

# Swan High Yield – CHF

## October 2018



### Strategy

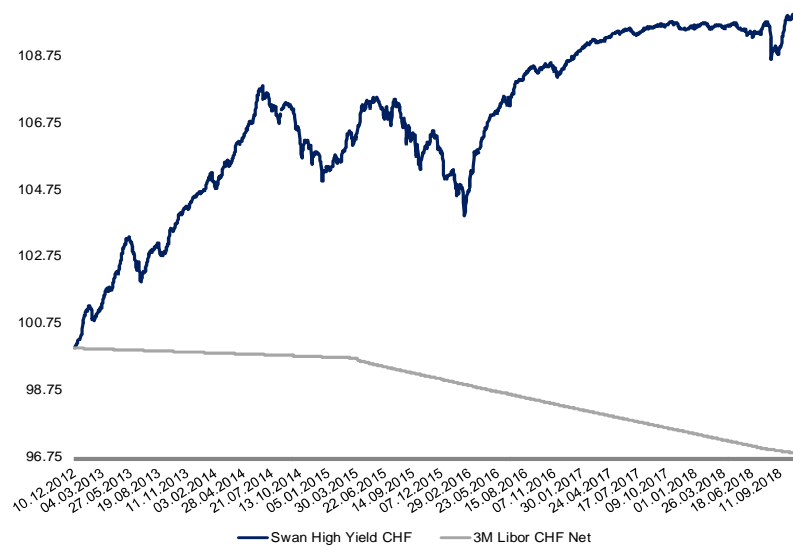
The sub-fund aims to generate a significant excess return vs 3m Libor CHF in combination with below-average market volatility. Depending on market conditions, the strategy combines in variable proportions the "buy and hold" investment in a highly diversified and granular portfolio of liquid short-term fixed income securities with the "strategic" and/or "tactical" investment in HY or EM securities denominated in hard currency.

### 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.

### Active Portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 15.30%, flat relatively to the end of September (15.30%). Fund's actual exposure (beta and duration adjusted) is 16.02%, higher relatively to last month (8.79%). The mix between Strategic and Tactical positions is 4% Strategic and 96% Tactical. The fund has an estimated gross yield of 3.51%, a low spread duration of 0.96 and a z spread of 366.

### Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 84% of the positions (46 out of 55) contributing positively. Positive contributions were concentrated mostly on Turkish banks (senior) exposure, while a significant negative contribution was generated by EVERRE 03/20. The average life of the YT portfolio at the end of October is

### Performance

MTD :	0.02%	Fund Assets (mln) :	101.1 €
Since inception	9.89%	1 Year Std Dev :	0.82%
Last 12 Months :	0.15%	1 Year Sharpe Ratio :	1.09
NAVps :	CHF 109.89	% of positive months :	69%

Period	Perf.
MTD	0.02%
YTD	0.28%
6 months	0.16%
1 year	0.15%
2017	0.86%
2016	3.29%
2015	-0.13%
2014	0.58%
2013	4.30%
2012	0.40%

Portfolio info	
# of Securities	82
% Weight	104.32%
Int Dur	0.67
Yield (gross)	3.51%
Spread Duration	0.96
Z-spread	404

### FX breakdown (fully hedged)

USD	50.26%
EUR	20.25%
NOK	17.87%
GBP	0.79%
SEK	6.96%
CHF	3.87%
AUD	0.00%
SGD	0.00%
<b>TOTAL</b>	<b>100.00%</b>

### Geographic breakdown

EU	5.99%
US	0.42%
Oth DEV	33.00%
LATAM	4.99%
EMEA	32.31%
ASIA	23.28%
<b>TOTAL</b>	<b>100.00%</b>

### Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	2.90%
<b>tot IG</b>	<b>2.90%</b>
BB	23.99%
B	34.91%
CCC	0.00%
<b>tot HY</b>	<b>58.90%</b>
NR	38.20%
<b>TOTAL</b>	<b>100.00%</b>

### Sector breakdown - Top 10

Services	27.21%
Banking	26.21%
Real Estate	25.60%
Financial Services	6.03%
Energy	5.50%
Basic Industry	2.40%
Sovereign	2.35%
Media	1.63%
Telecommunications	1.34%
Utility	0.61%

very short (8 months or 0.65 of spread duration), with a combination of yield close to 3.30% and z-spread of 385.

### Strategic & Tactical buckets.

Tactical bucket generated a negative performance with homogeneous contributions, while the Strategic one was neutral. Geographical allocation in EM was flat, while picking was neutral overall (negative in EM 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

Contacts at Swan Asset Management SA:

E-mail: info@swan-am.ch - Tel: +41 91 986 31 90