

Swan Short-Term High Yield – EUR

July 2023



Strategy

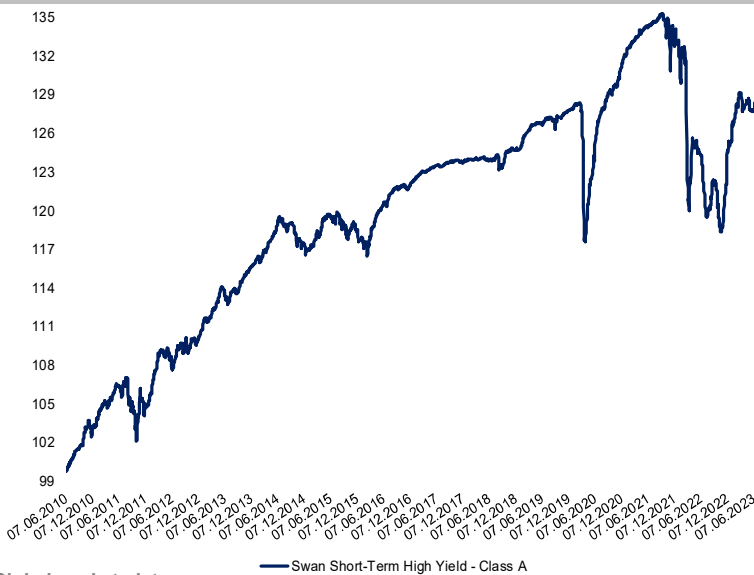
Swan Short-Term High Yield is the UCITS version of our Fixed Income Intermediate risk profile. Depending on market conditions, the strategy combines an highly diversified buy and hold portfolio of liquid short-term fixed income securities with an opportunistic allocation to longer dated securities in 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 July ranging from +1.22% for EM corp HY to +1.09% of the EU HY in tandem with the movement of the S&P500 (+3.11%) and Eurostoxx50 (+1.64%). The IG EUR market was positive by +1.00% and the short-term (1-3 year) H1WN global HY index reports a positive performance of +0.67%. The Global unconstrained (in terms of maturity) HY gained +1.23%. Data from US confirmed the resilience of economy; strong ADP numbers were followed by softening inflation, increasing the possibilities of a soft landing; this scenario was reinforced by a strong 2Q GDP print @ 2.4% YoY vs estimates of just +1.8%. In this environment the FED raised its benchmark interest rate by 0.25%, to the highest level in 22 years, adding they would take a more gradual approach in next meetings. The FED is now closer to a "sufficiently restrictive" monetary policy that should bring inflation under control in next months. The ECB raised all policy rates by 25bps, not giving any guidance about the future path for rates and keeping all options open: the September meeting will be "live" and the decision will depend on incoming data. Also the BOJ decided to introduce greater flexibility to its operation with a 100bps cap on the 10yrs yield, a step toward a future removal of YCC. 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 11%, 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 38.30%, higher relatively to last month (41.94%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated gross yield of 8.75% (in EUR), a low spread duration of 1.49 and a z spread of 513.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 67% of the positions (40 out of 60) 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 0.95 of spread duration).

Performance

| | | | |
|------------------|---------------|------------------------|---------|
| MTD : | 0.43% | Fund Assets (mln) : | 167.7 € |
| Since inception | 29.18% | 1 Year Std Dev : | 2.50% |
| Last 12 Months : | 7.52% | 1 Year Sharpe Ratio : | 2.21 |
| NAVps : | EUR 129.18 | % of positive months : | 72% |

| Period | Class C* | Class A | Portfolio info | |
|----------|----------|---------|----------------------|--------|
| MTD | 0.45% | 0.43% | # of Securities | 127 |
| YTD | 3.31% | 3.12% | % Weight | 97.52% |
| 6 months | 1.38% | 1.24% | Int Dur | 1.02 |
| 1 year | 7.85% | 7.52% | Yield (gross) in EUR | 8.75% |
| 2022 | -5.64% | -5.92% | Spread Duration | 1.49 |
| 2021 | 1.13% | 0.91% | Z-spread | 513 |
| 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 | 27.63% |
| EUR | 36.90% |
| NOK | 13.98% |
| SEK | 17.65% |
| CHF | 2.14% |
| GBP | 1.70% |
| TOTAL | 100.00% |

Geographic breakdown

| | |
|--------------|----------------|
| EU | 29.90% |
| US | 10.43% |
| Oth DEV | 46.09% |
| LATAM | 0.49% |
| EMEA | 10.45% |
| ASIA | 2.64% |
| TOTAL | 100.00% |

Rating breakdown

| | | |
|--------------|----------------|--------|
| AAA | 0.00% | |
| AA | 0.00% | |
| A | 0.00% | |
| BBB | 6.55% | |
| | tot IG | 6.55% |
| BB | 21.00% | |
| B | 11.59% | |
| CCC | 3.50% | |
| | tot HY | 36.10% |
| NR | 57.35% | |
| TOTAL | 100.00% | |

Sector breakdown - Top 10

| | |
|----------------------------|-------|
| Real Estate - Mgmt Res | 9.33% |
| Oil and gas E&P - All | 6.37% |
| Oil Field Equipment & Ser | 5.99% |
| Finance - NPL collector | 5.98% |
| Gaming - Online Gaming | 5.65% |
| Shipping - Gas | 4.42% |
| Oil and gas services - FPS | 4.06% |
| Shipping - Crude | 3.79% |
| Pharmaceuticals | 3.22% |
| Compounder | 2.80% |

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: 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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