

Swan Bond Opportunity – EUR

December 2018



Strategy

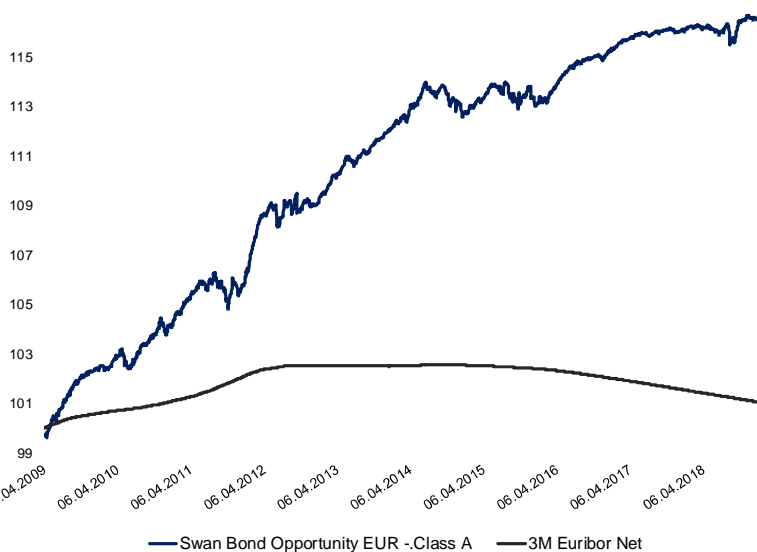
The sub-fund aims to generate excess return vs 3m Euribor in combination with extremely low volatility. The strategy combines the “buy and hold” investment in a highly diversified and granular portfolio of liquid short-term fixed income securities with the opportunistic and residual allocation of the promised average spread over risk free rate to a number of interest rate and FX active strategies.

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

December was another volatile month: European credit markets were negative (H9PC Index -0.72%), likewise equity markets with Eurostoxx 50 and S&P 500 losing respectively 5.41% and 9.18%. The FED meeting on 19th of December was the main catalyst of the month. Markets approached the event already in a sell-off mode and Jerome Powell's speech did not send a “reassuring” message: FED funds rate hike to 2.375% was accompanied by a reduction in dots that now forecast only two hikes for 2019, but investors hoped for a more dovish action. Markets are now pricing a FED on hold for 2019, but economic uncertainty remains a drag for risky assets: CESI Indexes (that measures economic data surprises relative to market expectations) are all in negative territory and downward trend while also ISM and PMI surveys suggest that the economy is slowing. Global growth is expected at around 3% for the first half of 2019, but this outlook looks increasingly challenging and rates movement in December was in line with this skeptical outlook: yield on 10 Years German Bund went under further pressure (-7bps at 0.24%) in tandem with yield on 10 years Treasury down to 2.68% (-30bps in December). The only positive events during the month were the agreement between the EU and the Italian government regarding the fiscal deficit (fixed at 2.04%), that should save Italy from an infringement procedure, and a more constructive in tone in the dialogue between US and China on trade war dispute. Emerging markets reported a positive performance (+0.70%) with Asia being the best performer during the month, partially recovering 2018 underperformance. EM resilience was mainly due to lower US rates and possible truce between US and China.

Yield-type strategy

The bucket generated a gross positive contribution to the monthly performance, with 79% of the positions (66 out of 84) contributing positively. Positive contributions were homogeneously distributed, while there were not significant negative contributions. The average life of the yield-type portfolio is very short (9 months or 0.75 of spread duration), combined with a yield of 2.70% and z-spread of 303 basis points.

Performance

MTD :	-0.03%	Fund Assets (mIn) :	176.7 €
Since inception	16.53%	1 Year Std Dev :	0.57%
Last 12 Months :	0.39%	1 Year Sharpe Ratio :	1.59
NAVps :	EUR 116.53	positive months %:	75%

IMPORTANT NOTIFICATION:

Starting from January 2019 the fund will be renamed the **Swan Ultra Short-Term Bond** to better define its strategy. Fund investment philosophy and strategy will not change.

Period	Class C*	Class A	Portfolio info	
MTD	-0.01%	-0.03%	# of Securities	93
YTD	0.58%	0.39%	% Weight	97.65%
6 months	0.55%	0.47%	Int Dur	0.14
1 year	0.58%	0.39%	Yield (gross)	2.70%
2017	0.92%	0.75%	Spread Duration	0.73
2016	2.05%	1.86%	Z-spread	303
2015	0.58%	0.35%		
2014	0.63%	0.54%		
2013	3.00%	2.77%		
2012	3.05%	2.84%		
2011	2.07%	1.85%		
2010	1.90%	1.73%		
2009	2.63%	2.38%		

*Class A adjusted for management fee difference used for periods before Class C inception.

FX breakdown (fully hedged)

USD	36.48%
EUR	26.64%
NOK	21.38%
GBP	0.00%
SEK	8.47%
CHF	6.53%
AUD	0.51%
SGD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	13.62%
US	0.23%
Oth DEV	36.02%
LATAM	7.10%
EMEA	32.40%
ASIA	10.63%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	3.53%
BBB	14.64%
tot IG	18.17%
BB	27.86%
B	16.51%
CCC	0.00%
tot HY	44.37%
NR	37.46%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	35.81%
Services	24.52%
Real Estate	17.16%
Energy	4.73%
Financial Services	4.25%
Transportation	3.04%
Basic Industry	2.82%
Leisure	1.87%
Sovereign	1.79%
Telecommunications	1.54%

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: 1 April 2009

Minimum Investment: 1 share

Liquidity / Reporting: Daily

Fees: Class C 0.75% / Class A 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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