

Swan Short-Term High Yield – CHF January 2019



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

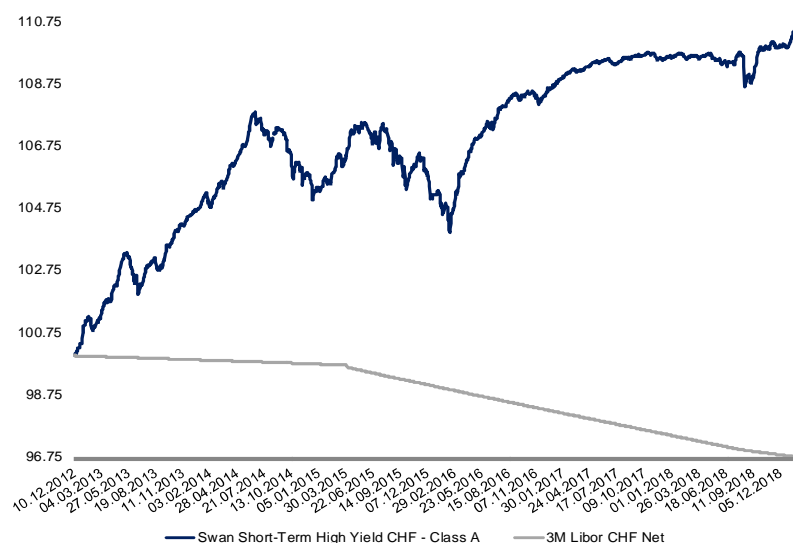


Performance

| | | | |
|------------------|---------------|------------------------|---------|
| MTD : | 0.76% | Fund Assets (mln) : | 104.8 € |
| Since inception | 10.77% | 1 Year Std Dev : | 0.85% |
| Last 12 Months : | 0.98% | 1 Year Sharpe Ratio : | 2.33 |
| NAVps : | CHF 110.77 | % of positive months : | 69% |

IMPORTANT NOTIFICATION:

Starting from January 2019 the fund will be renamed the **Swan Short-Term High Yield** to better define its strategy. Fund investment philosophy and strategy will not change.



Global market picture

January was a very strong month: European credit markets were positive (H9PC Index +2.15%), likewise equity markets with Eurostoxx 50 and S&P 500 gaining respectively 5.26% and 7.87%. The FED meeting on 30th of January was the main event of the month. Markets approached the event waiting for a "reassuring" message, and in this case Powell did not disappoint investors as he did in December. FED funds rate remained stuck at 2.375%, accompanied by an ultra-dovish tone both in the Committee statement and press conference: the word "patient" came back and references to further tightening was eliminated, while balance sheet policy flexibility was confirmed. The ECB meeting did not surprise, with confirmation that growth risks are on the downside and the council will reassess policy options in March. Central banks tone had a strong influence on rates: yield on 10 Years German Bund went under further pressure (-9bps at 0.15%) in tandem with yield on 10 years Treasury down to 2.63% (-5bps in January). Notwithstanding strong rally in January, economic uncertainty remains a concern for risky assets: current pace of global growth is around 2.6%, but several headwinds have still to be resolved (US/China trade deal, Brexit and weaker than expected growth in Europe). Emerging markets reported a positive performance (+3.82%) with LATAM being the best performer during the month. EM resilience was mainly due to the dovish FED tone and constructive talks between US and China, in addition to a strong rebound in oil prices (Brent closed up 15% at 62USD per barrel).

Active Portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 15.30%, flat relatively to the end of December (15.30%). Fund's actual exposure (beta and duration adjusted) is 11.38%, lower relatively to last month (11.93%). The mix between Strategic and Tactical positions is 3% Strategic and 97% Tactical. The fund has an estimated gross yield of 2.83%, a low spread duration of 0.95 and a z spread of 323.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 93% of the positions (54 out of 58) contributing positively. Positive contributions were homogeneously distributed, the only exceptions being KOC 04/20, DNONO 06/20, FARMIT 06/20 and AABAR 03/20, while there were not significant negative contributions. The

| Period | Class C* | Class A | Portfolio info | |
|----------|--------------|---------------|-----------------|--------|
| MTD | 0.79% | 0.76% | # of Securities | 86 |
| YTD | 0.79% | 0.76% | % Weight | 97.45% |
| 6 months | 1.04% | 0.91% | Int Dur | 0.66 |
| 1 year | 1.24% | 0.98% | Yield (gross) | 2.83% |
| 2018 | 0.59% | 0.32% | Spread Duration | 0.95 |
| 2017 | 1.16% | 0.86% | Z-spread | 323 |
| 2016 | 3.59% | 3.29% | | |
| 2015 | 0.17% | -0.13% | | |
| 2014 | 0.88% | 0.58% | | |
| 2013 | 4.60% | 4.30% | | |

*Class A adjusted for management fee difference used for periods before Class C inception.

FX breakdown (fully hedged)

| | |
|--------------|----------------|
| USD | 46.98% |
| EUR | 18.84% |
| NOK | 22.40% |
| GBP | 1.60% |
| SEK | 6.13% |
| CHF | 4.05% |
| AUD | 0.00% |
| SGD | 0.00% |
| TOTAL | 100.00% |

Geographic breakdown

| | |
|--------------|----------------|
| EU | 6.35% |
| US | 0.43% |
| Oth DEV | 34.60% |
| LATAM | 2.86% |
| EMEA | 35.69% |
| ASIA | 20.07% |
| TOTAL | 100.00% |

Rating breakdown

| | |
|---------------|----------------|
| AAA | 0.00% |
| AA | 0.00% |
| A | 0.00% |
| BBB | 3.03% |
| tot IG | 3.03% |
| BB | 26.00% |
| B | 29.71% |
| CCC | 0.66% |
| tot HY | 56.37% |
| NR | 40.60% |
| TOTAL | 100.00% |

Sector breakdown - Top 10

| | |
|--------------------|--------|
| Services | 26.14% |
| Real Estate | 23.76% |
| Banking | 19.49% |
| Financial Services | 6.99% |
| Energy | 5.31% |
| Sovereign | 3.45% |
| Capital Goods | 2.60% |
| Basic Industry | 2.47% |
| Telecommunications | 2.28% |
| Transportation | 2.27% |

average life of the YT portfolio at the end of January is very short (8 months or 0.70 of spread duration), with a combination of yield close to 2.24% and z-spread of 258.

Strategic & Tactical buckets.

Strategic bucket generated a negligible positive performance while the Tactical bucket generated a significant positive performance, with relevant contributions from CIFIHG 03/21, ATLIM 06/24, ISCTR 04/24 and AES 02/24. Geographical allocation in EM was positive, while picking was neutral in both in EM and EUR HY.

Sicav Structure – Terms & Conditions

Domicile: Luxembourg

Inception Date: 11 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: CBASACH LX

ISIN: class A: LU0860714285

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