

Swan High Yield – EUR September 2018



Strategy

The sub-fund aims to generate a significant excess return vs 3m Euribor 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

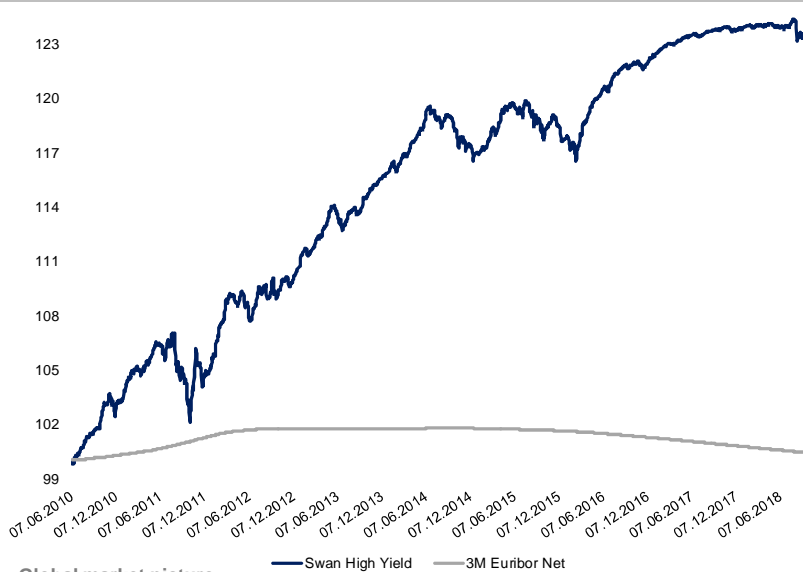
MTD :	0.99%	Fund Assets (mln) :	101.1 €
Since inception	24.53%	1 Year Std Dev :	0.79%
Last 12 Months :	0.61%	1 Year Sharpe Ratio :	1.19
NAVps :	EUR 124.53	% of positive months :	71%

Risk Profile

Conservative

Intermediate

High Reward



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.

Active Portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 15.30%, flat relatively to the end of August (15.30%). Fund's actual exposure (beta and duration adjusted) is 8.79%, lower relatively to last month (15.29%). The mix between Strategic and Tactical positions is 14% Strategic and 86% Tactical. The fund has an estimated gross yield of 3.50%, a low spread duration of 0.94 and a z spread of 405.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 91% of the positions (52 out of 57) contributing positively. Positive contributions were concentrated mostly on Turkish banks (senior) exposure, while there were not significant

Period	Perf.	Portfolio info	
MTD	0.99%	# of Securities	85
YTD	0.57%	% Weight	101.96%
6 months	0.42%	Int Dur	0.68
1 year	0.61%	Yield (gross)	3.50%
2017	1.28%	Spread Duration	0.94
2016	3.82%	Z-spread	405
2015	0.74%		
2014	0.90%		
2013	4.66%		
2012	5.19%		
2011	1.83%		
2010	3.35%		

FX breakdown (fully hedged)

USD	51.25%
EUR	21.37%
NOK	15.45%
GBP	0.80%
SEK	7.16%
SGD	0.00%
AUD	0.00%
CHF	3.96%
TOTAL	100.00%

Geographic breakdown

EU	4.04%
US	0.42%
Oth DEV	30.49%
LATAM	5.00%
EMEA	33.74%
ASIA	26.30%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	2.94%
tot IG	2.94%
BB	26.09%
B	34.69%
CCC	0.42%
tot HY	61.20%
NR	35.86%
TOTAL	100.00%

Sector breakdown - Top 10

Real Estate	26.65%
Banking	25.82%
Services	24.63%
Financial Services	6.12%
Energy	5.48%
Basic Industry	2.49%
Sovereign	2.39%
Capital Goods	2.21%
Media	1.66%
Telecommunications	1.35%

negative contributions. The average life of the YT portfolio at the end of September is very short (8 months or 0.66 of spread duration), with a combination of yield close to 3.44% and z-spread of 401.

Strategic & Tactical buckets.

Tactical bucket generated a positive performance with homogeneous contributions (only positive exception was STEFBS 07/20), while the Strategic one was neutral. Geographical allocation in EM was flat, while picking was neutral on EM and significantly positive in EUR HY.

Sicav Structure – Terms & Conditions

Domicile: Luxembourg

Inception Date: 7 June 2010

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: CBASHYA LX, class C: CBASHYC LX

ISIN: class A: LU0511796509, class C: LU0511796764

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