

Swan Short-Term High Yield – EUR January 2023



Strategy

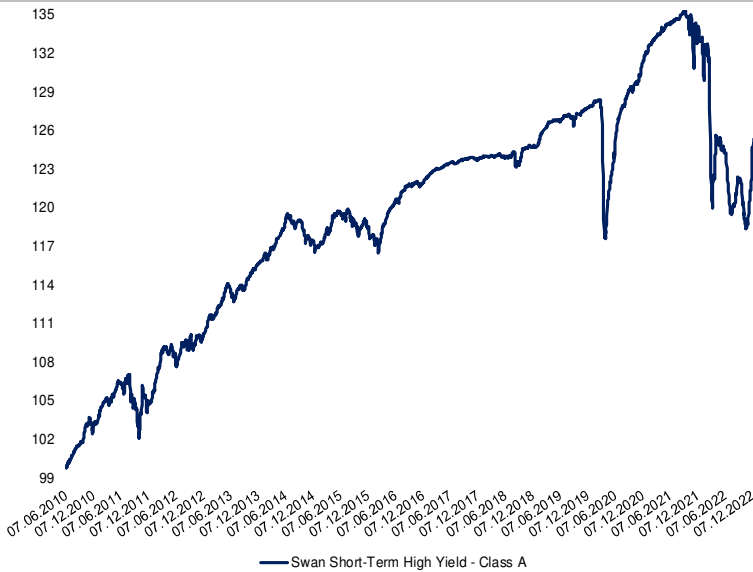
Swan Short-Term High Yield is the UCITS version of our Fixed Income Intermediate risk profile. Depending on market conditions, the strategy combines an highly diversified buy and hold portfolio of liquid short-term fixed income securities with an opportunistic allocation to longer dated securities in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

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

Credit markets started 2023 with positive performances ranging from +3.91% for EM corp HY to +3.26% of the EU HY. The IG EUR market is also positive by +2.01% YTD. The short-term (1-3 year) H1WN global HY index also reports a performance of 2.71% YTD while the Global unconstrained (in terms of maturity) HY gained +3.59%. US CPI continued its march lower in December at 6.5% YoY, in tandem with European inflation that came back to single digit level at 9.2%. Inflation seems to have peaked in developed countries but central bankers on both side of the Atlantic remarked that they will "stay the course" on interest rate increases to cool their economies and fight higher prices level. Christine Lagarde was very vocal saying that financial markets "should revise their position" that ECB would slow down its rate rise, but market started the year on a very strong note thanks to better than expected economic outlooks: economists signaled a U-turn in sentiment that coupled with gas rationing fears ease should give Eurozone the opportunity to avoid recession in 2022, while a soft landing scenario could be the case for US. The 10 years bund yield was lower at +2.30% (-27bps in the month) in tandem with the 10 years Treasury that closed the month at 3.53% (-34bps). Oil was stable around 85\$ per barrel, while US dollar continued to weaken with DXY at 102. 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 7.5% and 12%, 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 December (18.40%). Fund's actual exposure (beta and duration adjusted) is 27.11%, higher relatively to last month (25.76%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated gross yield of 9.84% (in EUR), a low spread duration of 1.22 and a z spread of 707.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 93% of the positions (51 out of 55) 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 0.76 of spread duration).

Performance

MTD :	1.86%	Fund Assets (mln) :	174.8 €
Since inception	27.60%	1 Year Std Dev :	4.56%
Last 12 Months :	-3.36%	1 Year Sharpe Ratio :	-0.78
NAVps :	EUR 127.60	% of positive months :	72%

Period	Class C*	Class A	Portfolio info	
MTD	1.90%	1.86%	# of Securities	110
YTD	1.90%	1.86%	% Weight	98.00%
6 months	6.38%	6.21%	Int Dur	0.67
1 year	-3.07%	-3.36%	Yield (gross)	9.84%
2022	-5.64%	-5.92%	Spread Duration	1.22
2021	1.13%	0.91%	Z-spread	707
2020	3.40%	3.21%		
2019	2.77%	2.52%		
2018	0.93%	0.72%		
2017	1.53%	1.28%		
2016	4.29%	3.82%		
2015	1.12%	0.74%		
2014	1.20%	0.90%		
2013	4.96%	4.66%		
2012	5.49%	5.19%		
2011	2.13%	1.83%		
2010	3.65%	3.35%		

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

FX breakdown (fully hedged)

USD	26.78%
EUR	30.34%
NOK	25.06%
SEK	16.73%
CHF	0.00%
GBP	1.08%
TOTAL	100.00%

Geographic breakdown

EU	21.52%
US	7.74%
Oth DEV	51.42%
LATAM	0.70%
EMEA	12.43%
ASIA	6.20%
TOTAL	100.00%

Rating breakdown

AAA	0.00%	
AA	0.00%	
A	0.00%	
BBB	0.96%	
	tot IG	0.96%
BB	12.85%	
B	17.89%	
CCC	5.21%	
	tot HY	35.96%
NR	63.08%	
TOTAL	100.00%	

Sector breakdown - Top 10

Real Estate - Mgmt Res	7.55%
Shipping - Gas	7.16%
Finance - NPL collector	6.13%
Gaming - Online Gaming	5.53%
Real Estate - Dev Res	5.14%
Real Estate - Mgmt Comm	4.42%
Transportation infrastruct	3.67%
Oil and gas services - FPS	3.65%
Compounder	3.45%
Chemicals	3.13%

Strategic & Tactical buckets.

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