

Swan High Yield – USD

December 2017



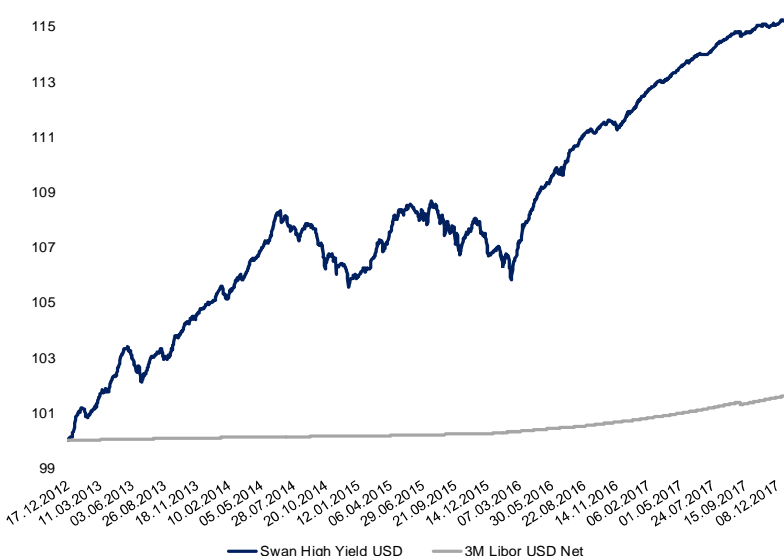
Strategy

The sub-fund aims to generate a significant excess return vs 3m Libor in combination with below-average market volatility. Depending on market conditions, the strategy combines in variable proportions the "buy and hold" investment in a highly diversified and granular portfolio of liquid short-term fixed income securities with the "strategic" and/or "tactical" investment in HY or EM securities denominated in hard currency.

Performance

MTD :	0.31%	Fund Assets (mln) :	108.9 €
Since inception	15.39%	1 Year Std Dev :	0.32%
Last 12 Months :	2.96%	1 Year Sharpe Ratio :	6.49
NAVps :	USD 115.39	% of positive months :	75%

Risk Profile



Global market picture

During December, European credit markets experienced a slightly negative performance (H9PC Index -0.04%) in tandem with a negative movement of the Eurostoxx 50 (-1.85%), while S&P500 reached new historical highs at 2'674 (+0.98% during the month). Central banks meetings were once again one of the main events during the period: the ECB did not surprise the market, being on autopilot until mid-2018 with monetary policy, but revised its growth outlook higher for both 2018 and 2019 while remained cautious on inflation. On the other side the FED continued on its policy normalization, raising FED funds target range by 25bps to 1.25%/1.5%; the dots were little changed, still signaling three hikes for 2018, while markets consider a lower movement to rates. Tax Reform in US was the other main topic of the month: on Wednesday 20th of December the House of Representatives passed the most important tax overhaul since the 1980's (1.5tn USD tax cut in 10 years), a very important topic of Trump's agenda. Rates reaction was quite muted, with 10 years Treasury flat during the month around 2.41%, while 10 years Bund was 6bps higher to 0.43%. Emerging markets credit performance was slightly positive (EMHB index +0.28%); Brent Crude price reached its highest level since April 2015 (around 67USD per barrel).

Active Portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 15.30%, flat relatively to the end of November (15.30%). Fund's actual exposure (beta and duration adjusted) is 9.91%, lower relatively to last month (10.78%). The mix between Strategic and Tactical positions is 29% Strategic and 71% Tactical. The fund has an estimated gross yield of 1.97%, a low spread duration of 0.92 and a z spread of 226.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, thanks to 87% of the positions (60 out of 69) contributing positively. Positive contributions were homogeneously distributed, while there were not significant negative contributions. The average life of the YT portfolio at the end of December is very short (9 months or 0.76 of spread duration), with a combination of yield close to 1.89% and z-spread of 222.

Period	Perf.
MTD	0.31%
YTD	2.96%
6 months	1.25%
1 year	2.96%
2016	4.84%
2015	0.93%
2014	0.81%
2013	4.75%
2012	0.31%

Portfolio info	
# of Securities	91
% Weight	97.13%
Int Dur	0.68
Yield (gross)	1.97%
Spread Duration	0.92
Z-spread	226

FX breakdown (fully hedged)

USD	59.69%
EUR	7.47%
NOK	18.64%
GBP	1.35%
SEK	8.97%
CHF	3.87%
AUD	0.00%
SGD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	5.95%
US	0.40%
Oth DEV	26.67%
LATAM	9.63%
EMEA	40.19%
ASIA	17.16%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.86%
BBB	12.13%
tot IG	12.99%
BB	30.27%
B	23.89%
CCC	1.42%
tot HY	55.58%
NR	31.42%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	33.59%
Real Estate	23.81%
Services	22.32%
Foreign Sovereign	4.24%
Energy	2.78%
Financial Services	2.70%
Agency	1.82%
Consumer Goods	1.70%
Healthcare	1.62%
Leisure	1.50%

Strategic & Tactical buckets.

Tactical and Strategic bucket generated a positive performance during the month (no significant contributions), with a slightly negative geographical allocation in EM and a globally positive picking (positive both in EM and EUR HY).

Sicav Structure – Terms & Conditions

Domicile: Luxembourg

Inception Date: 18 December 2012

Minimum Investment: 1 share

Liquidity / Reporting: Daily

Fees: 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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