

Swan Ultra Short-Term Bond – CHF

May 2023



Strategy

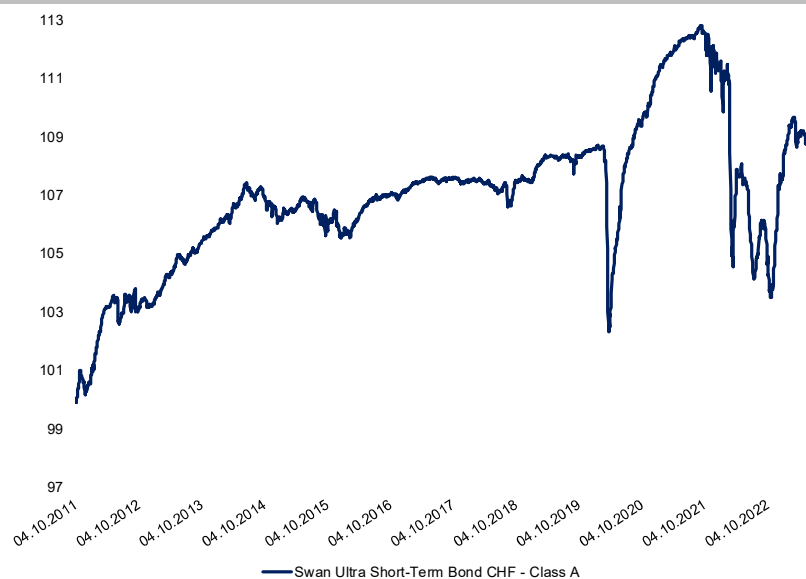
Swan Ultra Short-Term Bond is the UCITS version of our Fixed Income Conservative risk profile. The strategy invests in a highly diversified buy and hold portfolio of liquid short-term fixed income securities, with an average maturity of 1 year. Target Return is 3 months LIBOR + 150 bps.

Performance

| | | | |
|------------------|---------------|------------------------|---------|
| MTD : | -0.52% | Fund Assets (mln) : | 286.3 € |
| Since inception | 8.65% | 1 Year Std Dev : | 1.84% |
| Last 12 Months : | 1.17% | 1 Year Sharpe Ratio : | 1.3 |
| NAVps : | CHF 108.65 | % of positive months : | 68% |



Risk Profile



Global market picture

High Yield Credit markets reported a mixed performance in May ranging from -1.30% for EM corp HY to +0.55% of the EU HY in tandem with the movement of the S&P500 (+0.25%) and Eurostoxx50 (-3.24%). The IG EUR market was positive by 0.18%. The short-term (1-3 year) H1WN global HY index also reports a negative performance of -0.29% YTD while the Global unconstrained (in terms of maturity) HY lost -0.79%. The month started with meetings of the main central banks. The FED raised rates by 25bps, signaling that it might soon pause its aggressive monetary tightening campaign. Powell said that credit crunch could act as a substitute for further rate rises by dampening economic activity, even if data from US indicated that growth is still solid and resilient (strong gains in US April good spending and employment still at tight level of 3.4%). Anyway FED officials stressed the need for “flexibility and optionality” in setting monetary policy, suggesting that after a likely pause in June, further hikes could follow in case inflation should not correct downward. ECB followed the FED and raised deposit rate by 25bps to 3.25%, clearly indicating that “we have more ground to cover and we are not pausing, that is extremely clear”. Markets now expect two more hikes by European Central Bank to 3.75%, which would match its highest-ever level in 2001. Oil moved lower to 73\$ per barrel, while US dollar recovered some ground with DXY at 104.32. 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 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.

Yield-type strategy

The bucket generated a negative gross contribution to the monthly performance, with 78% of the positions (132 out of 170) 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 yield-type portfolio is very short (15 months or 1.24 of spread duration), combined with a gross yield of 7.72% (in EUR) and z-spread of 455 basis points.

| Period | Class C* | Class A | Portfolio info |
|----------|---------------|---------------|----------------------|
| MTD | -0.50% | -0.52% | # of Securities 170 |
| YTD | 1.23% | 0.98% | % Weight 98.55% |
| 6 months | 2.36% | 2.09% | Int Dur 0.93 |
| 1 year | 1.61% | 1.17% | Yield (gross) 7.72% |
| 2022 | -3.22% | -3.50% | Spread Duration 1.24 |
| 2021 | 0.61% | 0.39% | Z-spread 455 |
| 2020 | 2.58% | 2.30% | |
| 2019 | 1.24% | 1.04% | |
| 2018 | 0.19% | 0.01% | |
| 2017 | 0.58% | 0.29% | |
| 2016 | 1.54% | 1.43% | |
| 2015 | -0.29% | -0.53% | |
| 2014 | 0.49% | 0.27% | |
| 2013 | 2.73% | 2.54% | |
| 2012 | 2.71% | 2.42% | |
| 2011 | 1.08% | 0.83% | |

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

FX breakdown (fully hedged)

| | |
|--------------|----------------|
| USD | 23.21% |
| EUR | 41.57% |
| NOK | 20.84% |
| SEK | 11.81% |
| CHF | 1.48% |
| GBP | 1.08% |
| TOTAL | 100.00% |

Geographic breakdown

| | |
|--------------|----------------|
| EU | 34.65% |
| US | 6.12% |
| Oth DEV | 46.23% |
| LATAM | 1.81% |
| EMEA | 8.95% |
| ASIA | 2.25% |
| TOTAL | 100.00% |

Rating breakdown

| | |
|---------------|----------------|
| AAA | 0.00% |
| AA | 0.00% |
| A | 0.00% |
| BBB | 11.58% |
| tot IG | 11.58% |
| BB | 28.58% |
| B | 10.00% |
| CCC | 2.09% |
| tot HY | 40.67% |
| NR | 47.75% |
| TOTAL | 100.00% |

Sector breakdown - Top 10

| | |
|----------------------------|-------|
| Banking | 7.16% |
| Real Estate - Mgmt Res | 5.93% |
| Shipping - Gas | 5.68% |
| Oil and gas E&P - All | 5.19% |
| Real Estate - Mgmt Comm | 5.16% |
| Gaming - Online Gaming | 4.32% |
| Telecom - Wireline Integra | 4.12% |
| Finance - NPL collector | 3.48% |
| Real Estate - Dev Res | 3.29% |
| Oil Field Equipment & Ser | 2.75% |

Sicav Structure – Terms & Conditions

Domicile: Luxembourg

Inception Date: 4 October 2011

Minimum Investment: 1 share

Liquidity / Reporting: Daily

Fees: Class C 0.75% / Class A 1.00% 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: CBSWBAC LX, class C: CBSWBCC LX

ISIN: class A: LU0681571880, class C: LU0681572268

Contacts at Swan Asset Management SA:

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

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