

# Swan Short-Term High Yield – USD

## August 2023



### Strategy

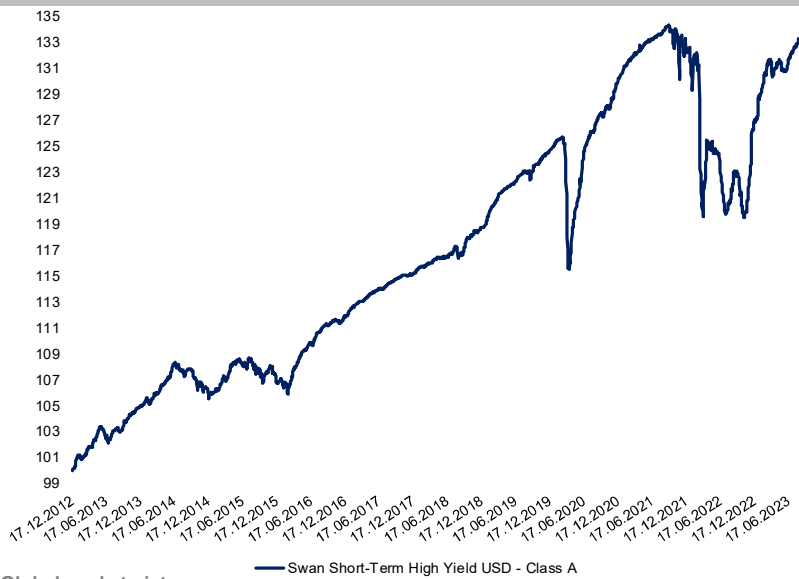
Swan Short-Term High Yield is the UCITS version of our Fixed Income Intermediate risk profile. Depending on market conditions, the strategy combines an highly diversified buy and hold portfolio of liquid short-term fixed income securities with an opportunistic allocation to longer dated securities in Global HY markets. Target Return is 3 months LIBOR + 250 bps.

### Risk Profile

Conservative

**Intermediate**

High Reward



### Global market picture

High Yield Credit markets reported a contrasting performance in August ranging from -0.87% for EM corp HY to +0.25% of the EU HY while equity markets were negative with both the S&P500 (-1.77%) and Eurostoxx50 (-3.9%). The IG EUR market was positive by +0.38% and the short-term (1-3 year) H1WN global HY index reports a positive performance of +0.08%. The Global unconstrained (in terms of maturity) HY index was flat at -0.02%. Central banks were on holiday due to summer period, but the Jackson Hole meeting gave some idea of next steps in monetary policy: Jerome Powell reiterated the message that inflation remains too high and interest rates will likely be higher for longer, leaving doors open for a rate hike in September, even if decision will be data dependent; on the same tone, Christine Lagarde did not give a clear view on next ECB movement. In Europe the decline in headline inflation stalled in August, as it remained at 5.3%; however, core inflation, which remain key to ECB, eased from 5.5% to 5.3% YoY. In US inflation data was broadly in line, while flash PMI for both services and manufacturing came below expectations. Pressure remained high in China, with continuous downward revision of 2H growth, even in the last day of the months several new measure to revive growth have been approved. In this context, the 10 years bund yield was substantially flat at 2.47% (-3bps in the month), while the 10 years Treasury was higher at 4.11% (+15bps in the month). Oil moved higher to 87\$ per barrel, while US dollar recover some ground with DXY at 103.61. Our funds have a yield to maturity between 7.5% and 11%, combined with an average spread duration around 16 months. The combination of higher diversification, higher credit quality and higher expected yields paves the way for extremely attractive returns in the next future.

### Active Portfolio

Fund's actual exposure (beta and duration adjusted) is 43.03%, higher relatively to last month (38.30%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated gross yield of 8.60% (in EUR), a low spread duration of 1.59 and a z spread of 506.

### Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 64% of the positions (39 out of 61) 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 very short (12 months or 1.01 of spread duration).

### Performance

MTD :	<b>0.78%</b>	Fund Assets (mln) :	167.7 €
Since inception	<b>33.78%</b>	1 Year Std Dev :	2.39%
Last 12 Months :	<b>8.85%</b>	1 Year Sharpe Ratio :	1.78
NAVps :	USD 133.78	% of positive months :	74%

Period	Class A	Portfolio info	
MTD	<b>0.78%</b>	# of Securities	129
YTD	<b>5.12%</b>	% Weight	98.83%
6 months	<b>1.79%</b>	Int Dur	1.08
1 year	<b>8.85%</b>	Yield (gross) in EUR	8.60%
2022	<b>-3.94%</b>	Spread Duration	1.59
2021	<b>1.56%</b>	Z-spread	506
2020	<b>4.46%</b>		
2019	<b>5.08%</b>		
2018	<b>2.98%</b>		
2017	<b>2.96%</b>		
2016	<b>4.84%</b>		
2015	<b>0.93%</b>		
2014	<b>0.81%</b>		
2013	<b>4.75%</b>		

### FX breakdown (fully hedged)

USD	29.02%
EUR	35.96%
NOK	14.72%
SEK	16.49%
CHF	2.14%
GBP	1.68%
<b>TOTAL</b>	<b>100.00%</b>

### Geographic breakdown

EU	31.59%
US	11.08%
Oth DEV	41.89%
LATAM	2.64%
EMEA	10.38%
ASIA	2.42%
<b>TOTAL</b>	<b>100.00%</b>

### Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	7.15%
<b>tot IG</b>	<b>7.15%</b>
BB	22.06%
B	10.58%
CCC	3.34%
<b>tot HY</b>	<b>35.98%</b>
NR	56.87%
<b>TOTAL</b>	<b>100.00%</b>

### Sector breakdown - Top 10

Real Estate - Mgmt Res	10.10%
Oil Field Equipment & Ser	8.12%
Oil and gas E&P - All	5.45%
Shipping - Gas	5.06%
Oil and gas services - FPS	4.44%
Finance - NPL collector	4.19%
Shipping - Crude	3.94%
Gaming - Online Gaming	3.82%
Software/Service	3.51%
Banking	2.79%

### Strategic & Tactical buckets.

Tactical bucket generated a positive gross performance during the month, with homogeneous contributions. Geographical allocation in EM was positive; picking was positive both in EM and EUR HY.

### Sicav Structure – Terms & Conditions

Domicile: Luxembourg

Inception Date: 18 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: CBASAUH LX

ISIN: class A: LU0860713980

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