

Swan Ultra Short-Term Bond – EUR

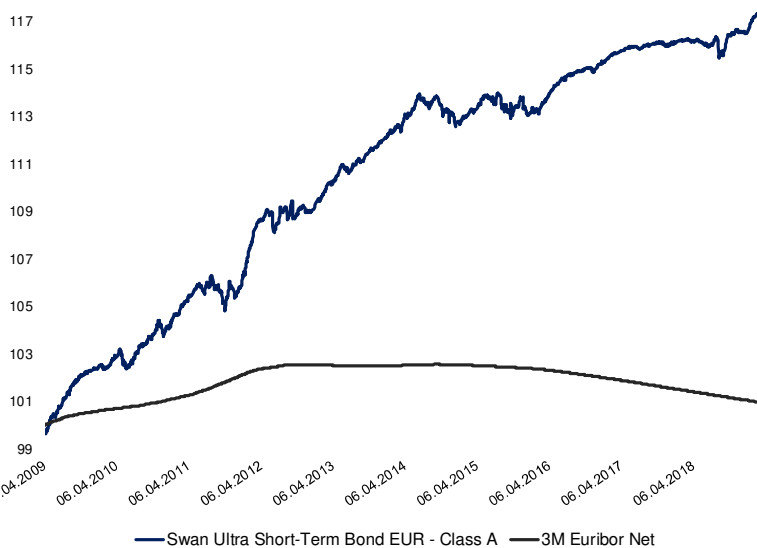
February 2019



Strategy

The sub-fund aims to generate excess return vs 3m Euribor 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 and residual allocation of the promised average spread over risk free rate to a number of interest rate and FX active strategies.

Risk Profile



Global market picture

February was a very strong month: European credit markets were positive (H9PC Index +1.85%), likewise equity markets with Eurostoxx 50 and S&P 500 gaining respectively 4.39% and 2.97%. The FOMC minutes on January were a little bit more hawkish than expected, revealing that a small bias for the next move to be a hike remains even if comments from FED officials remained on the dovish side. In the meanwhile, US data on economy continued to be soft: weaker than expected retail sales and durable goods order caused a revision of 1Q19 growth to just around 2% (it would be the lowest level since Q42015). Futures on FED funds imply a FED on hold for 2019 and a rate cut for 2020, while DOTs are still indicating 2 hikes: the FED will likely use a wait and see approach and the rate path will be one of the main driver of 2019 markets' performance. Data from Europe signaled a small improvement to a higher level of growth; next ECB meeting at the beginning of March should likely provide more color on a new eventual TLTRO, even if details should be disclosed in April. Yield on 10 Years German Bund rebounded from recent lows (+3bps at 0.18%) in tandem with yield on 10 years Treasury down to 2.71% (+9bps in February). Markets' rally continued in February, although 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 weak growth in Europe). Emerging markets reported a positive performance (+1.33%) with Asia being the best performer during the month. EM resilience was mainly due to the dovish FED tone and constructive talks between US and China (even if we are still waiting for a final agreement), in addition to continued strength of oil prices (Brent closed up 7% at 66USD).

Yield-type strategy

The bucket generated a gross positive contribution to the monthly performance, with 91% of the positions (82 out of 90) contributing positively. Positive contributions were homogeneously distributed, while there were not significant negative contributions. The average life of the yield-type portfolio is very short (9 months or 0.76 of spread duration), combined with a yield of 1.74% and z-spread of 209 basis points.

Performance

MTD :	0.22%	Fund Assets (mIn) :	208.4 €
Since inception	17.35%	1 Year Std Dev :	0.58%
Last 12 Months :	0.93%	1 Year Sharpe Ratio :	2.5
NAVps :	EUR 117.35	positive months %:	76%

IMPORTANT NOTIFICATION:

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

Period	Class C*	Class A	Portfolio info
MTD	0.25%	0.22%	# of Securities 108
YTD	0.75%	0.70%	% Weight 92.19%
6 months	1.65%	1.57%	Int Dur 0.21
1 year	1.13%	0.93%	Yield (gross) 1.74%
2018	0.58%	0.39%	Spread Duration 0.70
2017	0.92%	0.75%	Z-spread 209
2016	2.05%	1.86%	
2015	0.58%	0.35%	
2014	0.63%	0.54%	
2013	3.00%	2.77%	
2012	3.05%	2.84%	
2011	2.07%	1.85%	
2010	1.90%	1.73%	
2009	2.63%	2.38%	

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

FX breakdown (fully hedged)

USD	40.03%
EUR	25.08%
NOK	19.92%
SEK	7.09%
CHF	5.28%
GBP	2.13%
AUD	0.47%
TOTAL	100.00%

Geographic breakdown

EU	16.42%
US	1.26%
Oth DEV	32.14%
LAT AM	3.98%
EMEA	33.06%
ASIA	13.14%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	3.18%
BBB	16.50%
tot IG	19.67%
BB	22.79%
B	21.53%
CCC	0.00%
tot HY	44.32%
NR	36.01%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	33.66%
Services	21.48%
Real Estate	19.70%
Financial Services	6.57%
Energy	6.52%
Transportation	2.73%
Sovereign	2.40%
Leisure	2.12%
Basic Industry	1.94%
Technology & Electronics	0.94%

Active Strategies

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

Sicav Structure – Terms & Conditions

Domicile: Luxembourg

Inception Date: 1 April 2009

Minimum Investment: 1 share

Liquidity / Reporting: Daily

Fees: Class C 0.75% / Class A 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: CBSWBOA LX, class C: CBSWBOC LX

ISIN: class A: LU0417109773, class C: LU0417110193

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