

Swan High Yield – USD

November 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

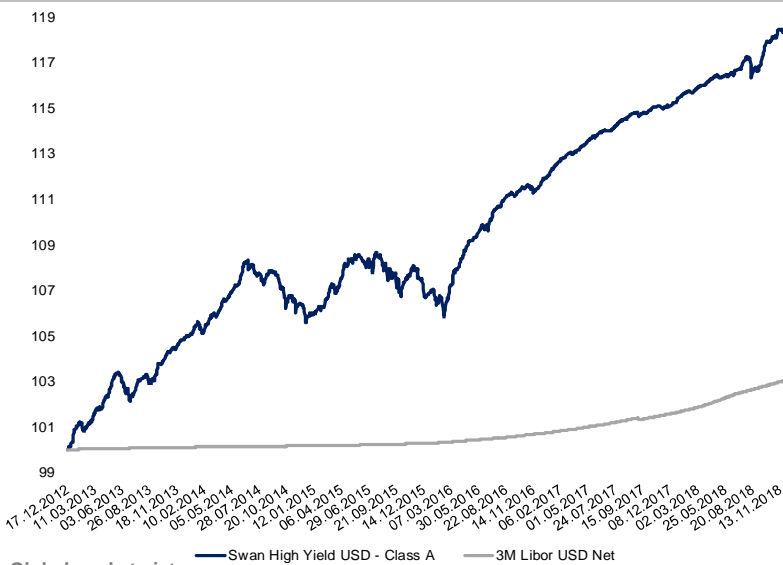
MTD :	0.30%	Fund Assets (mln) :	102.2 €
Since inception	18.46%	1 Year Std Dev :	0.73%
Last 12 Months :	2.98%	1 Year Sharpe Ratio :	1.53
NAVps :	USD 118.46	% of positive months :	76%

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

November was another volatile month: European credit markets were negative (H9PC Index -2.08%), while equity markets delivered mixed performance with Eurostoxx 50 losing 0.76% and S&P 500 gaining 1.79%. Jerome Powell's speech sent a dovish message: comments on FED Funds neutral rates were changed from a "long way from neutral" to just below neutral. This change raised questions on how many rate hikes are forecasted for 2019, with markets now pricing only two and a half hikes until December 2019, far from the four hikes implied in the dots. Economic data showed that US exceptionalism could have reached its peak, with the latest data pointing to a growth of around 2.5% in Q4 and 2% in first half of 2019. More FED speakers indicated that next rates moves will be data dependent, adding uncertainty on an already complicated macro environment and pushing yield on 10 years Treasury down to 3%. Weakness in recent data continued in the Euro area, providing challenges for the first rate hike in 2H19: yield on 10 Years German Bund went under further pressure (-8bps at 0.31%) and reduced tensions between Italy and EU commission (Italian government seems more interested in reaching a compromise) were not sufficient to avoid a sell off movement on all European markets (both credit and equity). Emerging markets reported a negative performance (-0.32%) with homogenous contribution between regions. December will likely start with a positive tone, after the positive talks between Trump and Xi at G20 meeting, even if details were not provided, keeping uncertainties on how trade war will evolve in the future.

Active Portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 15.30%, flat relatively to the end of October (15.30%). Fund's actual exposure (beta and duration adjusted) is 12.36%, lower relatively to last month (16.02%). The mix between Strategic and Tactical positions is 3% Strategic and 97% Tactical. The fund has an estimated gross yield of 3.09%, a low spread duration of 0.99 and a z spread of 344.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 80% of the positions (44 out of 55) contributing positively. Positive contributions were homogeneously distributed, the only exceptions being EVERRE 03/20, COGARD 03/20 and AABAR 03/20, while there were not significant negative contributions. The average life of the

Period	Class A	Portfolio info	
MTD	0.30%	# of Securities	79
YTD	2.66%	% Weight	103.14%
6 months	1.80%	Int Dur	0.68
1 year	2.98%	Yield (gross)	3.09%
2017	2.96%	Spread Duration	0.99
2016	4.84%	Z-spread	344
2015	0.93%		
2014	0.81%		
2013	4.75%		

FX breakdown (fully hedged)

USD	45.29%
EUR	22.47%
NOK	20.54%
GBP	0.77%
SEK	7.00%
CHF	3.93%
AUD	0.00%
SGD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	8.03%
US	0.42%
Oth DEV	36.13%
LATAM	5.03%
EMEA	34.74%
ASIA	15.65%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	2.91%
tot IG	2.91%
BB	25.10%
B	27.47%
CCC	0.00%
tot HY	52.57%
NR	44.53%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	28.45%
Services	28.25%
Real Estate	20.28%
Financial Services	6.06%
Energy	5.32%
Capital Goods	2.45%
Basic Industry	2.38%
Telecommunications	2.23%
Sovereign	1.76%
Media	1.62%

YT portfolio at the end of November is very short (9 months or 0.72 of spread duration), with a combination of yield close to 2.87% and z-spread of 321.

Strategic & Tactical buckets.

Both Strategic and Tactical bucket generated a negligible performance with homogeneous contributions. Geographical allocation in EM was flat, while picking was positive both in EM and EUR HY.

Sicav Structure – Terms & Conditions

Domicile: Luxembourg

Inception Date: 18 December 2012

Minimum Investment: 1 share

Liquidity / Reporting: Daily

Fees: Class C 0.90% / Class A 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

Contacts at Swan Asset Management SA:

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