

Swan Short-Term High Yield – CHF August 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

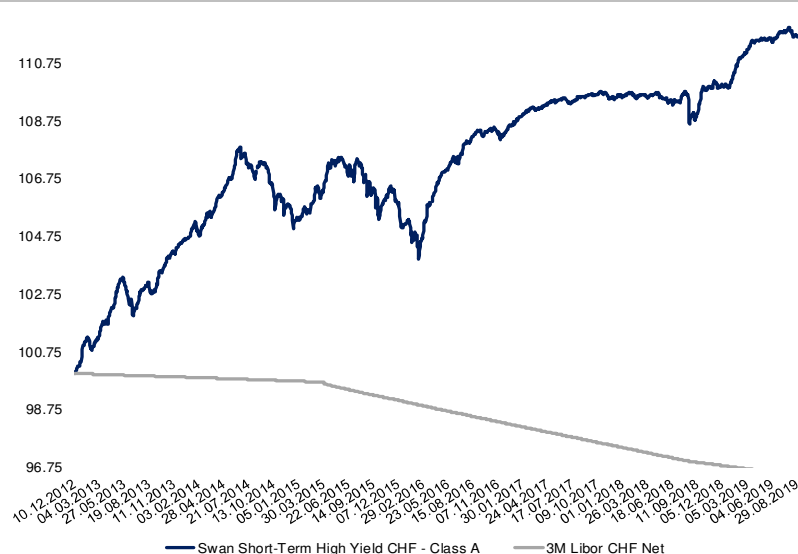
Conservative

Intermediate

High Reward

Performance

| | | | |
|------------------|---------------|------------------------|---------|
| MTD : | -0.28% | Fund Assets (mln) : | 177.9 € |
| Since inception | 11.67% | 1 Year Std Dev : | 0.55% |
| Last 12 Months : | 2.65% | 1 Year Sharpe Ratio : | 6.56 |
| NAVps : | CHF 111.67 | % of positive months : | 70% |



| Period | Class C* | Class A | Portfolio info | |
|----------|---------------|---------------|-----------------|--------|
| MTD | -0.27% | -0.28% | # of Securities | 118 |
| YTD | 1.71% | 1.58% | % Weight | 97.18% |
| 6 months | 0.59% | 0.51% | Int Dur | 0.69 |
| 1 year | 2.85% | 2.65% | Yield (gross) | 3.78% |
| 2018 | 0.59% | 0.32% | Spread Duration | 0.99 |
| 2017 | 1.16% | 0.86% | Z-spread | 454 |
| 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 | 51.23% |
| EUR | 20.74% |
| NOK | 17.82% |
| SEK | 5.90% |
| CHF | 3.85% |
| GBP | 0.46% |
| TOTAL | 100.00% |

Geographic breakdown

| | |
|--------------|----------------|
| EU | 6.45% |
| US | 0.00% |
| Oth DEV | 30.93% |
| LATAM | 6.74% |
| EMEA | 26.92% |
| ASIA | 28.96% |
| TOTAL | 100.00% |

Global market picture

August was a mixed month for financial markets: European credit markets were positive (H9PC Index +0.64%), while equity markets were negative both in Europe (Eurostoxx 50 -1.16%) and in US (S&P 500 -1.81%). The month started with a bounce in volatility due to renewed tension on trade war: Trump tweeted that US would place a 10% tariff on additional \$300bn Chinese goods starting from 1st of September while China retaliated with a ban on imports of agricultural products from United States and further devaluation of CNY above the psychological level of 7 USD/CNY. Additional pressure on growth expectations has been generated by negative economic data in Europe: a bigger than expected fall in industrial production in Germany was confirmed by a negative (-0.1% QoQ in 2Q) GDP reading, while at the same time the Italian coalition reached a breaking point with League leader Matteo Salvini asking for snap elections. Negative sentiment pushed yield on government bonds further lower: German 10 years Bund closed the month at -0.70% (-26bps during the month) while 10 Years Treasury reached 2016 lows at 1.50% (-52bps during the month). The central banks' dovish tone added pressure on “risk-free” rates: the FED is expected to cut rates for the second time at its September meeting, while a new QE plan coupled with a rate cut could be unveiled by the ECB next month. Emerging markets reported a negative performance (-2.60%) with LATAM being the worst performer during the month. Argentina was the main driver of this movement: ARS lost a fifth of its value after opposition candidate Fernandez won primary election, forcing current president Macri to delay \$7bn of payment on short term local debt and seek a voluntary reprofiling of \$50bn of longer-term debt.

Active Portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 18.40%, flat relatively to the end of July (18.40%). Fund's actual exposure (beta and duration adjusted) is 18.49%, lower relatively to last month (20.19%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated gross yield of 3.78% (in EUR), a low spread duration of 0.99 and a z spread of 454.

Yield-type bucket

The bucket generated a negative gross contribution to the monthly performance, with 84% of the positions (63 out of 75) contributing positively. Positive contributions were homogeneously

Rating breakdown

| | |
|--------------|----------------------|
| AAA | 0.00% |
| AA | 0.00% |
| A | 0.00% |
| BBB | 4.65% |
| | tot IG 4.65% |
| BB | 25.44% |
| B | 31.23% |
| CCC | 1.36% |
| | tot HY 58.03% |
| NR | 37.31% |
| TOTAL | 100.00% |

Sector breakdown - Top 10

| | |
|--------------------------|--------|
| Real Estate | 28.81% |
| Services | 19.48% |
| Banking | 18.08% |
| Energy | 8.31% |
| Sovereign | 6.94% |
| Financial Services | 4.50% |
| Capital Goods | 3.77% |
| Technology & Electronics | 2.29% |
| Healthcare | 1.48% |
| Consumer Goods | 1.45% |

distributed, while negative contributions were generated by DOFSUB 05/20 and YPFAR 09/19. The average life of the YT portfolio at the end of August is very short (9 months or 0.73 of spread duration), with a combination of yield close to 3.84% and z-spread of 455.

Strategic & Tactical buckets.

Tactical bucket generated a negative performance, with negative contributions from TECOAR 06/21 and AES 02/24. Geographical allocation in EM was positive, while picking was negative 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, class C: CBASCCH LX

ISIN: class A: LU0860714285, class C: LU0860714442

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