

Swan Bond Opportunity – USD

June 2018



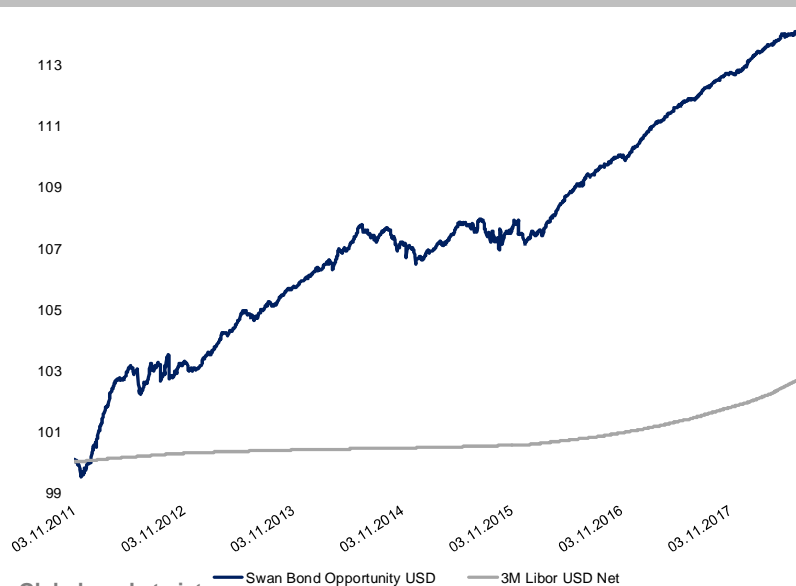
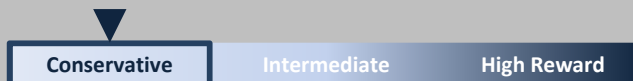
Strategy

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 :	0.18%	Fund Assets (mln) :	168.1 €
Since inception	14.17%	1 Year Std Dev :	0.30%
Last 12 Months :	2.07%	1 Year Sharpe Ratio :	2.19
NAVps :	USD 114.17	% of positive months :	79%

Risk Profile



Period	Perf.	Portfolio info	
MTD	0.18%	# of Securities	97
YTD	0.95%	% Weight	100.46%
6 months	0.95%	Int Dur	0.21
1 year	2.07%	Yield (gross)	2.48%
2017	2.43%	Spread Duration	0.80
2016	2.88%	Z-spread	306
2015	0.63%		
2014	0.53%		
2013	2.86%		
2012	2.86%		
2011	0.27%		

FX breakdown (fully hedged)	
USD	40.88%
EUR	18.52%
NOK	20.75%
GBP	2.29%
SEK	8.06%
CHF	9.10%
AUD	0.39%
SGD	0.00%
TOTAL	100.00%

Geographic breakdown	
EU	7.98%
US	0.23%
Oth DEV	33.02%
LATAM	5.68%
EMEA	36.69%
ASIA	16.39%
TOTAL	100.00%

Global market picture

European credit markets experienced a negative performance (H9PC Index - 0.45%), in tandem with a negative movement of the Eurostoxx 50 (-0.32%), while S&P500 realized a positive performance (+0.48%). Main themes of the period were central bank meetings and economic data. After hawkish comments by ECB's speakers at the beginning of the month hinting at a possible QE tapering, the actual statement made by Mario Draghi sounded very dovish: on one side he announced that purchases will be reduced to EUR 15bn per month in 4Q18 until the end of the year, but on the other side he emphasized also that rates will remain on hold at least until September 2019. This dovish stance influenced Interest Rates market, with 10 years Bund yield reaching new lows of the year at 0.30%. The FOMC rate hike (25bps) was expected by the market, but the FED was more hawkish in its dot projections, signaling two more rate hikes as base case for 2018. The FED monetary policy is supported by strong economic data, with 2Q18 growth forecasted at 4%, while recovery in Europe seems to soften. President Donald Trump aggressive rhetoric against China combined with raising US rates put pressure on EM FX: ARS, TRY, BRL and ZAR were the worst performer against USD during 1H18, while PBoC cut reserve requirements in an indirect attempt to weaken the CNY. Emerging markets credit performance was influenced negatively by this movements (EMHB index -3.68% during 1H18), with spread to worst 44bps wider at 488bps during the month. On the positive side oil reached new highs, with Brent approaching 80USD per barrel, after OPEC meeting and expectation that US allies will reduce Iranian oil purchases to zero.

Yield-type strategy

The bucket generated a gross positive contribution to the monthly performance, thanks to 80% of the positions (65 out of 81) contributing positively. Positive

Rating breakdown	
AAA	0.00%
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A	1.58%
BBB	27.75%
tot IG	29.33%
BB	21.92%
B	13.38%
CCC	0.23%
tot HY	35.54%
NR	35.13%
TOTAL	100.00%

Sector breakdown - Top 10	
Banking	27.51%
Services	26.20%
Real Estate	21.57%
Energy	6.97%
Financial Services	5.58%
Sovereign	2.66%
Agency	2.47%
Transportation	2.12%
Basic Industry	1.70%
Leisure	1.16%

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 0.80 of spread duration), combined with a yield of 2.48% and z-spread of 306 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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