

# Swan Short-Term High Yield – EUR December 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

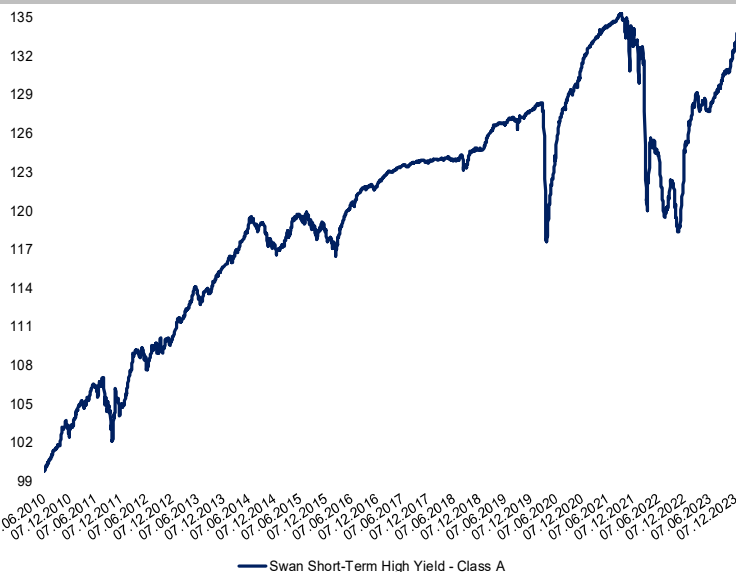
Conservative

**Intermediate**

High Reward

## Performance

|                  |               |                        |         |
|------------------|---------------|------------------------|---------|
| MTD :            | <b>0.88%</b>  | Fund Assets (mln) :    | 166.3 € |
| Since inception  | <b>34.01%</b> | 1 Year Std Dev :       | 1.44%   |
| Last 12 Months : | <b>6.98%</b>  | 1 Year Sharpe Ratio :  | 2.65    |
| NAVps :          | EUR 134.01    | % of positive months : | 72%     |



## Global market picture

High Yield Credit markets reported a positive performance in December ranging from +3.20% for EM corp HY to +2.79% of the EU HY in tandem with positive equity markets, S&P500 (+4.42%) and Eurostoxx50 (+3.18%). The IG EUR market was positive by +2.98% while the short-term (1-3 year) H1WN global HY index reported a positive performance of 1.80%. The Global unconstrained (in terms of maturity) HY index was positive at +3.30%. The FED had its policy decision meeting on the 13th of December: interest rates remained at 22 years highs but forecasts showed that US officials believe rates will end next year at 4.5% / 4.75%, implying three quarter point rate cuts. In addition, the unexpected dovish stance by Jerome Powell during the press conference, further boosted market optimism about lower rates for 2024. The day after the FED decision, both the ECB and the BOE held interest rates steady at 4% and 5.25% respectively, with Christine Lagarde and Andrew Bailey affirming that there is still some work to do before inflation falls back to their target. Markets responded to this news continuing the bond rally started in November even if inflation data did not further surprise on the downside: November core CPI YoY was stable at 4% in US, while in Europe November core inflation was stable at 3.6% YoY. Rates market incorporated a relatively high probability of easing by both the FED and ECB during the next quarters, even if we believe central banks will act only when they will be convinced that inflation will remain below 3% on a sustained basis. The 10 years bund yield was lower at 2.02% (-43bps in the month), in tandem with the 10 years Treasury at 3.88% (-45bps in the month). Oil moved lower to 77\$ per barrel, while US dollar lost some ground with DXY at 101.33. Our funds have a yield to maturity between 7% and 9%, combined with an average spread duration around 17 months. The combination of diversification, good credit quality and high expected yields pave the way for extremely attractive returns in the next future.

## Active Portfolio

Fund's actual exposure (beta and duration adjusted) is 52.86%, lower relatively to last month (53.93%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated gross yield of 7.75% (in EUR), a spread duration of 1.71 and a z spread of 449.

## Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 79% of the positions (34 out of 43) 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 (11 months or 0.92 of spread duration).

| Period   | Class C*      | Class A       | Portfolio info       |        |
|----------|---------------|---------------|----------------------|--------|
| MTD      | <b>0.87%</b>  | <b>0.88%</b>  | # of Securities      | 127    |
| YTD      | <b>7.21%</b>  | <b>6.98%</b>  | % Weight             | 97.07% |
| 6 months | <b>4.25%</b>  | <b>4.18%</b>  | Int Dur              | 1.22   |
| 1 year   | <b>7.21%</b>  | <b>6.98%</b>  | Yield (gross) in EUR | 7.75%  |
| 2022     | <b>-5.64%</b> | <b>-5.92%</b> | Spread Duration      | 1.71   |
| 2021     | <b>1.13%</b>  | <b>0.91%</b>  | Z-spread             | 449    |
| 2020     | <b>3.40%</b>  | <b>3.21%</b>  |                      |        |
| 2019     | <b>2.77%</b>  | <b>2.52%</b>  |                      |        |
| 2018     | <b>0.93%</b>  | <b>0.72%</b>  |                      |        |
| 2017     | <b>1.53%</b>  | <b>1.28%</b>  |                      |        |
| 2016     | <b>4.29%</b>  | <b>3.82%</b>  |                      |        |
| 2015     | <b>1.12%</b>  | <b>0.74%</b>  |                      |        |
| 2014     | <b>1.20%</b>  | <b>0.90%</b>  |                      |        |
| 2013     | <b>4.96%</b>  | <b>4.66%</b>  |                      |        |
| 2012     | <b>5.49%</b>  | <b>5.19%</b>  |                      |        |
| 2011     | <b>2.13%</b>  | <b>1.83%</b>  |                      |        |
| 2010     | <b>3.65%</b>  | <b>3.35%</b>  |                      |        |

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

## FX breakdown (fully hedged)

|              |                |
|--------------|----------------|
| USD          | 24.59%         |
| EUR          | 43.52%         |
| NOK          | 12.71%         |
| SEK          | 13.83%         |
| CHF          | 2.28%          |
| GBP          | 3.07%          |
| <b>TOTAL</b> | <b>100.00%</b> |

## Geographic breakdown

|              |                |
|--------------|----------------|
| EU           | 35.95%         |
| US           | 12.95%         |
| Oth DEV      | 36.93%         |
| LATAM        | 3.05%          |
| EMEA         | 10.29%         |
| ASIA         | 0.84%          |
| <b>TOTAL</b> | <b>100.00%</b> |

## Rating breakdown

|              |                      |
|--------------|----------------------|
| AAA          | 0.00%                |
| AA           | 0.00%                |
| A            | 0.00%                |
| BBB          | 9.58%                |
|              | <b>tot IG 9.58%</b>  |
| BB           | 24.30%               |
| B            | 11.27%               |
| CCC          | 1.14%                |
|              | <b>tot HY 36.70%</b> |
| NR           | 53.71%               |
| <b>TOTAL</b> | <b>100.00%</b>       |

## Sector breakdown - Top 10

|                           |       |
|---------------------------|-------|
| Oil Field Equipment & Ser | 7.28% |
| Real Estate - Mgmt Res    | 6.10% |
| Banking                   | 5.75% |
| Finance - NPL collector   | 5.49% |
| Oil and gas E&P - All     | 5.04% |
| Shipping - Gas            | 4.68% |
| Software/Service          | 4.05% |
| Real Estate - Dev Res     | 3.92% |
| Real Estate - Mgmt Comm   | 3.12% |
| Compounder                | 2.94% |

## Strategic & Tactical buckets.

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

## 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

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