

Swan Short-Term High Yield – USD

December 2022



Strategy

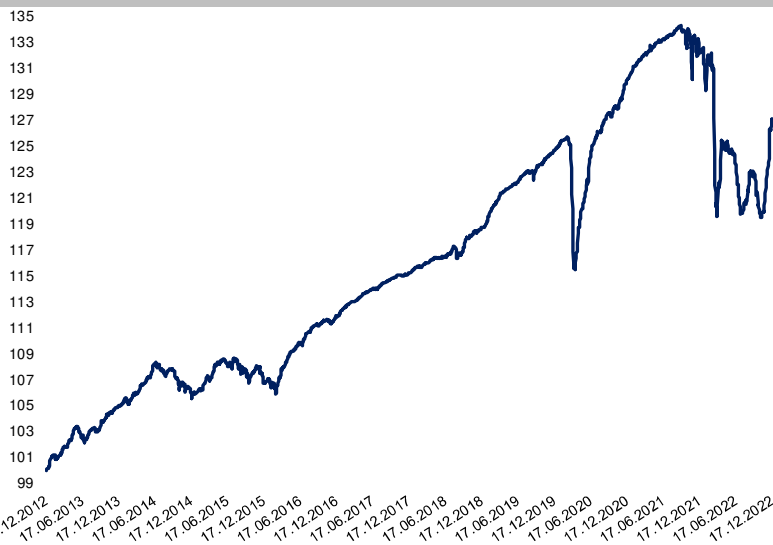
Swan Short-Term High Yield is the UCITS version of our Fixed Income Intermediate risk profile. Depending on market conditions, the strategy combines an highly diversified buy and hold portfolio of liquid short-term fixed income securities with an opportunistic allocation to longer dated securities in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

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

— Swan Short-Term High Yield USD - Class A

Credit markets returns in 2022 were extremely negative with performances ranging from -17.01% for EM corp HY to -11.22% of the EU HY. The IG EUR market is also negative by -13.94% YTD, mainly due to the rates component. The short-term (1-3 year) H1WN global HY index also reports a performance of -10.07% YTD while the Global unconstrained (in terms of maturity) HY lost -13.60%. US CPI came lower than expected again in November at 7.1% YoY, giving the FED the possibility to raise rates by 50bps only, ending a months-long string of 0.75% rate increases. The revised "dots plot" signals fed funds rate at 5.1% by the end of 2023, 50bps higher than previous forecasts, a clear signal that the battle against inflation is not finished yet. The ECB also raised its deposit rate by 50bps to 2%, followed by very hawkish declarations by Christine Lagarde, who affirmed that the ECB will "raise interest rates at a 50bps pace for a period of time". Both the FED and the ECB warned that further actions are needed to curb prices rise and that inflation could take a long time to return to target levels of 2%. The 10 years bund yield was lower at +2.57% (+64bps in the month) in tandem with the 10 years Treasury that closed the month at 3.88% (+27bps). Thanks to the recent volatility spike we have been able to add several new credit stories at very interesting levels of credit spreads: our funds have a yield to maturity between 8% and 15%, combined with an average spread duration of below 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

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 25.76%, lower relatively to last month (26.42%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated gross yield of 9.87% (in EUR), a low spread duration of 1.18 and a z spread of 727.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 88% of the positions (46 out of 52) 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 (9 months or 0.73 of spread duration).

Performance

MTD :	2.61%	Fund Assets (mln) :	173.7 €
Since inception	27.26%	1 Year Std Dev :	4.81%
Last 12 Months :	-3.94%	1 Year Sharpe Ratio :	-1.21
NAVps :	USD 127.26	% of positive months :	74%

Period	Class A	Portfolio info	
MTD	2.61%	# of Securities	106
YTD	-3.94%	% Weight	93.97%
6 months	5.02%	Int Dur	0.66
1 year	-3.94%	Yield (gross)	9.87%
2021	1.56%	Spread Duration	1.18
2020	4.46%	Z-spread	727
2019	5.08%		
2018	2.98%		
2017	2.96%		
2016	4.84%		
2015	0.93%		
2014	0.81%		
2013	4.75%		

FX breakdown (fully hedged)

USD	26.35%
EUR	28.49%
NOK	26.53%
SEK	17.53%
CHF	0.00%
GBP	1.10%
TOTAL	100.00%

Geographic breakdown

EU	21.71%
US	7.53%
Oth DEV	52.89%
LATAM	0.73%
EMEA	11.30%
ASIA	5.85%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	0.97%
tot IG	0.97%
BB	13.05%
B	16.28%
CCC	4.70%
tot HY	34.02%
NR	65.01%
TOTAL	100.00%

Sector breakdown - Top 10

Shipping - Gas	7.31%
Real Estate - Mgmt Res	7.26%
Gaming - Online Gaming	5.47%
Real Estate - Dev Res	5.14%
Finance - NPL collector	4.54%
Real Estate - Mgmt Comm	4.43%
Oil and gas services - FPS	3.68%
Transportation infrastru	3.48%
Compounder	3.29%
Chemicals	3.17%

Strategic & Tactical buckets.

Tactical bucket generated a positive performance, with homogeneous contributions. Geographical allocation in EM was slightly negative; 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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