

Swan Short-Term High Yield – EUR

October 2022



Strategy

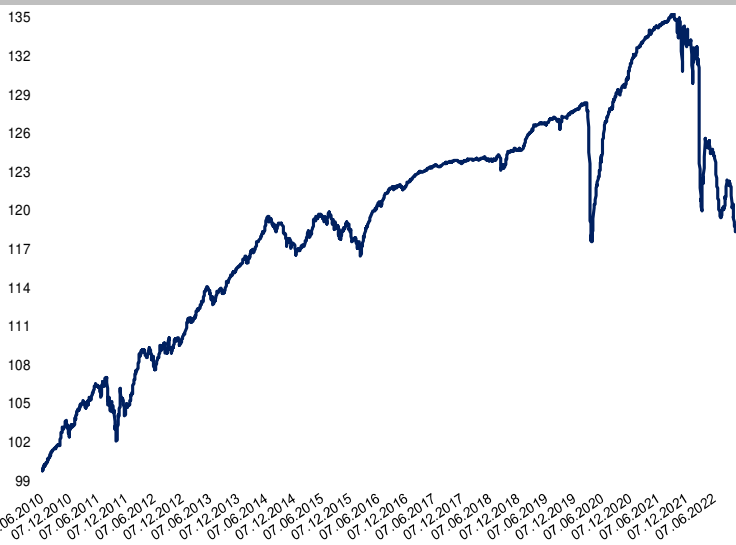
Swan Short-Term High Yield is the UCITS version of our Fixed Income Intermediate risk profile. Depending on market conditions, the strategy combines an highly diversified buy and hold portfolio of liquid short-term fixed income securities with an opportunistic allocation to longer dated securities in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

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

Credit markets remained extremely negative with year to date performances ranging from -24.24% for EM corp HY to -13.77% of the EU HY. The IG EUR market is also negative by -14.90% YTD, mainly due to the rates component. The short-term (1-3 year) H1WN global HY index also reports a performance of -12.76% YTD while the Global unconstrained (in terms of maturity) HY lost -15.82%. ECB raised its main rate by 75bps for the second time in a row to the highest since 2009; further increase will follow in next meeting to fight record eurozone inflation, despite a looming recession in the region. By the way the tone used by Christine Lagarde was dovish, saying that next move will be data dependent, leaving doors open for a quick pivot in case inflation should ease substantially in the future. US GDP rose 2.6% in 3Q22 (expectation of 0.4%), a sharp improvement on the 0.6% drop registered in the second quarter, even if the number has been considered weak in terms of signal about future strength of the economy. In UK Rishi Sunak replaced Liz Truss as prime minister, saying that he would prioritize "economic stability and confidence", in tandem with the new Italian cabinet lead by Giorgia Meloni that pose economic stability and loyalty to NATO alliance at the center of its program. The 10 years bund yield was higher at +2.14% (+4bps in the month) while the 10 years Treasury closed the month at 4.04% (+22bps). Thanks to recent volatility spike we have been able to add several new credit stories at very interesting level of credit spreads. The combination of higher diversification, higher credit quality and higher expected yields paves the way for 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 September (18.40%). Fund's actual exposure (beta and duration adjusted) is 26.96%, higher relatively to last month (26.49%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated gross yield of 10.34% (in EUR), a low spread duration of 1.24 and a z spread of 826.

Yield-type bucket

The bucket generated a negative gross contribution to the monthly performance, with 59% of the positions (33 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 (10 months or 0.81 of spread duration).

Performance

MTD :	-1.29%	Fund Assets (mln) :	170.8 €
Since inception	18.77%	1 Year Std Dev :	4.95%
Last 12 Months :	-11.43%	1 Year Sharpe Ratio :	-2.21
NAVps :	EUR 118.77	% of positive months :	71%

Period	Class C*	Class A	Portfolio info	
MTD	-1.26%	-1.29%	# of Securities	112
YTD	-10.58%	-10.80%	% Weight	96.41%
6 months	-5.08%	-5.23%	Int Dur	0.61
1 year	-11.14%	-11.43%	Yield (gross)	10.34%
2021	1.13%	0.91%	Spread Duration	1.24
2020	3.40%	3.21%	Z-spread	826
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	21.77%
EUR	31.39%
NOK	26.96%
SEK	19.06%
CHF	0.00%
GBP	0.82%
TOTAL	100.00%

Geographic breakdown

EU	22.67%
US	4.72%
Oth DEV	55.99%
LATAM	0.24%
EMEA	12.39%
ASIA	3.99%
TOTAL	100.00%

Rating breakdown

AAA	0.00%	
AA	0.00%	
A	0.00%	
BBB	0.49%	
	tot IG	0.49%
BB	14.87%	
B	17.19%	
CCC	3.47%	
	tot HY	35.53%
NR	63.98%	
TOTAL	100.00%	

Sector breakdown - Top 10

Real Estate - Mgmt Res	8.95%
Shipping - Gas	6.20%
Finance - NPL collector	4.77%
Real Estate - Mgmt Comm	4.67%
Gaming - Online Gaming	4.52%
Oil and gas services - FPS	3.99%
Pharmaceuticals	3.72%
Compounder	3.63%
Transportation infrastru	3.42%
Chemicals	3.40%

Strategic & Tactical buckets.

Tactical bucket generated a positive performance, 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

Contacts at Swan Asset Management SA:

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

This is an advertising document. The state of origin of the fund is Luxembourg. In Switzerland the representative of the SICAV is Cornèr Banca S.A., with registered office in Via Canova 16, CH-6901 Lugano and the payment service is provided by Cornèr Banca S.A., Via Canova 16, CH-6901 Lugano.

The basic documents of the fund as well as the annual and if applicable the semi-annual report may be obtained free of charge from the representative. Past performance is no indication of current or future performance. The performance data do not take account of the commissions and costs incurred on the issue and redemption units.

The Refinitiv Lipper Fund Awards are based on the Lipper Leader for Consistent Return rating, which is a risk-adjusted performance measure calculated over 36, 60 and 120 months. Lipper Leaders fund ratings do not constitute and are not intended to constitute investment advice or an offer to sell or the solicitation of an offer to buy any security of any entity in any jurisdiction. For more information, see lipperfundawards.com.