

Swan Bond Opportunity – USD

January 2018



Strategy

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

Performance

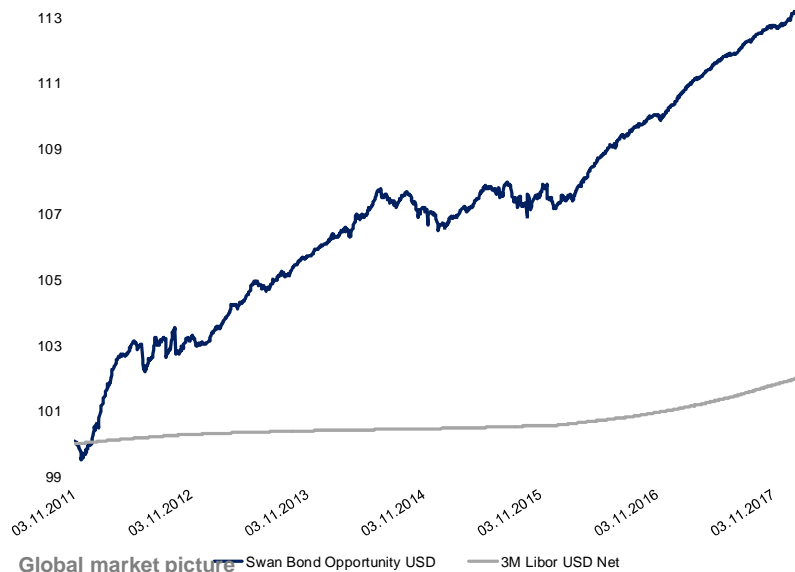
MTD :	0.27%	Fund Assets (mIn) :	175.6 €
Since inception	13.39%	1 Year Std Dev :	0.27%
Last 12 Months :	2.34%	1 Year Sharpe Ratio :	4.91
NAVps :	USD 113.39	% of positive months :	79%

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

During January, European credit markets experienced a positive performance (H9PC Index +0.35%) in tandem with a positive movement of the Eurostoxx 50 (+3.01%), while S&P500 reached new historical highs at 2'823 (+5.62% during the month). The main theme of the month was the impressive movement in risk free rates: 10 years Bund rose 27bps to 0.7%, while 10 years Treasury rose 30bps to 2.71%; also the short term part of the rates curve experienced a significant upward movement with yield of US 2Y near decade highs at 2.14%. In Europe the movement was fueled by an hawkish interpretation of the December minutes, even if Mario Draghi, during the January meeting, completely excluded the possibility of a rate hike in 2018 (base case for first movement remains 2Q/3Q of 2019). On the FED side, January meeting signed the end of Yellen's presidency: it was relatively uneventful, but the forward guidance reinforced the case for multiple hikes. Market is actually pricing just two full hikes and 70% of a possible a third hike, while consensus calls between three and four hikes, so the risk that the FED derails markets with a more aggressive policy path remains a concern. Other potential concerns could arise in the coming months from political tensions: in US, President Trump reached with difficulty an agreement to interrupt the Government Shutdown, while at the beginning of March elections will take place in Italy. Emerging markets credit performance was positive (EMHB index +0.60%), thanks in particular to the general weakness of USD.

Yield-type strategy

The bucket generated a gross positive contribution to the monthly performance, thanks to 98% of the positions (80 out of 82) 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 (8

Period	Perf.
MTD	0.27%
YTD	0.27%
6 months	1.12%
1 year	2.34%
2017	2.43%
2016	2.88%
2015	0.63%
2014	0.53%
2013	2.86%
2012	2.86%
2011	0.27%

Portfolio info

# of Securities	96
% Weight	97.75%
Int Dur	0.31
Yield (gross)	1.26%
Spread Duration	0.66
Z-spread	169

FX breakdown (fully hedged)

USD	48.52%
EUR	10.34%
NOK	16.73%
GBP	5.49%
SEK	6.73%
CHF	9.72%
AUD	2.47%
SGD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	8.31%
US	0.21%
Oth DEV	24.92%
LATAM	4.76%
EMEA	49.11%
ASIA	12.69%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	1.31%
BBB	41.29%
tot IG	42.60%
BB	15.84%
B	14.03%
CCC	0.21%
tot HY	30.07%
NR	27.33%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	33.44%
Services	20.41%
Real Estate	17.95%
Energy	11.83%
Transportation	3.59%
Financial Services	3.27%
Supranational	2.51%
Foreign Sovereign	2.27%
Agency	1.85%
Healthcare	1.29%

months or 0.67 of spread duration), combined with a yield of 1.26% and z-spread of 169 basis points.

Active Strategies

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

Sicav Structure – Terms & Conditions

Domicile: Luxembourg

Inception Date: 3 November 2011

Minimum Investment: 1 share

Liquidity / Reporting: Daily

Fees: 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: CBSBAUH LX, class C: CBSBCUH LX

ISIN: class A: LU0698400198, class C: LU0698400354

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