

27 February 2015 - 31 March 2015

ECM Short Duration Credit Fund

A sub fund of ECM Credit Fund SICAV

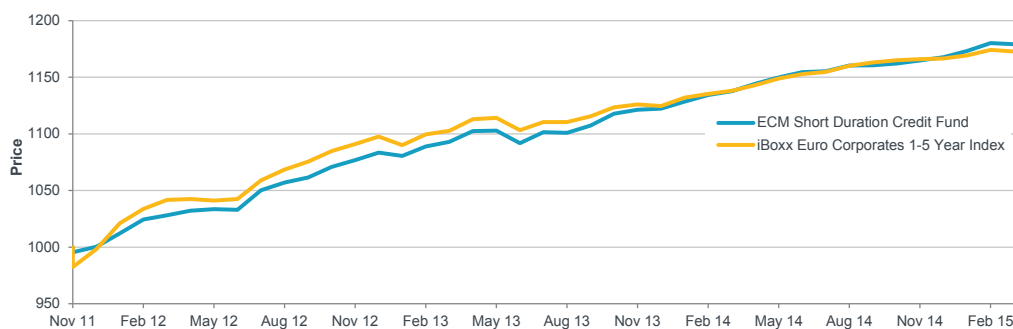
Summary of investment objective

Total return fund which aims to outperform the iBoxx Euro Corporates 1-5yr index over the cycle.

Fund performance

	MTD	QTD	YTD	1 year	Annualised	
					3 year	Since incep.
Fund €* net returns	-0.10%	0.98%	0.98%	3.64%	4.61%	4.87%
Iboxx Eur Corporates 1-5yr index	-0.12%	0.52%	0.52%	3.05%	3.98%	4.71%
Relative performance	0.02%	0.45%	0.45%	0.60%	0.64%	0.17%
Fund volatility	-	-	-	0.80%	1.53%	1.63%
iBoxx Eur Corporates 1-5 yr. index vol.	-	-	-	0.66%	1.59%	2.33%
Tracking error	-	-	-	0.49%	0.56%	1.27%

Fund performance since inception



Sources: ECM, iBoxx as at 31/03/15, * Institutional Accumulating Euro share class (LU0694366682)

Fund manager's report

Central bank support for asset markets has been a dominant theme that has continued to drive yields globally since the US kicked off QE1 in November 2008. The ECB joined the party in January this year with their EUR 1.1trillion programme. A relative scarcity of government bonds in the Eurozone area led the 10yr German government bond yield to halve from around 40bps in January to 20bps at the end of March. Corporate treasurers took the opportunity to lock in all time low yields with Investment Grade supply averaging €22bln over the last week Feb & first two weeks of March, the highest since 2008 according to Citibank data. The volume of supply together with the longer duration, €34billion of IG issuance in March had a maturity of 10 years or above, led to severe market indigestion as both investors and the street struggled to recycle the new issuance. The lower government yields kept bond prices high which in turn attracted profit takers. The BAML Euro Investment Grade credit return for March ended the month at -50bps vs swaps. The interest rate component of the index contributed +41bps. With the new issuance skewed to the long end it was no surprise to see the 1-3y index only losing 1bp in credit terms with the 3-5yr index dropping 28bps. EDC returned -10bps, marginally ahead of the index. Year-To-Date returns stand at 98bs, 45bps ahead of the index.

The profit taking harmed the sectors that had performed strongest year to date including long dated low beta corporates, corporate hybrid paper and subordinated insurance. Much of the spread widening has been optical with bank desks, under pressure to keep inventories low into quarter-end, bidding to miss and investors with inflows sitting on the side-lines. Going forward, for credit spreads to reverse the recent widening, the market will be looking for European risk-free rates to bottom out, and a reduction in the amount of new issuance before investors crowded out of government bonds will renew the hunt for yield in corporate credit.

Finally, kindly note that following the integration of ECM with Wells Fargo Asset Management (WFAM), the format of our newsletters will be changing from May 2015 into the WFAM brand. They will be fact based, with a more detailed fund commentary being available on a quarterly basis. If you have any questions with regards to these changes please speak to your sales representative.

