

Swan High Yield – EUR September 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 fixed income securities with the “strategic” and/or “tactical” investment in HY or EM securities denominated in hard currency.

Risk Profile

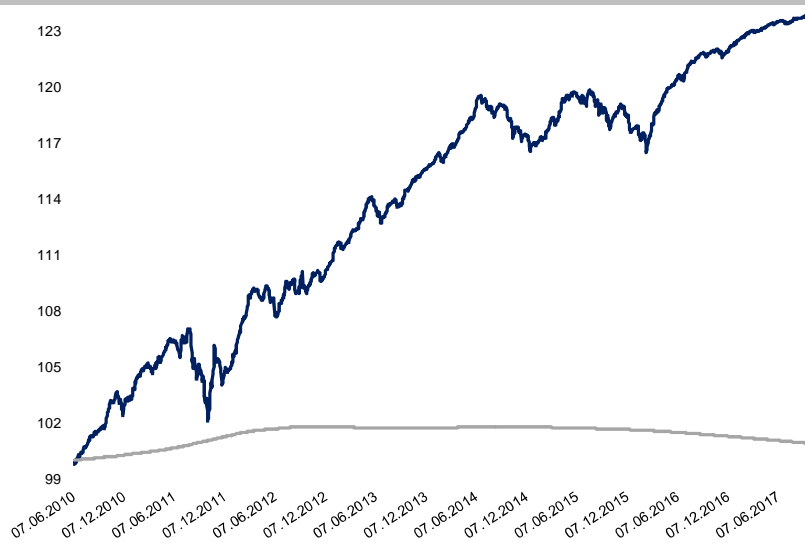
Conservative

Intermediate

High Reward

Performance

MTD :	0.06%	Fund Assets (mln) :	112.0 €
Since inception	23.77%	1 Year Std Dev :	0.40%
Last 12 Months :	1.63%	1 Year Sharpe Ratio :	4.86
NAVps :	EUR 123.77	% of positive months :	70%



Global market picture

During September, European credit markets experienced a positive performance (H9PC Index +0.51%) in tandem with a positive movement of the Eurostoxx 50 (+5.07%), while S&P500 reached new historical highs at 2'519 (+1.93% during the month) thanks also to reduced noise from North Korea. Central banks meetings were the main topic of the month: ECB did not surprise the market, postponing any decision on tapering to October and reassuring investors that rates will remain low even after the end of central bank's purchases; due to Draghi's dovish tone, consensus is now pricing the first hike for 1Q19. On the other side both the FED and BoE launched hawkish signals: Janet Yellen clearly indicated December 2017 as the next date to continue its tightening policy (median dots now calling for 3 hikes in 2018), while the BoE gave an hint of possible rate hikes in the next months; both statements surprised the market as it was expecting a more dovish message due to absent wage pressure despite tight labor markets and generally weak inflation. EM credit market had a positive return this month, continuing the recent trend and benefiting from the continuous inflows and pursuit of attractive yield from investors.

Active Portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 15.30%, flat relatively to the end of August (15.30%). Fund's actual exposure (beta and duration adjusted) is 14.43%, lower relatively to last month (13.12%). The mix between Strategic and Tactical positions is 23% Strategic and 77% Tactical. The fund has an estimated gross yield of 1.60%, a low spread duration of 0.97 and a z spread of 227.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, thanks to 88% of the positions (57 out of 65) 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 September is very short (9 months or 0.74 of spread duration), with a combination of yield close to 1.40% and z-spread of 217.

Period	Perf.	Portfolio info	
MTD	0.06%	# of Securities	97
YTD	1.24%	% Weight	97.49%
6 months	0.63%	Int Dur	0.69
1 year	1.63%	Yield (gross)	1.60%
2016	3.82%	Spread Duration	0.97
2015	0.74%	Z-spread	227
2014	0.90%		
2013	4.66%		
2012	5.19%		
2011	1.83%		
2010	3.35%		

FX breakdown (fully hedged)

USD	53.14%
EUR	7.22%
NOK	22.13%
GBP	0.95%
SEK	11.13%
SGD	0.00%
AUD	1.75%
CHF	3.68%
TOTAL	100.00%

Geographic breakdown

EU	6.02%
US	0.00%
Oth DEV	33.14%
LATAM	7.70%
EMEA	39.77%
ASIA	13.37%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	9.40%
tot IG	9.40%
BB	29.26%
B	24.80%
CCC	1.01%
tot HY	55.08%
NR	35.52%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	30.38%
Services	25.13%
Real Estate	20.32%
Foreign Sovereign	6.65%
Energy	3.84%
Financial Services	3.70%
Utility	2.67%
Consumer Goods	1.69%
Leisure	1.45%
Agency	1.13%

Strategic & Tactical buckets.

Tactical and Strategic bucket generated a positive performance during the month (no significant contribution), with a negative 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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