

Swan Bond Opportunity – CHF October 2018



Strategy

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

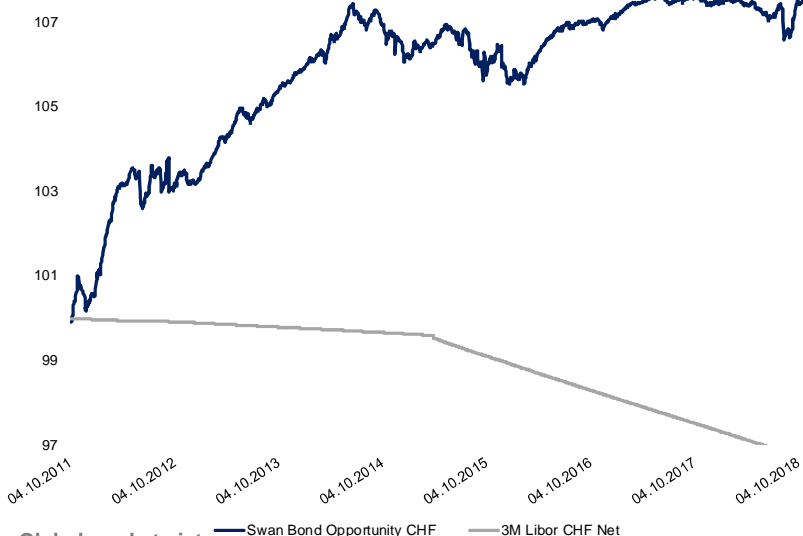
d FX active strategies.

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

October was another volatile month for markets. European credit markets were negative (H9PC Index -0.86%), likewise equity markets, with Eurostoxx 50 and S&P 500 losing respectively 5.93% and 4.41% (first negative month for US stocks since March 2018). The minutes of the FOMC meeting disclosed that several members would raise rates to restrictive territory, with markets pricing slightly more than three hikes until December 2019; economic data showed that US exceptionalism could have reached its peak, notwithstanding Q3 GDP beat consensus at +3.5%. December rate hike is very likely (84% probability), while much more uncertain is how US and China relations will evolve: during the month president Trump reiterated his hard stance in the trade dispute, but at the same time he looked for a possible meeting with Xi at G-20 summit in late November. In the Euro area, weakness in recent data did not influence the tone used by Draghi during the last meeting: he affirmed that recent slowdown was mainly due to specific factors, with improvement in underlying factors still positive and broad based. Yield on 10 Years German Bund went under pressure (-9bps at 0.39%) due to the conflict between Italy and EU commission, with the latter asking to review financial bill proposed by the “populist” government. Emerging markets reported a negative performance, with mixed contribution: both Latam and Ceemea regions registered a slightly positive performance, thanks respectively to Bolsonaro victory in Brazil and recovery in Turkey, while Asia was negative due to continuous headlines on Trade War.

Yield-type strategy

The bucket generated a gross positive contribution to the monthly performance, with 86% of the positions (69 out of 80) contributing positively. Positive contributions were concentrated mostly on Turkish banks (senior) exposure, while a significant negative contributions were generated by EVERRE 03/20. The average life of the yield-type portfolio is very short (8 months or 0.67 of spread duration), combined with a yield of 2.64% and z-spread of 316 basis points.

Performance

| | | | |
|------------------|------------|------------------------|---------|
| MTD : | 0.04% | Fund Assets (mln) : | 171.0 € |
| Since inception | 7.52% | 1 Year Std Dev : | 0.61% |
| Last 12 Months : | -0.04% | 1 Year Sharpe Ratio : | 1.15 |
| NAVps : | CHF 107.52 | % of positive months : | 69% |

Period

| | |
|----------|--------|
| MTD | 0.04% |
| YTD | 0.07% |
| 6 months | 0.07% |
| 1 year | -0.04% |
| 2017 | 0.29% |
| 2016 | 1.43% |
| 2015 | -0.53% |
| 2014 | 0.27% |
| 2013 | 2.54% |
| 2012 | 2.42% |
| 2011 | 0.83% |

Portfolio info

| | |
|-----------------|--------|
| # of Securities | 93 |
| % Weight | 96.69% |
| Int Dur | 0.11 |
| Yield (gross) | 2.64% |
| Spread Duration | 0.67 |
| Z-spread | 316 |

FX breakdown (fully hedged)

| | |
|--------------|----------------|
| USD | 46.54% |
| EUR | 18.78% |
| NOK | 16.93% |
| GBP | 0.00% |
| SEK | 7.65% |
| CHF | 9.55% |
| AUD | 0.55% |
| SGD | 0.00% |
| TOTAL | 100.00% |

Geographic breakdown

| | |
|--------------|----------------|
| EU | 7.78% |
| US | 0.24% |
| Oth DEV | 32.61% |
| LATAM | 3.47% |
| EMEA | 36.63% |
| ASIA | 19.27% |
| TOTAL | 100.00% |

Rating breakdown

| | |
|---------------|----------------|
| AAA | 0.00% |
| AA | 0.00% |
| A | 3.18% |
| BBB | 16.63% |
| tot IG | 19.81% |
| BB | 26.77% |
| B | 19.96% |
| CCC | 0.00% |
| tot HY | 46.73% |
| NR | 33.46% |
| TOTAL | 100.00% |

Sector breakdown - Top 10

| | |
|--------------------|--------|
| Banking | 30.52% |
| Services | 23.25% |
| Real Estate | 23.23% |
| Energy | 7.28% |
| Financial Services | 3.89% |
| Basic Industry | 2.94% |
| Transportation | 2.36% |
| Leisure | 1.92% |
| Sovereign | 1.76% |
| Telecommunications | 0.96% |

Active Strategies

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

Sicav Structure – Terms & Conditions

Domicile: Luxembourg

Inception Date: 4 October 2011

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: CBSWBAC LX, class C: CBSWBCC LX

ISIN: class A: LU0681571880, class C: LU0681572268

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