The opportunity

Gives access to short to medium maturity predominantly investment grade securities

Yield enhancement achieved via small allocations to high yield and asset backed securities

Characteristics

Total return, multi asset credit

Relative value opportunities explored in bonds & CDS across the major currencies on a currency hedged basis

Modest leverage flexibility: up to 25% of NAV

AUM: €202m

Fund inception: 31st October 2011

Key details

Fund metrics	Fund	Index
No. of obligors	116	300
Yield to worst	1.37	0.59
Carry (bps)	107	52
IR Duration (yrs)	2.83	2.83
Average rating	A-	A-
High yield	6%	n/a
CDS	0%	n/a
Floaters	13%	n/a
99% monthly VaR	0.97%	n/a

Sources: ECM Iboxx & Barclays POINT as at 31/03/15

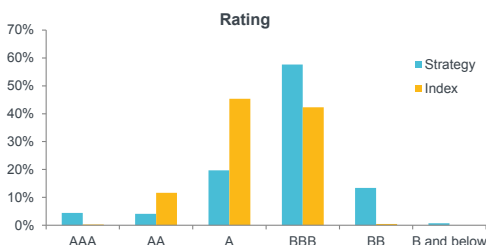
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EDC positioning versus reference index by:

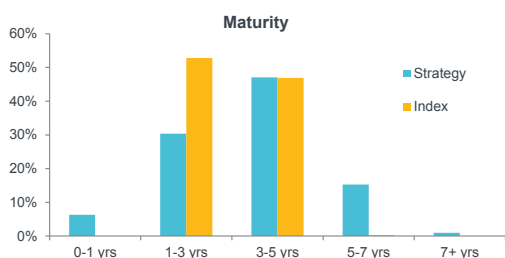
Asset class



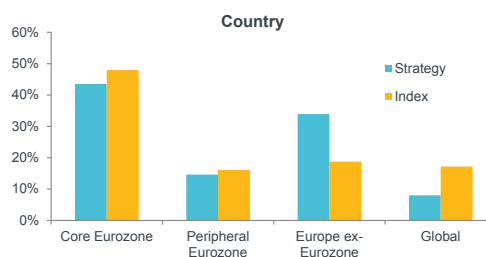
Credit rating



Maturity



Country



Further fund information

Liquidity: Daily
Dividend payment: Annually
Notice period: T-1 by 16:00 CET
Structure: UCITS SICAV
Domicile: Luxembourg

I Share classes (Euro Accumulating/Distributing):

Min investment: € 125k
Management fee: 0.30%
Performance fee: 10% of annual outperformance over the index, capped at 20bps

Currently invested share classes:

ISIN	CCY	Accumulating/Distributing
LU0694366682	EUR	A
LU0694366765	GBP	A
LU0694367730	SEK	A
LU0694371179	EUR	D

ECM at a glance

ECM is one of 36 specialised and autonomous investment teams within Wells Fargo Asset Management. Founded in 1999, ECM has a pure focus on fixed income with a speciality on credit.

Top ten holdings

1	ING GROEP NV	2.6%	6	GM	1.7%
2	DEUTSCHE ANNING	2.3%	7	CPUK MORT	1.7%
3	UBS	2.3%	8	STAGECOACH	1.7%
4	FORD MOTOR CO	1.9%	9	CREDIT AG SA	1.6%
5	FIAT	1.8%	10	KERING	1.6%

EDC portfolio managers



Henrietta Pacquement
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- Joined ECM in August 2006
- Responsible for ECM's multi asset credit portfolios (MAC)
- Over nine years of buy side experience in portfolio and risk management
- MA in Astrophysics from Cambridge University
- Chartered Financial Analyst (CFA) Charterholder



Alex Temple
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- Joined ECM in 2006
- Portfolio Manager on ECM's Investment Grade focussed portfolios
- Previously worked as Senior Rates Manager responsible for active duration management, hedging and structured products
- Prior to ECM worked as a Vice President at Merrill Lynch in the Global Debt Analytics group on the swaps desk
- MEng in Mechanical Engineering from Bristol University

ECM Short Duration Credit Fund is a sub-fund of the ECM Credit Fund SICAV which is a Luxembourg incorporated entity that has appointed ECM to manage portfolios of investments on its behalf.

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