

Swan High Yield – EUR August 2017



Strategy

The sub-fund aims to generate a significant excess return vs 3m Euribor 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 fixe

d income securities with the “strategic” and/or “tactical” investment in HY or EM securities denominated in hard currency.

Risk Profile

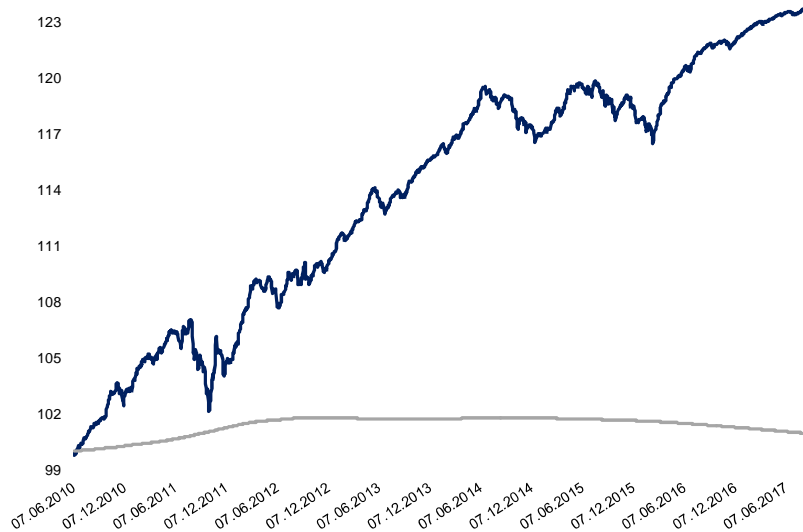
Conservative

Intermediate

High Reward

Performance

MTD :	0.10%	Fund Assets (mln) :	114.0 €
Since inception	23.70%	1 Year Std Dev :	0.42%
Last 12 Months :	1.59%	1 Year Sharpe Ratio :	5.19
NAVps :	EUR 123.70	% of positive months :	70%



Global market picture

During August, European credit markets experienced a slightly negative performance (Xover 2bps wider at 236bps) in tandem with a negative movement of the Eurostoxx 50 (-0.81%), while S&P500 reached new historical highs at 2'471, almost flat during the month. Nervousness arose in the market due to North Korea missile tests, that increased tensions with the US and showed different positions among the different parties (US, South Korea, China and Russia) on how to reply to this offence: for the moment it seems that the situation will not escalate to war as it would be negative for all parties; anyway it remains an issue that can give some volatility in the future. On the macro side, global growth is still solid while inflation remains missing: this makes the tapering for the ECB more difficult to be implemented, postponing again market consensus on the reduction of monthly purchases to October (from € 60bn to € 40bn); EURUSD strength is not helping on this, with a possible reduction on inflation projections for the future; while the FED seems ready to announce the start of balance sheet normalization during its September meeting. On the rates side the 10 Treasury yield was lower at around 2.11% (-18 bps) due to North Korea tensions, the same for the 10 Year Bund yield lower at 0.36% (-18bps). EM credit market had a positive return this month, continuing the recent trend and benefiting from the tapering postponement from DM central banks.

Active Portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 15.30%, higher relatively to the end of July (13.7%). Fund's actual exposure (beta and duration adjusted) is 13.12%, lower relatively to last month (14.42%). The mix between Strategic and Tactical positions is 19% Strategic and 81% Tactical. The fund has an estimated gross yield of 1.88%, a low spread duration of 1.02 and a z spread of 233.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, thanks to 95% of the positions (60 out of 63) contributing positively. Positive contributions were homogeneously distributed, while there were not significant negative contributions. The average life of the YT portfolio at the end of August is very short (9 months or 0.76 of spread duration), with a combination of yield close to 1.67% and z-spread of 214.

Period	Perf.	Portfolio info	
MTD	0.10%	# of Securities	100
YTD	1.18%	% Weight	98.16%
6 months	0.57%	Int Dur	0.73
1 year	1.59%	Yield (gross)	1.88%
2016	3.82%	Spread Duration	1.00
2015	0.74%	Z-spread	233
2014	0.90%		
2013	4.66%		
2012	5.19%		
2011	1.83%		
2010	3.35%		

FX breakdown (fully hedged)

USD	54.49%
EUR	8.73%
NOK	20.27%
GBP	0.89%
SEK	10.31%
SGD	0.00%
AUD	1.72%
CHF	3.60%
TOTAL	100.00%

Geographic breakdown

EU	6.36%
US	0.00%
Oth DEV	29.94%
LATAM	9.79%
EMEA	38.58%
ASIA	15.34%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	9.16%
tot IG	9.16%
BB	29.22%
B	27.49%
CCC	0.99%
tot HY	57.70%
NR	33.15%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	30.82%
Services	22.72%
Real Estate	22.59%
Foreign Sovereign	6.47%
Energy	3.71%
Financial Services	3.63%
Utility	2.58%
Consumer Goods	1.64%
Basic Industry	1.61%
Telecommunications	1.24%

Strategic & Tactical buckets.

Tactical and Strategic bucket generated a positive performance during the month (no significant contribution), while a neutral geographical allocation in EM and a negative picking (positive in EM but negative in EUR HY space).

Sicav Structure – Terms & Conditions

Domicile: Luxembourg

Inception Date: 7 June 2010

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: CBASHYA LX, class C: CBASHYC LX

ISIN: class A: LU0511796509, class C: LU0511796764

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