

Swan High Yield – USD July 2018



Strategy

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

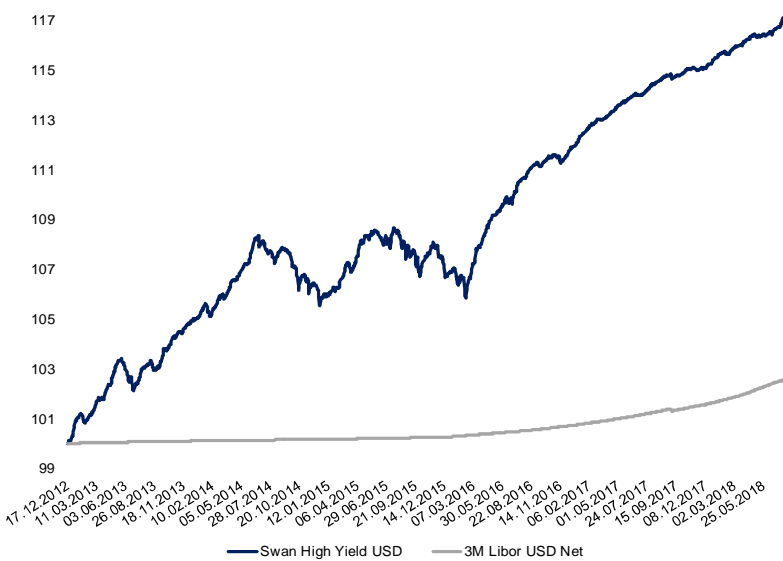
| | | | |
|------------------|---------------|------------------------|---------|
| MTD : | 0.51% | Fund Assets (mln) : | 106.9 € |
| Since inception | 17.24% | 1 Year Std Dev : | 0.36% |
| Last 12 Months : | 2.55% | 1 Year Sharpe Ratio : | 2.91 |
| NAVps : | USD 117.24 | % of positive months : | 76% |

Risk Profile

Conservative

Intermediate

High Reward



| Period | Perf. | Portfolio info | |
|----------|--------------|-----------------|---------|
| MTD | 0.51% | # of Securities | 93 |
| YTD | 1.60% | % Weight | 106.02% |
| 6 months | 1.33% | Int Dur | 0.73 |
| 1 year | 2.55% | Yield (gross) | 3.33% |
| 2017 | 2.96% | Spread Duration | 1.02 |
| 2016 | 4.84% | Z-spread | 366 |
| 2015 | 0.93% | | |
| 2014 | 0.81% | | |
| 2013 | 4.75% | | |
| 2012 | 0.31% | | |

FX breakdown (fully hedged)

| | |
|--------------|----------------|
| USD | 49.07% |
| EUR | 21.22% |
| NOK | 17.61% |
| GBP | 0.73% |
| SEK | 7.79% |
| CHF | 3.59% |
| AUD | 0.00% |
| SGD | 0.00% |
| TOTAL | 100.00% |

Geographic breakdown

| | |
|--------------|----------------|
| EU | 8.77% |
| US | 0.38% |
| Oth DEV | 29.04% |
| LATAM | 8.02% |
| EMEA | 30.46% |
| ASIA | 23.33% |
| TOTAL | 100.00% |

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.

Active Portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 15.30%, flat relatively to the end of June (15.30%). Fund's actual exposure (beta and duration adjusted) is 13.1%, higher relatively to last month (9.06%). The mix between Strategic and Tactical positions is 25% Strategic and 75% Tactical. The fund has an estimated gross yield of 3.33%, a low spread duration of 1.02 and a z spread of 366.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, thanks to 95% of the positions (57 out of 60) contributing positively. Positive contributions were homogeneously distributed, the only exceptions being PKSTAN 04/19 and ZENITH 04/19 thanks to a rebound in EM credit, while there were not significant negative contributions. The average life of the YT portfolio at the end of July is very short (8 months or 0.69 of

Rating breakdown

| | |
|---------------|----------------|
| AAA | 0.00% |
| AA | 0.00% |
| A | 0.00% |
| BBB | 2.71% |
| tot IG | 2.71% |
| BB | 36.61% |
| B | 23.42% |
| CCC | 0.72% |
| tot HY | 60.75% |
| NR | 36.54% |
| TOTAL | 100.00% |

Sector breakdown - Top 10

| | |
|--------------------|--------|
| Services | 25.65% |
| Banking | 27.25% |
| Real Estate | 25.94% |
| Financial Services | 5.55% |
| Energy | 4.63% |
| Sovereign | 2.15% |
| Leisure | 1.70% |
| Capital Goods | 1.54% |
| Telecommunications | 1.56% |
| Basic Industry | 0.78% |

spread duration), with a combination of yield close to 2.88% and z-spread of 325.

Strategic & Tactical buckets.

Tactical and Strategic bucket generated positive performances during the month with homogeneous contribution, the only exception being COGARD 03/20. Geographical allocation in EM was slightly positive, while picking was neutral on EM and negative in EUR HY.

Sicav Structure – Terms & Conditions

Domicile: Luxembourg

Inception Date: 18 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: CBASAUH LX

ISIN: class A: LU0860713980

Contacts at Swan Asset Management SA:

E-mail: info@swan-am.ch - Tel: +41 91 986 31 90