

Swan Short-Term High Yield – CHF

December 2020



Strategy

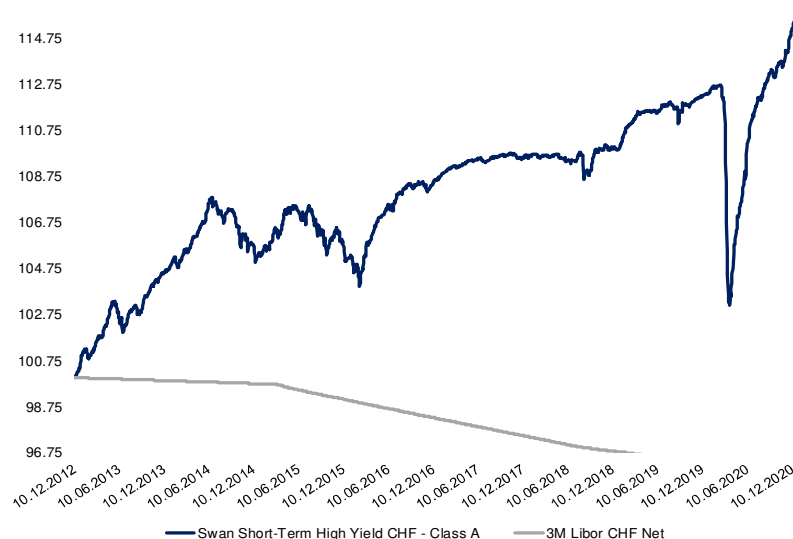
The sub-fund aims to generate a significant excess return vs 3m Libor CHF in combination with below-average market volatility. Depending on market conditions, the strategy combines in variable proportions the “buy and hold” investment in a highly diversified and granular portfolio of liquid short-term fixed income securities with the “strategic” and/or “tactical” investment in HY or EM securities denominated in hard currency.

Risk Profile



Performance

| | | | |
|------------------|---------------|------------------------|---------|
| MTD : | 0.72% | Fund Assets (mln) : | 192.4 € |
| Since inception | 15.61% | 1 Year Std Dev : | 3.12% |
| Last 12 Months : | 2.94% | 1 Year Sharpe Ratio : | 1.26 |
| NAVps : | CHF 115.61 | % of positive months : | 73% |



Global market picture

During December European credit markets experienced a positive performance (H9PC Index +0.80%), in tandem with the movement of the Eurostoxx 50 (+1.72%) and S&P 500 (3.71%). In this context Swan funds continued to move higher with a positive monthly performance ranging between +0.47% and 1.23%: SIF funds closed the year in positive territory (+6.96% SLSC and +6.12% for SBE), UCITS funds registered significant positive performance in 2020 (+2.2% USTB and +2.65% for STHY), while credit markets reported low single digit positive returns (European HY +2.76%, Emerging HY +7.23%, US HY +4.31% and EUR IG +2.65%). Mass vaccinations campaigns started all around the world: US was the first to move, followed by UK and European countries, but several obstacles (vaccine availability and willingness of the population to participate being the major ones) appeared to threaten the objective of a quick herd immunity. On the political side, the EU-UK deal on Brexit reached in the last days of the year, avoided a no deal scenario that would have hurt severely both economies; expectations for Euro area GDP are -10% q/q in 4Q followed by a significant rebound, especially in 2Q21 (+10%) and 3Q21 (+9%). In the United States an agreement was reached on fiscal stimulus, with an additional 900bn\$ plan approved, while Donald Trump continued to challenge elections' results. In this context, the 10 years bund yield was substantially flat at -0.57%, while the 10 years Treasury moved higher 7bps to 0.91%. We think that this is still an interesting entry point for our strategy: current YTM, albeit reduced, give us confidence on the capability to generate positive performance in line with targets during 2021; average maturity of the bonds in our portfolios is still around 1 year and should help reduce volatility in case of new episodes of market stress.

Active Portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 18.40%, flat relatively to the end of November (18.40%). Fund's actual exposure (beta and duration adjusted) is 15.05%, lower relatively to last month (11.67%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated gross yield of 3.65% (in EUR), a low spread duration of 0.92 and a z spread of 421.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 96% of the positions (76 out of 79) 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 | 0.75% | 0.72% | # of Securities | 119 |
| YTD | 3.17% | 2.94% | % Weight | 97.96% |
| 6 months | 3.97% | 3.89% | Int Dur | 0.74 |
| 1 year | 3.17% | 2.94% | Yield (gross) | 3.65% |
| 2019 | 2.42% | 2.17% | Spread Duration | 0.92 |
| 2018 | 0.59% | 0.32% | Z-spread | 421 |
| 2017 | 1.16% | 0.86% | | |
| 2016 | 3.59% | 3.29% | | |
| 2015 | 0.17% | -0.13% | | |
| 2014 | 0.88% | 0.58% | | |
| 2013 | 4.60% | 4.30% | | |

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

FX breakdown (fully hedged)

| | |
|--------------|----------------|
| USD | 64.96% |
| EUR | 16.61% |
| NOK | 12.76% |
| SEK | 3.85% |
| CHF | 0.08% |
| GBP | 1.73% |
| TOTAL | 100.00% |

Geographic breakdown

| | |
|--------------|----------------|
| EU | 7.73% |
| US | 5.72% |
| Oth DEV | 33.26% |
| LATAM | 2.65% |
| EMEA | 38.91% |
| ASIA | 11.72% |
| TOTAL | 100.00% |

Rating breakdown

| | |
|--------------|----------------------|
| AAA | 0.00% |
| AA | 0.00% |
| A | 0.00% |
| BBB | 2.33% |
| | tot IG 2.33% |
| BB | 21.05% |
| B | 33.21% |
| CCC | 2.27% |
| | tot HY 56.54% |
| NR | 41.13% |
| TOTAL | 100.00% |

Sector breakdown - Top 10

| | |
|--------------------|--------|
| Services | 23.89% |
| Real Estate | 16.66% |
| Banking | 15.29% |
| Basic Industry | 11.67% |
| Leisure | 5.96% |
| Transportation | 4.65% |
| Energy | 4.37% |
| Financial Services | 2.98% |
| Sovereign | 2.61% |
| Utility | 2.20% |

very short (9 months or 0.74 of spread duration), with a combination of yield close to 3.92% and z-spread of 457.

Strategic & Tactical buckets.

Tactical bucket generated a positive 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: 11 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: CBASACH LX, class C: CBASCCH LX

ISIN: class A: LU0860714285, class C: LU0860714442

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This is an advertising document. The state of origin of the fund is Luxembourg. In Switzerland the representative of the SICAV is Cornèr Banca S.A., with registered office in Via Canova 16, CH-6901 Lugano and the payment service is provided by Cornèr Banca S.A., Via Canova 16, CH-6901 Lugano.

The basic documents of the fund as well as the annual and if applicable the semi-annual report may be obtained free of charge from the representative. Past performance is no indication of current or future performance. The performance data do not take account of the commissions and costs incurred on the issue and redemption units.