

# Swan Short-Term High Yield – EUR October 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

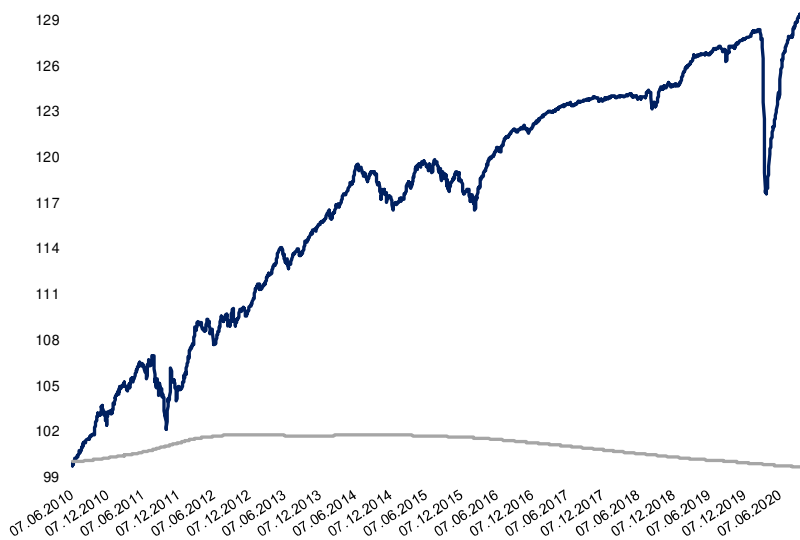
Conservative

**Intermediate**

High Reward

## Performance

MTD :	<b>0.40%</b>	Fund Assets (mln) :	179.5 €
Since inception	<b>29.51%</b>	1 Year Std Dev :	3.07%
Last 12 Months :	<b>1.64%</b>	1 Year Sharpe Ratio :	0.77
NAVps :	EUR 129.51	% of positive months :	74%



## Global market picture

During October European credit markets experienced a positive performance (H9PC Index +0.42%), in contrast with the movement of the Eurostoxx 50 (-7.37%) and S&P 500 (-2.77%). In this context Swan funds continued to move higher with a positive monthly performance ranging from +0.28% to 0.91%: our SIF funds are in positive territory (+4.07% SLSC and +3.80% for SBE) and also UCITS funds registered positive performance YTD (+1.41% USTB and +1.50% for STHY), while credit markets are still reporting mixed returns YTD (European HY -2.32%, Emerging HY +0.24%, US HY -1.27% and EUR IG +1.45%). Monthly data continue to indicate a moderating but still above trend growth with significant regional differences: in China economy continued its recovery, with strong trade terms signaling strength of export sector, while in the US, notwithstanding strong PMIs, there are more risks of slowdown if Congress will not approve a fiscal stimulus package before the elections. Europe was the region with the most problematic situation: after a strong Q3, expectations for Q4 are for zero growth due to a massive resurgence of Covid-19 infections; France announced a semi-Lockdown lasting till December and other countries could quickly follow this path, especially Spain and Italy. The ECB remained extremely dovish during its meeting, announcing further monetary easing before year end to counter risks “clearly tilted to the downside”. In this environment 10yrs Bund yields moved lower to -0.63%, while 10yrs Treasury jumped higher to 0.87%, 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.

## Active Portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 18.40%, flat relatively to the end of September (18.40%). Fund's actual exposure (beta and duration adjusted) is 14.07%, higher relatively to last month (10.84%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated gross yield of 6.14% (in EUR), a low spread duration of 0.93 and a z spread of 717.

## Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 87% of the positions (69 out of 79) contributing positively. The YTM remains attractive and conditions are

Period	Class C*	Class A	Portfolio info	
MTD	0.43%	0.40%	# of Securities	118
YTD	1.50%	1.30%	% Weight	100.76%
6 months	6.28%	6.16%	Int Dur	0.75
1 year	1.91%	1.64%	Yield (gross)	6.14%
2019	2.77%	2.52%	Spread Duration	0.93
2018	0.93%	0.72%	Z-spread	717
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	60.97%
EUR	20.86%
NOK	10.62%
SEK	3.43%
CHF	2.37%
GBP	1.75%
<b>TOTAL</b>	<b>100.00%</b>

## Geographic breakdown

EU	12.82%
US	2.04%
Oth DEV	33.14%
LATAM	4.63%
EMEA	32.72%
ASIA	14.65%
<b>TOTAL</b>	<b>100.00%</b>

## Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	3.14%
	<b>tot IG 3.14%</b>
BB	25.25%
B	28.15%
CCC	2.32%
	<b>tot HY 55.72%</b>
NR	41.14%
<b>TOTAL</b>	<b>100.00%</b>

## Sector breakdown - Top 10

Services	22.69%
Real Estate	17.10%
Basic Industry	12.05%
Energy	8.74%
Banking	7.59%
Transportation	6.28%
Financial Services	5.83%
Retail	2.90%
Sovereign	2.85%
Consumer Goods	2.04%

always interesting in the short-term part of the credit curve. The average life of the YT portfolio is very short (8 months or 0.64 of spread duration), with a combination of yield close to 6.63% and z-spread of 779.

## Strategic & Tactical buckets.

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

Contacts at Swan Asset Management SA:

E-mail: info@swan-am.ch - Tel: +41 91 986 31 90