

Swan Ultra Short-Term Bond – USD

October 2019



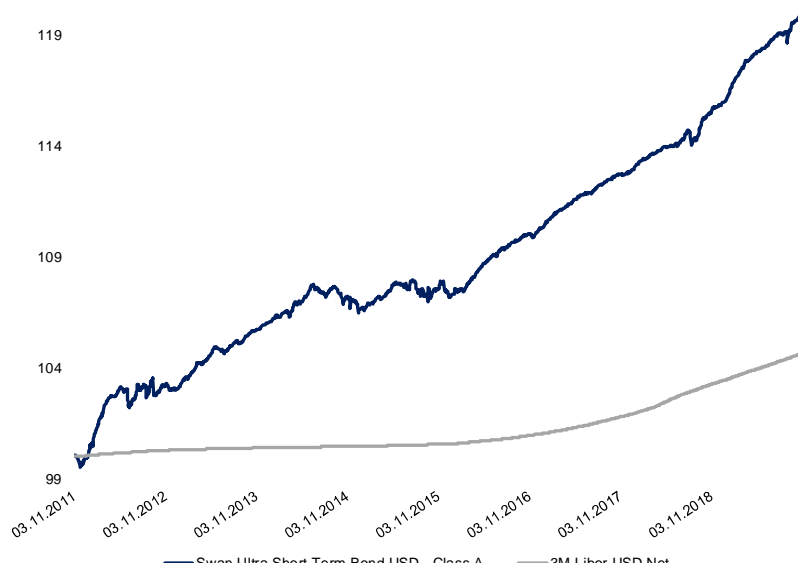
Strategy

The sub-fund aims to generate 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 and residual allocation of the promised average spread over risk free rate to a number of interest rate and FX active strategies.

Performance

| | | | |
|------------------|---------------|------------------------|---------|
| MTD : | 0.33% | Fund Assets (mln) : | 298.0 € |
| Since inception | 19.96% | 1 Year Std Dev : | 0.63% |
| Last 12 Months : | 3.85% | 1 Year Sharpe Ratio : | 2.58 |
| NAVps : | USD 119.96 | % of positive months : | 81% |

Risk Profile



| Period | Class C* | Class A | Portfolio info |
|----------|----------|---------|-----------------|
| MTD | 0.43% | 0.33% | # of Securities |
| YTD | 3.26% | 3.32% | 136 |
| 6 months | 1.54% | 1.51% | % Weight |
| 1 year | 3.83% | 3.85% | 87.02% |
| 2018 | 2.91% | 2.66% | Int Dur |
| 2017 | 2.68% | 2.43% | 0.28 |
| 2016 | 3.13% | 2.88% | Yield (gross) |
| 2015 | 0.88% | 0.63% | 1.67% |
| 2014 | 0.78% | 0.53% | Spread Duration |
| 2013 | 3.11% | 2.86% | 0.67 |
| 2012 | 3.11% | 2.86% | Z-spread |
| 2011 | 0.52% | 0.27% | 220 |

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

FX breakdown (fully hedged)

| | |
|--------------|----------------|
| USD | 49.03% |
| EUR | 24.50% |
| NOK | 17.96% |
| SEK | 4.56% |
| CHF | 1.93% |
| GBP | 1.68% |
| AUD | 0.34% |
| TOTAL | 100.00% |

Geographic breakdown

| | |
|--------------|----------------|
| EU | 15.01% |
| US | 0.00% |
| Oth DEV | 30.08% |
| LATAM | 6.24% |
| EMEA | 22.77% |
| ASIA | 25.90% |
| TOTAL | 100.00% |

Rating breakdown

| | |
|---------------|----------------|
| AAA | 0.00% |
| AA | 0.00% |
| A | 2.48% |
| BBB | 13.96% |
| tot IG | 16.44% |
| BB | 31.83% |
| B | 16.76% |
| CCC | 0.72% |
| tot HY | 49.30% |
| NR | 34.25% |
| TOTAL | 100.00% |

Sector breakdown - Top 10

| | |
|--------------------|--------|
| Real Estate | 24.60% |
| Banking | 20.87% |
| Services | 18.46% |
| Energy | 7.73% |
| Sovereign | 5.34% |
| Capital Goods | 4.90% |
| Financial Services | 4.67% |
| Transportation | 2.93% |
| Telecommunications | 2.00% |
| Media | 1.93% |

Global market picture

October was a mixed month for financial markets: European credit markets were negative (H9PC Index -0.15%), while equity markets were positive both in Europe (Eurostoxx 50 +0.98%) and in US (S&P 500 +2.04%). The month started with a weak set of data from US (US Manufacturing ISM at lowest level since 2009) while weak flash PMI in Europe were adjusted lower in their final release. Central banks' accommodative policy continued in October with the FED cutting rates by 25bps, but future rate path is uncertain with markets pricing only a 27% probability of a rate cut at the December meeting. After eight years as ECB Chairman, Mario Draghi stepped down, with Christine Lagarde named as successor: during his last after-meeting conference Draghi confirmed the need for an accommodative fiscal policy that could support current monetary policy, while guidance was not significantly changed. Notwithstanding the continuous dovish statement and movement from central bank around the world, German 10 years Bund closed the month at -0.41% (+16bps during the month) while 10 Years Treasury was substantially unchanged at 1.69% (+3bps during the month). On the political side, the main news was the slow and partial progress in the US-China negotiations on a possible deal, and the continuation of the impeachment process against Donald Trump, while in Europe Brexit deadline was postponed to 31st of January with general elections called for 12th of December. Emerging markets reported a positive performance (+1.66%) with LATAM being the best performer during the month; general election in Argentina confirmed Fernandez victory with investors now focusing on possible restructuring proposals, while pressure mounted in Lebanon after Hariri resignation. Oil prices was flat during the month at USD60 per barrel.

Yield-type strategy

The bucket generated a gross positive contribution to the monthly performance, with 86% of the positions (91 out of 106) 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 0.76 of spread duration), combined with a gross yield of 1.67% (in EUR) and z-spread of 220 basis points.

Active Strategies

The bucket generated a positive 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: 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: CBSBAUH LX, class C: CBSBCUH LX

ISIN: class A: LU0698400198, class C: LU0698400354

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