

Swan Short-Term High Yield – USD

June 2023



Strategy

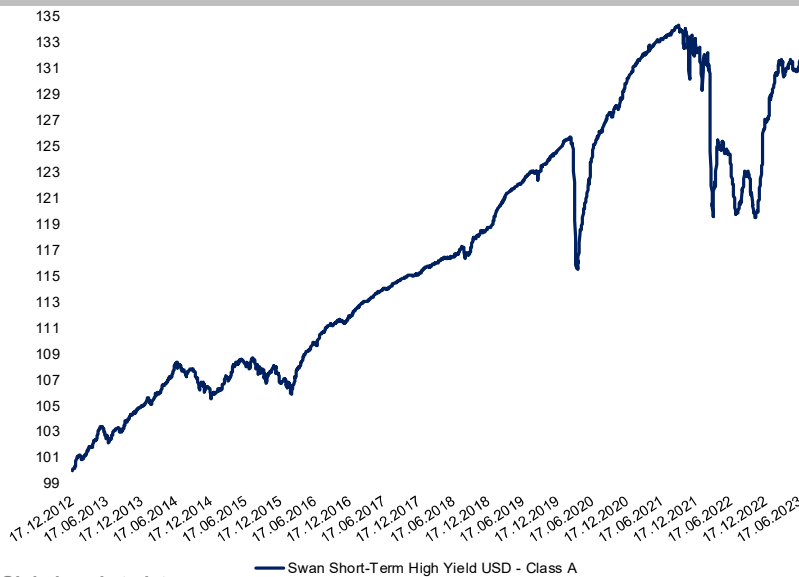
Swan Short-Term High Yield is the UCITS version of our Fixed Income Intermediate risk profile. Depending on market conditions, the strategy combines an highly diversified buy and hold portfolio of liquid short-term fixed income securities with an opportunistic allocation to longer dated securities in 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 positive performance in June ranging from +1.86% for EM corp HY to +0.54% of the EU HY in tandem with the movement of the S&P500 (+6.47%) and Eurostoxx50 (+4.29%). The IG EUR market was negative by -0.42%, while the short-term (1-3 year) H1WN global HY index reports a positive performance of +0.90%. The Global unconstrained (in terms of maturity) HY gained +1.25%. Inflation and central banks decisions were still the main arguments of the month. The FED held rates on hold for the first time in more than a year following 10 consecutive increases. The updated "dot plot" indicated that officials are projecting two more quarter-point increases this year, implying a range between 5.5% and 5.75% at end 2023, the highest level since early 2000s. The ECB raised policy rates by 25bps, bringing the deposit rate to 3.5% and reiterating the data-dependent meeting-by-meeting approach; there was no reference that rates are getting closer to a peak leaving substantial risk for further rate hikes. Both central banks are facing the difficult task of determining how much more to squeeze the economy, without impacting excessively growth and hiring. Core CPI in US and Eurozone was at 5.3% YoY, still significantly higher than their target, but economies still showed resiliency (unemployment rate still below 4% in US) notwithstanding ISM/PMI index are moving downward. Oil moved higher to 75\$ per barrel, while US dollar lost some ground with DXY at 102.91. 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 7.8% and 12%, 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 41.94%, higher relatively to last month (40.65%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated gross yield of 8.96% (in EUR), a low spread duration of 1.52 and a z spread of 537.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 70% of the positions (39 out of 56) 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 0.88 of spread duration).

Performance

MTD :	1.02%	Fund Assets (mln) :	168.2 €
Since inception	32.08%	1 Year Std Dev :	2.57%
Last 12 Months :	8.99%	1 Year Sharpe Ratio :	1.91
NAVps :	USD 132.08	% of positive months :	74%

Period	Class A	Portfolio info	
MTD	1.02%	# of Securities	130
YTD	3.79%	% Weight	97.52%
6 months	3.79%	Int Dur	1.02
1 year	8.99%	Yield (gross)	8.96%
2022	-3.94%	Spread Duration	1.52
2021	1.56%	Z-spread	537
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	27.66%
EUR	35.18%
NOK	16.36%
SEK	17.45%
CHF	1.70%
GBP	1.65%
TOTAL	100.00%

Geographic breakdown

EU	28.22%
US	10.30%
Oth DEV	47.33%
LATAM	0.73%
EMEA	10.53%
ASIA	2.88%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	5.19%
tot IG	5.19%
BB	19.94%
B	11.59%
CCC	3.76%
tot HY	35.29%
NR	59.52%
TOTAL	100.00%

Sector breakdown - Top 10

Real Estate - Mgmt Res	8.16%
Oil and gas E&P - All	6.51%
Finance - NPL collector	5.98%
Oil Field Equipment & Ser	5.94%
Gaming - Online Gaming	5.56%
Real Estate - Mgmt Comm	4.42%
Shipping - Gas	4.34%
Oil and gas services - FPS	4.04%
Shipping - Crude	3.25%
Pharmaceuticals	3.21%

Strategic & Tactical buckets.

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

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