

Swan High Yield – USD

September 2018



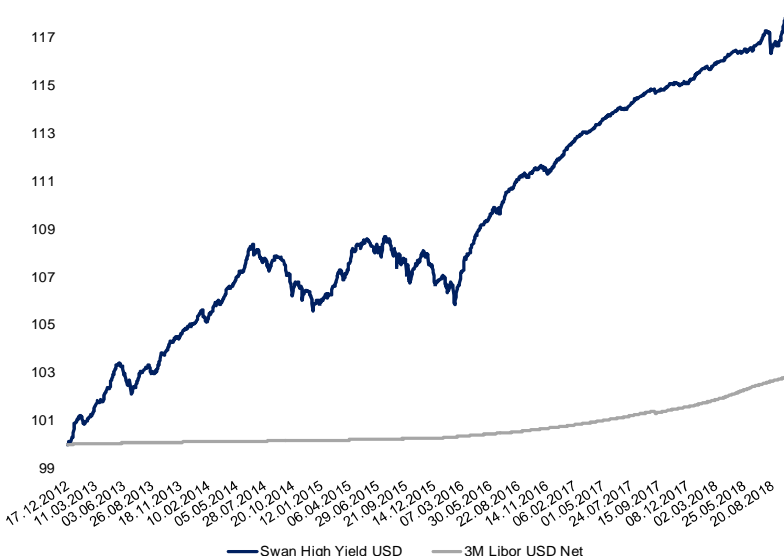
Strategy

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 : | 1.07% | Fund Assets (mln) : | 101.1 € |
| Since inception | 17.85% | 1 Year Std Dev : | 0.71% |
| Last 12 Months : | 2.64% | 1 Year Sharpe Ratio : | 1.38 |
| NAVps : | USD 117.85 | % of positive months : | 76% |

Risk Profile



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 negative

| Period | Perf. | Portfolio info | |
|----------|-------|-----------------|---------|
| MTD | 1.07% | # of Securities | 85 |
| YTD | 2.13% | % Weight | 101.96% |
| 6 months | 1.47% | Int Dur | 0.68 |
| 1 year | 2.64% | Yield (gross) | 3.50% |
| 2017 | 2.96% | Spread Duration | 0.94 |
| 2016 | 4.84% | Z-spread | 405 |
| 2015 | 0.93% | | |
| 2014 | 0.81% | | |
| 2013 | 4.75% | | |
| 2012 | 0.31% | | |

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% |
| 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% |

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: 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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