharpe Ratio :	1.21
NAVps :	USD 123.12	% of positive months :	81%

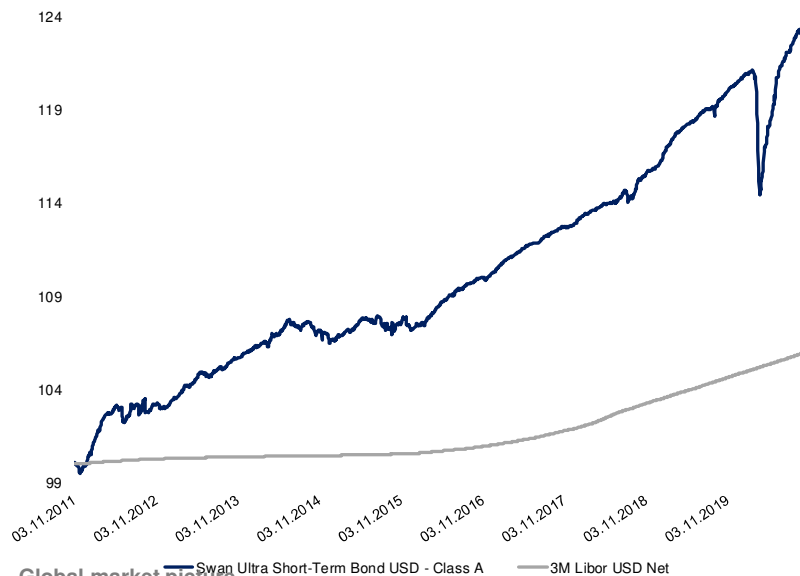


Risk Profile

Conservative

Intermediate

High Reward



Period	Class C*	Class A	Portfolio info	
MTD	0.24%	0.21%	# of Securities	144
YTD	2.22%	2.02%	% Weight	97.10%
6 months	6.99%	6.86%	Int Dur	0.40
1 year	3.29%	2.97%	Yield (gross)	4.21%
2019	3.90%	3.94%	Spread Duration	0.79
2018	2.91%	2.66%	Z-spread	531
2017	2.68%	2.43%		
2016	3.13%	2.88%		
2015	0.88%	0.63%		
2014	0.78%	0.53%		
2013	3.11%	2.86%		
2012	3.11%	2.86%		
2011	0.52%	0.27%		

*Class A adjusted for management fee difference used for periods before Class C inception.

FX breakdown (fully hedged)

USD	49.85%
EUR	26.71%
NOK	14.24%
SEK	5.46%
CHF	3.14%
GBP	0.59%
AUD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	19.32%
US	0.25%
Oth DEV	31.41%
LAT AM	7.15%
EMEA	23.91%
ASIA	17.95%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	15.12%
tot IG	15.12%
BB	28.58%
B	19.51%
CCC	0.82%
tot HY	48.91%
NR	35.98%
TOTAL	100.00%

Sector breakdown - Top 10

Services	20.74%
Real Estate	17.45%
Banking	14.97%
Basic Industry	9.68%
Financial Services	5.00%
Energy	4.89%
Transportation	4.18%
Capital Goods	4.07%
Sovereign	3.47%
Telecommunications	3.04%

Global market picture

During September European credit markets experienced a negative performance (H9PC Index -0.59%), in tandem with the movement of the Eurostoxx 50 (-2.41%) and S&P 500 (-3.92%). In this context Swan funds continued to move higher with a positive monthly performance ranging from +0.09% to 0.20%: our SIF funds are in positive territory (+3.37% SLSC and +2.86% for SBE) and also UCITS funds registered positive performance YTD (+1.13% USTB and +1.07% for STHY), while credit markets are still reporting negative returns YTD (European HY -2.71%, Emerging HY -0.02%, US HY -1.67% and EUR IG +0.68%). In US monthly data signaled a slowing growth, while politics added further uncertainty with negotiations on new fiscal stimulus still stalling. The 1st presidential debate did not bring significant news about candidate programs, but markets was scared by Trump continuous declaration about a unpeaceful transfer of power should he loses to Joe Biden. In its meeting the FED committed to a dovish policy until inflation has risen to 2% and is “on track to moderately exceed 2% for some time”, with dots now forecasting rates at these levels for the next three years. In Europe, notwithstanding the increase in COVID-19 cases especially in Spain and France, lockdown measures were only local and selective, but flash PMIs show signals of weakness. Government bond yields moved lower (10yrs Bund @ -0.52% and 10yrs Treasury @ 0.68%), while gold continued its retracement from August peak. We think that this is an interesting entry point for our strategy: current YTM combined with an average maturity of the bonds around 1 year give us confidence on the capability to generate positive performance in line with targets during 2020 and give us the opportunity to build portfolios with attractive returns on a 1 year horizon.

Yield-type strategy

The bucket generated a gross positive contribution to the monthly performance, with 71% of the positions (82 out of 116) 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 yield-type portfolio is very short (9 months or 0.79 of spread duration), combined with a gross yield of 4.21% (in EUR) and z-spread of 531 basis points.

Sicav Structure – Terms & Conditions

Domicile: Luxembourg

Inception Date: 3 November 2011

Minimum Investment: 1 share

Liquidity / Reporting: Daily

Fees: Class C 0.75% / Class A 1.00% 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: CBSBAUH LX, class C: CBSBCUH LX

ISIN: class A: LU0698400198, class C: LU0698400354

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