

Swan Bond Opportunity – EUR July 2018



Strategy

The sub-fund aims to generate significant excess return vs 3m Euribor 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

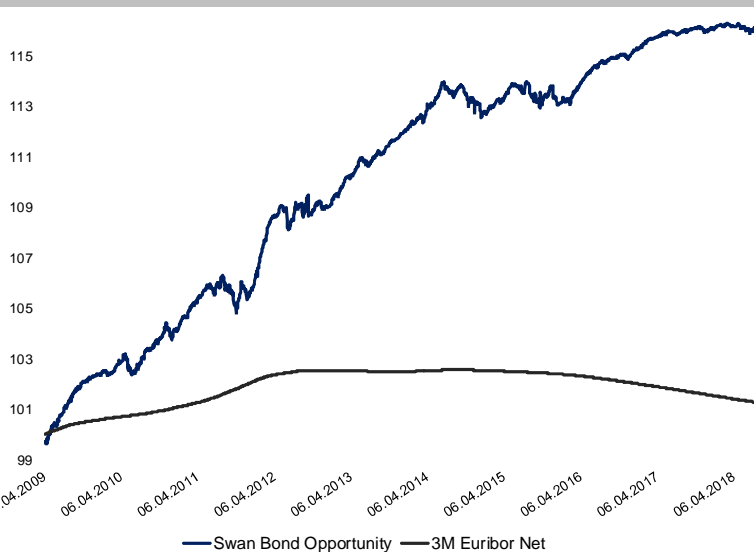
MTD :	0.28%	Fund Assets (mIn) :	166.2 €
Since inception	16.32%	1 Year Std Dev :	0.33%
Last 12 Months :	0.31%	1 Year Sharpe Ratio :	1.93
NAVps :	EUR 116.32	positive months %:	76%

Risk Profile

Conservative

Intermediate

High Reward



— Swan Bond Opportunity — 3M Euribor Net

Global market picture

During July European credit markets experienced a positive performance (H9PC Index 1.55%), in tandem with a positive movement of the Eurostoxx 50 and S&P500 that gained respectively 3.83% and 3.60%. Central banks were really uneventful this month: ECB meeting did not signal changes to the tapering path (expected in 4Q18, with first rate hike at end summer 2019) while FED minutes confirmed the monetary policy expressed in previous meetings (market prices an 82% probability of 2 more hikes in 2018). Interest Rates market was more influenced by positive macro data: US expansion is pointing to become one of the longest in post war history, while in Europe economic data signaled stabilization in growth trajectory. 10 years Bund yield rebounded from 0.30% to 0.44%, while 10 years Treasury approached the 3% area (2.96%). July was also the month when the first round of US trade sanctions against China started (on \$35bn of goods), even if market was more worried about the possibility of an increase to \$200bn of goods threatened by President Trump. Emerging markets credit performance was positive (EMHB index +1.96% during July) after five consecutive months of negative results, notwithstanding a significant correction in oil price (Brent -6.53% @ 74.25 USD per barrel) and no signs of an agreement between US and China on trade war.

Yield-type strategy

The bucket generated a gross positive contribution to the monthly performance, thanks to 95% of the positions (79 out of 83) contributing positively. Positive contributions were homogeneously distributed, the only exception being PKSTAN 04/19 that rebounded after general election in the country, 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 2.44% and z-spread of 282 basis points.

Period	Perf.
MTD	0.28%
YTD	0.21%
6 months	0.08%
1 year	0.31%
2017	0.75%
2016	1.86%
2015	0.35%
2014	0.54%
2013	2.77%
2012	2.84%
2011	1.85%
2010	1.73%
2009	2.38%

FX breakdown (fully hedged)

USD	44.26%
EUR	20.52%
NOK	18.40%
GBP	0.00%
SEK	7.42%
CHF	9.02%
AUD	0.39%
SGD	0.00%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	2.48%
BBB	27.25%
tot IG	29.73%
BB	21.43%
B	14.68%
CCC	0.23%
tot HY	36.34%
NR	33.93%
TOTAL	100.00%

Active Strategies

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

Portfolio info	
# of Securities	100
% Weight	102.83%
Int Dur	0.23
Yield (gross)	2.44%
Spread Duration	0.82
Z-spread	282

Geographic breakdown

EU	6.29%
US	0.23%
Oth DEV	30.95%
LATAM	5.06%
EMEA	39.51%
ASIA	17.95%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	29.41%
Services	23.92%
Real Estate	22.32%
Energy	6.91%
Financial Services	3.62%
Sovereign	2.66%
Agency	2.46%
Transportation	2.10%
Basic Industry	1.68%
Leisure	1.17%

Sicav Structure – Terms & Conditions

Domicile: Luxembourg

Inception Date: 1 April 2009

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: CBSWBOA LX, class C: CBSWBOC LX

ISIN: class A: LU0417109773, class C: LU0417110193

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