

Swan High Yield – USD June 2018



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

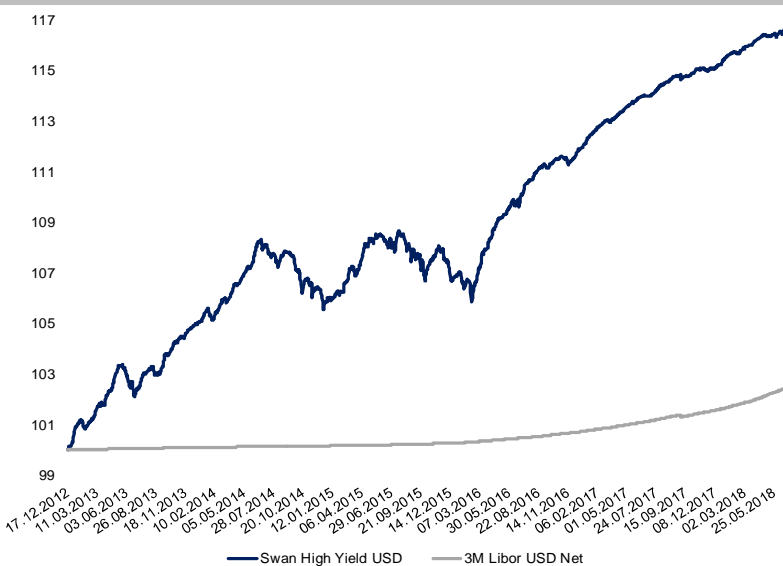
MTD :	0.25%	Fund Assets (mln) :	106.7 €
Since inception	16.65%	1 Year Std Dev :	0.34%
Last 12 Months :	2.35%	1 Year Sharpe Ratio :	2.81
NAVps :	USD 116.65	% of positive months :	76%

Risk Profile

Conservative

Intermediate

High Reward



Period	Perf.
MTD	0.25%
YTD	1.09%
6 months	1.09%
1 year	2.35%
2017	2.96%
2016	4.84%
2015	0.93%
2014	0.81%
2013	4.75%
2012	0.31%

Portfolio info	
# of Securities	85
% Weight	104.53%
Int Dur	0.65
Yield (gross)	3.13%
Spread Duration	0.95
Z-spread	381

FX breakdown (fully hedged)

USD	45.05%
EUR	18.64%
NOK	21.45%
GBP	0.76%
SEK	10.47%
CHF	3.62%
AUD	0.00%
SGD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	6.50%
US	0.39%
Oth DEV	35.59%
LATAM	9.06%
EMEA	29.60%
ASIA	18.86%
TOTAL	100.00%

Global market picture

European credit markets experienced a negative performance (H9PC Index -0.45%), in tandem with a negative movement of the Eurostoxx 50 (-0.32%), while S&P500 realized a positive performance (+0.48%). Main themes of the period were central bank meetings and economic data. After hawkish comments by ECB's speakers at the beginning of the month hinting at a possible QE tapering, the actual statement made by Mario Draghi sounded very dovish: on one side he announced that purchases will be reduced to EUR 15bn per month in 4Q18 until the end of the year, but on the other side he emphasized also that rates will remain on hold at least until September 2019. This dovish stance influenced Interest Rates market, with 10 years Bund yield reaching new lows of the year at 0.30%. The FOMC rate hike (25bps) was expected by the market, but the FED was more hawkish in its dot projections, signaling two more rate hikes as base case for 2018. The FED monetary policy is supported by strong economic data, with 2Q18 growth forecasted at 4%, while recovery in Europe seems to soften. President Donald Trump aggressive rhetoric against China combined with raising US rates put pressure on EM FX: ARS, TRY, BRL and ZAR were the worst performer against USD during 1H18, while PBoC cut reserve requirements in an indirect attempt to weaken the CNY. Emerging markets credit performance was influenced negatively by this movements (EMHB index -3.68% during 1H18), with spread to worst 44bps wider at 488bps during the month. On the positive side oil reached new highs, with Brent approaching 80USD per barrel, after OPEC meeting and expectation that US allies will reduce Iranian oil purchases to zero.

Active Portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 15.30%, flat relatively to the end of May (15.30%). Fund's actual exposure (beta and duration adjusted) is 9.06%, lower relatively to last month (10.13%). The mix between Strategic and Tactical positions is 23% Strategic and 77% Tactical. The fund has an estimated gross yield of 3.13%, a low spread duration of 0.95 and a z spread of 381.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, thanks to

Rating breakdown

AAA	0.00%
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A	0.00%
BBB	2.74%
tot IG	2.74%
BB	35.41%
B	20.56%
CCC	0.74%
tot HY	56.72%
NR	40.54%
TOTAL	100.00%

Sector breakdown - Top 10

Services	29.49%
Banking	25.89%
Real Estate	25.51%
Financial Services	5.39%
Energy	4.68%
Sovereign	2.14%
Leisure	1.70%
Capital Goods	1.56%
Telecommunications	0.87%
Basic Industry	0.80%

77% of the positions (46 out of 60) 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 June is very short (9 months or 0.71 of spread duration), with a combination of yield close to 2.67% and z-spread of 345.

Strategic & Tactical buckets.

Tactical bucket generated a positive performance during the month with homogeneous contribution, while strategic bucket generated a negative one. Picking in EM and EUR HY was significantly positive.

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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