

Swan Short-Term High Yield – USD

February 2023



Strategy

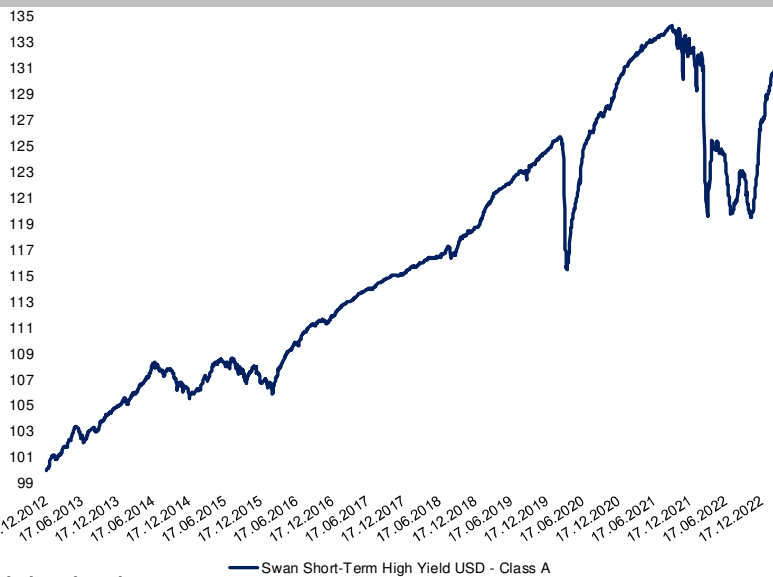
Swan Short-Term High Yield is the UCITS version of our Fixed Income Intermediate risk profile. Depending on market conditions, the strategy combines an highly diversified buy and hold portfolio of liquid short-term fixed income securities with an opportunistic allocation to longer dated securities in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

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

Credit markets reported a negative performance in February ranging from -2.53% for EM corp HY to -0.03% of the EU HY. The IG EUR market is also negative by -1.44% YTD. The short-term (1-3 year) H1WN global HY index also reports a performance of -0.14% YTD while the Global unconstrained (in terms of maturity) HY lost -1.38%. Data from US continued to show resiliency, with unemployment rate posting a new cycle low at 3.4%, while US core CPI print was slightly higher than consensus at 5.6% YoY. Also flash PMI at month end indicated further improvement in manufacturing activity, reducing worries about an imminent recession. FED raised rates by 25bps, saying that "ongoing increase in the target range to be appropriate", due to inflation that "eased somewhat" but was still elevated. ECB raised rates by 50bps, explicitly indicating that will further raise rates by 50bps in March, with investors starting to price terminal rate close to 4% in Europe. Initial market reaction to central banks meetings was strong with both bonds and equities rallying, but during the month the rebound faded, especially in the Fixed Income space. The 10 years bund yield was higher at +2.65% (+36bps in the month) in tandem with the 10 years Treasury that closed the month at 3.92% (+41bps). Oil was stable around \$84 per barrel, while US dollar rebounded with DXY at 105. 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% and 11.5%, 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 January (18.40%). Fund's actual exposure (beta and duration adjusted) is 29.74%, higher relatively to last month (27.11%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated gross yield of 9.14% (in EUR), a low spread duration of 1.25 and a z spread of 593.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 69% of the positions (37 out of 54) 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 0.77 of spread duration).

Performance

MTD :	1.18%	Fund Assets (mln) :	175.0 €
Since inception	31.43%	1 Year Std Dev :	3.57%
Last 12 Months :	5.47%	1 Year Sharpe Ratio :	0.79
NAVps :	USD 131.43	% of positive months :	75%

Period	Class A	Portfolio info	
MTD	1.18%	# of Securities	114
YTD	3.28%	% Weight	98.09%
6 months	6.94%	Int Dur	0.67
1 year	5.47%	Yield (gross)	9.14%
2022	-3.94%	Spread Duration	1.25
2021	1.56%	Z-spread	593
2020	4.46%		
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	26.42%
EUR	32.24%
NOK	21.89%
SEK	18.37%
CHF	0.00%
GBP	1.09%
TOTAL	100.00%

Geographic breakdown

EU	22.94%
US	8.68%
Oth DEV	50.68%
LATAM	0.72%
EMEA	10.42%
ASIA	6.56%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	2.49%
tot IG	2.49%
BB	13.10%
B	18.07%
CCC	3.61%
tot HY	34.78%
NR	62.73%
TOTAL	100.00%

Sector breakdown - Top 10

Real Estate - Mgmt Res	8.72%
Shipping - Gas	7.26%
Finance - NPL collector	6.36%
Gaming - Online Gaming	5.63%
Real Estate - Dev Res	4.83%
Real Estate - Mgmt Comm	4.71%
Chemicals	4.00%
Compounder	4.00%
Oil and gas services - FPS	3.77%
Oil Field Equipment & Ser	3.61%

Strategic & Tactical buckets.

Tactical bucket generated a positive performance, with homogeneous contributions. Geographical allocation in EM was slightly positive; picking was negative in EM and positive EUR HY (overall positive).

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

Contacts at Swan Asset Management SA:

E-mail: info@swan-am.ch - Tel: +41 91 986 31 90

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