

Swan Bond Opportunity – USD

May 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

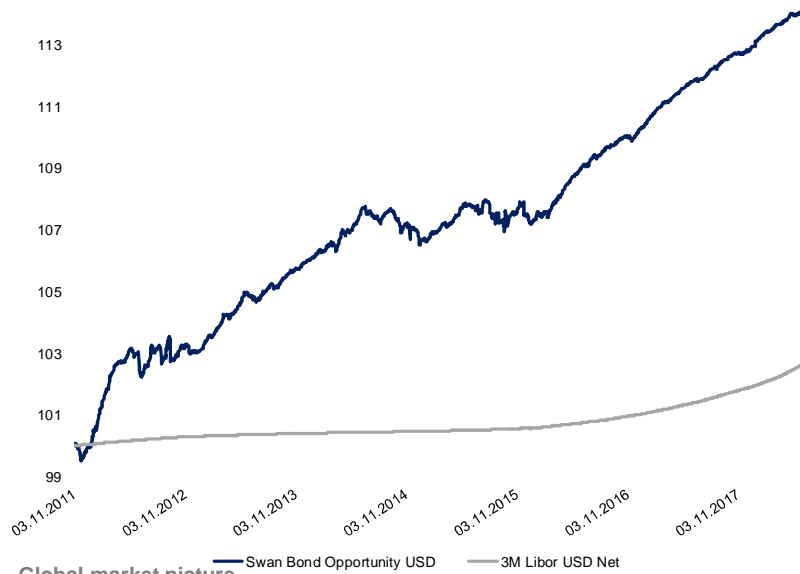
MTD :	-0.02%	Fund Assets (mln) :	165.0 €
Since inception	13.97%	1 Year Std Dev :	0.28%
Last 12 Months :	1.95%	1 Year Sharpe Ratio :	2.21
NAVps :	USD 113.97	% of positive months :	79%

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

Main topic of the month was the political tension in Italy, with investors worried about the possible appointment of Paolo Savona (well known for his anti Euro position) as Finance Minister: European credit markets experienced a negative performance (H9PC Index -0.98%), in tandem with a negative movement of the Eurostoxx 50 (-3.67%), while S&P500 realized a positive performance (+2.16%). Risk off environment had a significant influence on rates: yield on 10 years Bund pulled back to 0.34%, while Italian 10 years BTPs peaked at 3% (highest level since summer 2014), with the spread between the two sovereign at 241bps (+117bps during the month). After 3 months of negotiations the Five Star Movement and the League found an agreement on the composition of the new government (with the appointment of a more mainstream Minister of Finance), and tensions on periphery debt eased. The FED meeting did not signal substantial change in monetary policy, with FED funds future pricing in just two of the four hikes market expect in the next 12 months. On the political side, President Donald Trump launched new message to its "rivals": during May, the USA retired from the Iran nuclear deal and imposed new tariffs on aluminum and steel, while a more soft tone was used with North Korea, with the meeting with Kim Jong-un confirmed for the 12th of June in Singapore. Emerging markets credit performance was negative (EMHB index -1.56%), with spread to worst 68bps wider at 444bps: tensions due to FX weakness and fourth consecutive monthly negative return influenced investors' sentiment, only partially compensated by new Brent highs at 77USD per barrel.

Yield-type strategy

The bucket generated a gross positive contribution to the monthly performance, thanks to 71% of the positions (57 out of 80) contributing positively. Positive

Period	Perf.
MTD	-0.02%
YTD	0.78%
6 months	1.08%
1 year	1.95%
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	97
% Weight	101.95%
Int Dur	0.27
Yield (gross)	2.32%
Spread Duration	0.86
Z-spread	274

FX breakdown (fully hedged)

USD	44.58%
EUR	15.73%
NOK	21.04%
GBP	2.31%
SEK	6.29%
CHF	9.66%
AUD	0.40%
SGD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	6.69%
US	0.23%
Oth DEV	34.41%
LATAM	5.74%
EMEA	36.53%
ASIA	16.41%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	1.43%
BBB	28.87%
tot IG	30.30%
BB	19.79%
B	13.97%
CCC	0.23%
tot HY	34.00%
NR	35.71%
TOTAL	100.00%

Sector breakdown - Top 10

Services	27.30%
Banking	25.46%
Real Estate	20.59%
Energy	7.13%
Financial Services	5.70%
Sovereign	2.68%
Agency	2.48%
Transportation	2.19%
Basic Industry	1.72%
Supranational	1.36%

contributions were homogeneously distributed, while there were not significant negative contributions. The average life of the yield-type portfolio is very short (10 months or 0.86 of spread duration), combined with a yield of 2.32% and z-spread of 274 basis points.

Active Strategies

The bucket generated a negative 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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