

# Swan High Yield – CHF September 2018



## Strategy

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

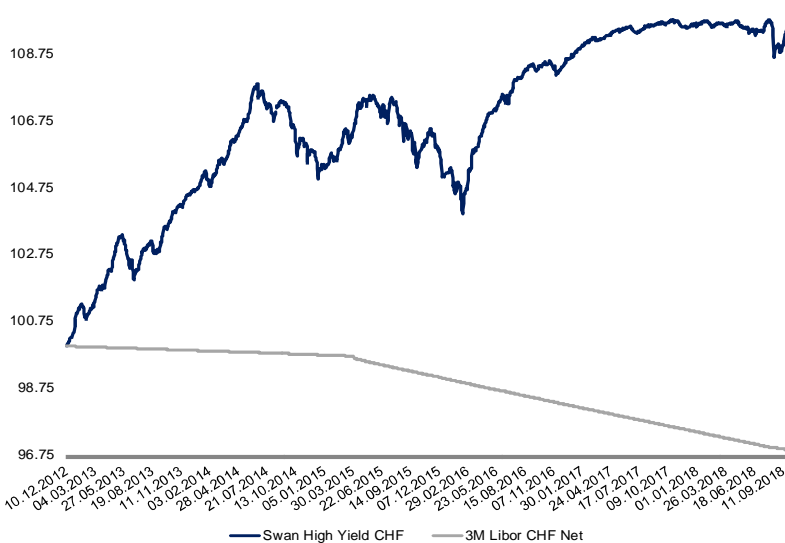
MTD :	<b>0.99%</b>	Fund Assets (mln) :	101.1 €
Since inception	<b>9.87%</b>	1 Year Std Dev :	0.81%
Last 12 Months :	<b>0.21%</b>	1 Year Sharpe Ratio :	1.17
NAVps :	CHF 109.87	% of positive months :	69%

## 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	<b>0.99%</b>	# of Securities	85
YTD	<b>0.26%</b>	% Weight	101.96%
6 months	<b>0.23%</b>	Int Dur	0.68
1 year	<b>0.21%</b>	Yield (gross)	3.50%
2017	<b>0.86%</b>	Spread Duration	0.94
2016	<b>3.29%</b>	Z-spread	405
2015	<b>-0.13%</b>		
2014	<b>0.58%</b>		
2013	<b>4.30%</b>		
2012	<b>0.40%</b>		

## FX breakdown (fully hedged)

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

## Geographic breakdown

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

## Rating breakdown

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

## 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: 11 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: CBASACH LX

ISIN: class A: LU0860714285

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