

Swan High Yield – EUR

February 2018



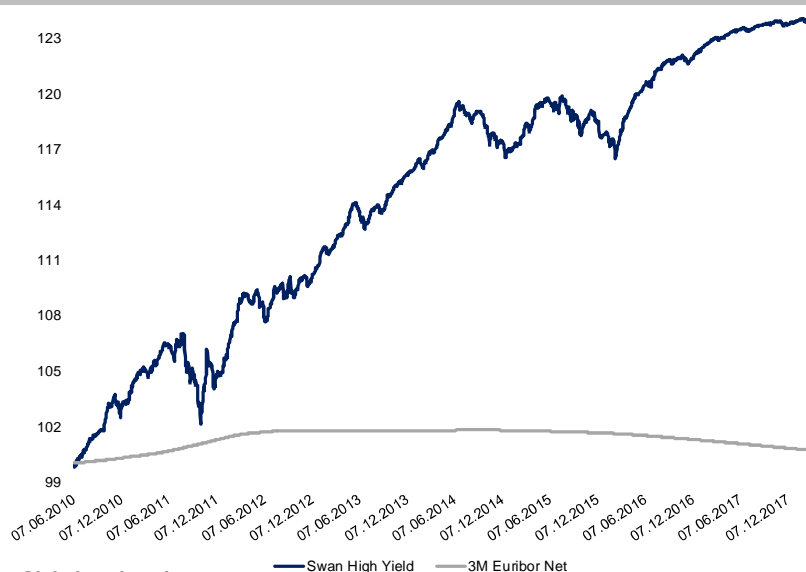
Strategy

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.

Performance

MTD :	0.02%	Fund Assets (mln) :	107.9 €
Since inception	24.01%	1 Year Std Dev :	0.32%
Last 12 Months :	0.82%	1 Year Sharpe Ratio :	3.57
NAVps :	EUR 124.01	% of positive months :	71%

Risk Profile



Global market picture

During February, European credit markets experienced a negative performance (H9PC Index -0.67%), in tandem with a negative movement of the Eurostoxx 50 (-4.72%); also S&P500 interrupted its positive momentum lasting for ten straight months (-3.89% in February). The main theme of the month was the impressive surge in volatility experienced on the 2nd of February; an higher than expected print in average hourly Earnings YoY (2.9% vs 2.6%) brought inflation risk back to the attention, and investors got scared that the never ending rally in equity markets could terminate. Both S&P500 and Eurostoxx 50 lost 10% from their late January highs, yield on 10 Year Treasury soared to 2.95% and VIX index peaked at 37 (highest level since August 2015); some products linked to volatility, which took short exposure to VIX, have been closed due to losses that exceeded prospectus' limits, even if the VIX closed the month at 16. The 10 year Treasury yield closed the month at 2.86% (+16bps), while the 10 year Bund moved down by 4bps to 0.66% due to fly to quality movement and economic data a little bit weaker than expected. On central banks' side, February was a muted month, with no meetings: the most relevant event was Powell's slightly hawkish testimony to the congress, that strengthened the case for 2018 median dots to move from three to four hikes in March. Emerging markets credit performance was negative (EMHB index -0.88%), influenced by the spike in Treasury yields, while spread to worst was just 22bps wider at 344bps.

Active Portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 15.30%, flat relatively to the end of January (15.30%). Fund's actual exposure (beta and duration adjusted) is 11.84%, higher relatively to last month (9.34%). The mix between Strategic and Tactical positions is 26% Strategic and 74% Tactical. The fund has an estimated gross yield of 2.06%, a low spread duration of 0.99 and a z spread of 259.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, thanks to 90% of the positions (61 out of 68) contributing positively. Positive contributions were homogeneously distributed, while there were not significant negative contributions. The

Period	Perf.
MTD	0.02%
YTD	0.15%
6 months	0.25%
1 year	0.82%
2017	1.28%
2016	3.82%
2015	0.74%
2014	0.90%
2013	4.66%
2012	5.19%
2011	1.83%
2010	3.35%

Portfolio info	
# of Securities	97
% Weight	97.52%
Int Dur	0.70
Yield (gross)	2.06%
Spread Duration	0.99
Z-spread	259

FX breakdown (fully hedged)

USD	56.51%
EUR	8.74%
NOK	21.20%
GBP	0.82%
SEK	8.73%
SGD	0.00%
AUD	0.00%
CHF	4.00%
TOTAL	100.00%

Geographic breakdown

EU	4.94%
US	0.39%
Oth DEV	31.32%
LATAM	9.65%
EMEA	27.98%
ASIA	25.73%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	1.25%
BBB	9.63%
tot IG	10.87%
BB	22.90%
B	27.95%
CCC	0.85%
tot HY	51.69%
NR	37.43%
TOTAL	100.00%

Sector breakdown - Top 10

Real Estate	28.66%
Services	26.91%
Banking	21.94%
Energy	4.46%
Foreign Sovereign	4.23%
Financial Services	4.01%
Agency	2.14%
Basic Industry	1.91%
Leisure	1.47%
Healthcare	1.22%

average life of the YT portfolio at the end of February is very short (9 months or 0.75 of spread duration), with a combination of yield close to 1.80% and z-spread of 243.

Strategic & Tactical buckets.

Tactical bucket generated a positive performance during the month, while the Strategic bucket a negative one (no significant contribution). Geographical allocation in EM was neutral; picking was significantly positive in EUR HY.

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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