

Swan Bond Opportunity – EUR September 2018



Strategy

The sub-fund aims to generate significant excess return vs 3m Euribor in combination with extremely low volatility. The strategy combines the “buy and hold” investment in a highly diversified and granular portfolio of liquid short-term fixed income securities with the opportunistic allocation of the promised average spread over risk free rate to a number of interest rate and FX active strategies.

Performance

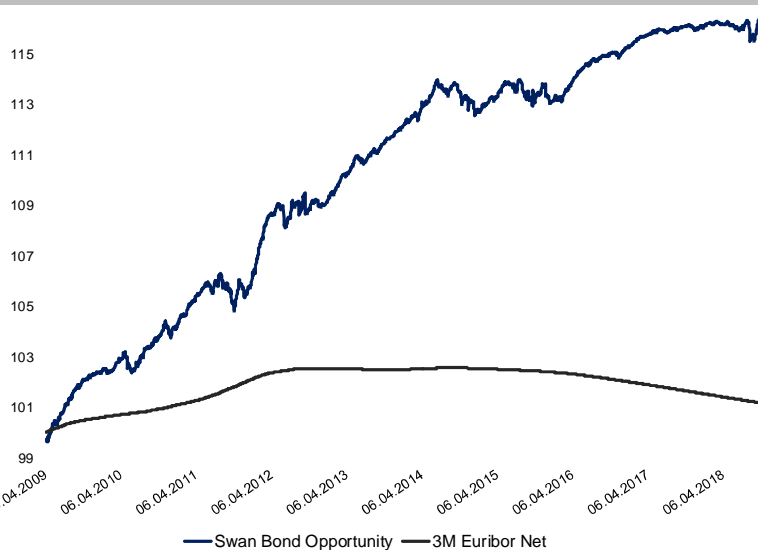
MTD :	0.79%	Fund Assets (mIn) :	156.4 €
Since inception	16.45%	1 Year Std Dev :	0.58%
Last 12 Months :	0.32%	1 Year Sharpe Ratio :	1.11
NAVps :	EUR 116.45	positive months %:	75%

Risk Profile

Conservative

Intermediate

High Reward



— Swan Bond Opportunity — 3M Euribor Net

Global market picture

September was another volatile month for markets. European credit markets were slightly positive (H9PC Index +0.11%), likewise equity markets, with Eurostoxx 50 and S&P 500 gaining respectively 0.35% and 0.43%. The FOMC meeting did not surprise, with FED funds raised by 25bps, dots largely unchanged and the removal of the “accommodative” stance: strong projections of economic growth (3Q18 forecasted at 3%) support the FED hiking path (four hikes expected by end 2019), with steepness in the 2/10years space further reduced to just 24bps. The ECB meeting reaffirmed the halving of QE from October and the stop of net purchase in December; close to the end of the month, Draghi statement about “a vigorous pick-up in underlying inflation” caused a spike in the 10 years Bund yield to 0.53%, immediately reversed due to tensions between Italian populist government and European partners on deficit targets. Emerging markets were still on the spotlight: central bank of Turkey sent a strong signal of independence, raising rates to 24%, that combined with the new fiscal plan announced by Finance Minister Albayrak, eased pressure on TRY and corporate/banks bonds, while Argentina reached an agreement on a set of strengthened economic policies with IMF. US/China trade dispute reached a new level, with 10% tariffs (lower than the 25% expected) imposed on \$200bn of goods that will increase to 25% in 1Q19 if an agreement is not reached; China retaliated with 10% tariffs on \$60bn of US goods. Emerging markets credit performance was positive (EMHB Index +2.04%) after August negative movement, bolstered by Turkey rebound and cheaper valuations.

Yield-type strategy

The bucket generated a gross positive contribution to the monthly performance, with 90% of the positions (73 out of 81) contributing positively. Positive contributions were concentrated mostly on Turkish banks (senior) exposure, while there were not significant negative contributions. The average life of the yield-type portfolio is very short (9 months or 0.72 of spread duration), combined with a yield of 2.73% and z-spread of 333 basis points.

Period	Perf.
MTD	0.79%
YTD	0.32%
6 months	0.23%
1 year	0.32%
2017	0.75%
2016	1.86%
2015	0.35%
2014	0.54%
2013	2.77%
2012	2.84%
2011	1.85%
2010	1.73%
2009	2.38%

FX breakdown (fully hedged)

USD	47.03%
EUR	17.49%
NOK	18.00%
GBP	0.00%
SEK	7.12%
CHF	9.81%
AUD	0.56%
SGD	0.00%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	3.16%
BBB	23.24%
tot IG	26.41%
BB	18.76%
B	20.33%
CCC	0.24%
tot HY	39.34%
NR	34.26%
TOTAL	100.00%

Active Strategies

The bucket generated a positive contribution this month due to the short position on 10yrs Bund Future.

Portfolio info

# of Securities	95
% Weight	103.50%
Int Dur	0.14
Yield (gross)	2.73%
Spread Duration	0.74
Z-spread	333

Geographic breakdown

EU	7.34%
US	0.24%
Oth DEV	31.29%
LATAM	3.46%
EMEA	38.74%
ASIA	18.93%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	28.83%
Services	24.41%
Real Estate	22.96%
Energy	7.39%
Financial Services	3.94%
Basic Industry	3.05%
Transportation	2.41%
Sovereign	1.79%
Leisure	1.22%
Capital Goods	1.14%

Sicav Structure – Terms & Conditions

Domicile: Luxembourg

Inception Date: 1 April 2009

Minimum Investment: 1 share

Liquidity / Reporting: Daily

Fees: 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: CBSWBOA LX, class C: CBSWBOC LX

ISIN: class A: LU0417109773, class C: LU0417110193

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