

Swan High Yield – CHF May 2018



Strategy

The sub-fund aims to generate a significant excess return vs 3m Libor CHF 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

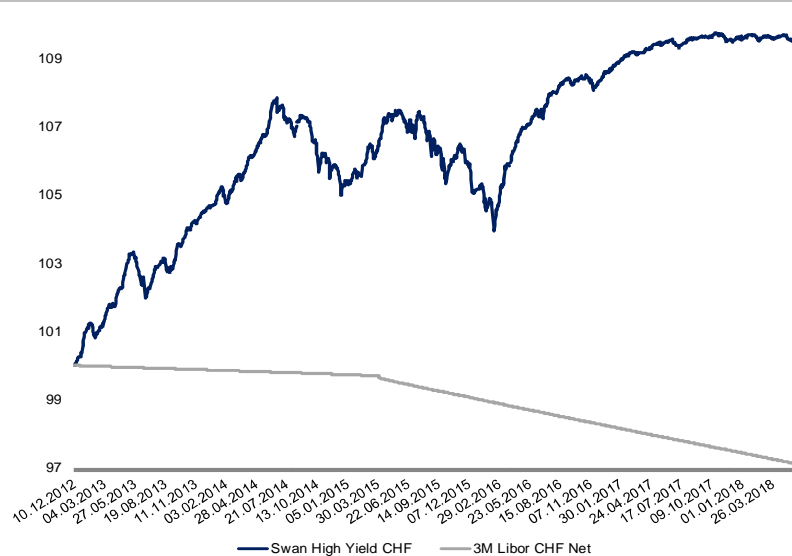
Conservative

Intermediate

High Reward

Performance

MTD :	-0.28%	Fund Assets (mln) :	107.7 €
Since inception	9.40%	1 Year Std Dev :	0.35%
Last 12 Months :	-0.06%	1 Year Sharpe Ratio :	1.91
NAVps :	CHF 109.40	% of positive months :	68%



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.

Active Portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 15.30%, flat relatively to the end of April (15.30%). Fund's actual exposure (beta and duration adjusted) is 10.13%, lower relatively to last month (11.53%). The mix between Strategic and Tactical positions is 18% Strategic and 82% Tactical. The fund has an estimated gross yield of 2.85%, a low spread duration of 0.99 and a z spread of 328.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, thanks to

Period	Perf.	Portfolio info	
MTD	-0.28%	# of Securities	88
YTD	-0.16%	% Weight	102.34%
6 months	-0.09%	Int Dur	0.70
1 year	-0.06%	Yield (gross)	2.85%
2017	0.86%	Spread Duration	0.99
2016	3.29%	Z-spread	328
2015	-0.13%		
2014	0.58%		
2013	4.30%		
2012	0.40%		

FX breakdown (fully hedged)

USD	47.84%
EUR	17.80%
NOK	22.21%
GBP	0.78%
SEK	7.62%
CHF	3.75%
AUD	0.00%
SGD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	7.04%
US	0.39%
Oth DEV	34.64%
LATAM	9.26%
EMEA	29.08%
ASIA	19.58%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	4.78%
tot IG	4.78%
BB	34.49%
B	19.31%
CCC	0.75%
tot HY	54.55%
NR	40.66%
TOTAL	100.00%

Sector breakdown - Top 10

Services	30.42%
Real Estate	24.30%
Banking	23.82%
Financial Services	5.39%
Energy	4.84%
Sovereign	3.36%
Leisure	1.73%
Capital Goods	1.57%
Telecommunications	0.88%
Basic Industry	0.81%

73% of the positions contributing positively. Positive contributions were homogeneously distributed, the only exception being AWRDNO 04/19, while significant negative contributions were generated by YPFDR 09/19 and VAKBN 04/19 due to pressure on Argentinean and Turkish corporates.

Strategic & Tactical buckets.

Tactical bucket generated a positive performance, notwithstanding negative performance of AABAR 03/20 and DLLTD 09/20. Geographical allocation in EM was slightly positive, but compensated by positive picking, especially in EUR HY.

Sicav Structure – Terms & Conditions

Domicile: Luxembourg

Inception Date: 11 December 2012

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: CBASACH LX

ISIN: class A: LU0860714285

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