

Swan High Yield – USD January 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

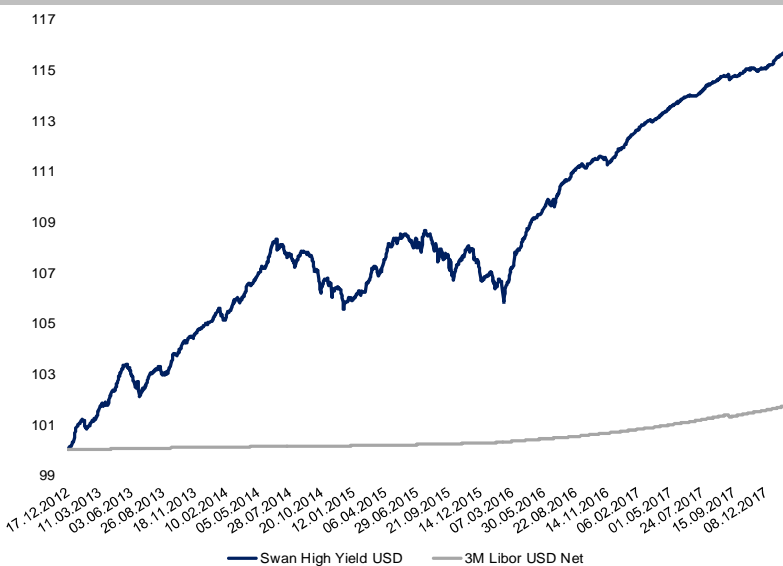
MTD :	0.27%	Fund Assets (mln) :	111.9 €
Since inception	15.70%	1 Year Std Dev :	0.30%
Last 12 Months :	2.74%	1 Year Sharpe Ratio :	5.7
NAVps :	USD 115.70	% of positive months :	76%

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

During January, European credit markets experienced a positive performance (H9PC Index +0.35%) in tandem with a positive movement of the Eurostoxx 50 (+3.01%), while S&P500 reached new historical highs at 2'823 (+5.62% during the month). The main theme of the month was the impressive movement in risk free rates: 10 years Bund rose 27bps to 0.7%, while 10 years Treasury rose 30bps to 2.71%; also the short term part of the rates curve experienced a significant upward movement with yield of US 2Y near decade highs at 2.14%. In Europe the movement was fueled by an hawkish interpretation of the December minutes, even if Mario Draghi, during the January meeting, completely excluded the possibility of a rate hike in 2018 (base case for first movement remains 2Q/3Q of 2019). On the FED side, January meeting signed the end of Yellen's presidency: it was relatively uneventful, but the forward guidance reinforced the case for multiple hikes. Market is actually pricing just two full hikes and 70% of a possible a third hike, while consensus calls between three and four hikes, so the risk that the FED derails markets with a more aggressive policy path remains a concern. Other potential concerns could arise in the coming months from political tensions: in US, President Trump reached with difficulty an agreement to interrupt the Government Shutdown, while at the beginning of March elections will take place in Italy. Emerging markets credit performance was positive (EMHB index +0.60%), thanks in particular to the general weakness of USD.

Active Portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 15.30%, flat relatively to the end of December (15.30%). Fund's actual exposure (beta and duration adjusted) is 9.34%, lower relatively to last month (9.91%). The mix between Strategic and Tactical positions is 29% Strategic and 71% Tactical. The fund has an estimated gross yield of 1.87%, a low spread duration of 0.94 and a z spread of 225.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, thanks to 96% of the positions (70 out of 73) contributing positively. Positive contributions were homogeneously distributed, while there were not significant negative contributions. The

Period	Perf.
MTD	0.27%
YTD	0.27%
6 months	1.20%
1 year	2.74%
2017	2.96%
2016	4.84%
2015	0.93%
2014	0.81%
2013	4.75%
2012	0.31%

Portfolio info

# of Securities	99
% Weight	100.55%
Int Dur	0.67
Yield (gross)	1.87%
Spread Duration	0.94
Z-spread	225

FX breakdown (fully hedged)

USD	59.66%
EUR	8.65%
NOK	19.28%
GBP	0.77%
SEK	8.48%
CHF	3.15%
AUD	0.00%
SGD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	5.14%
US	0.36%
Oth DEV	27.36%
LATAM	8.69%
EMEA	37.27%
ASIA	21.17%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	1.14%
BBB	11.46%
tot IG	12.60%
BB	27.56%
B	24.50%
CCC	0.80%
tot HY	52.85%
NR	34.55%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	31.68%
Real Estate	26.88%
Services	23.23%
Foreign Sovereign	4.36%
Energy	3.43%
Agency	2.00%
Financial Services	1.77%
Healthcare	1.54%
Leisure	1.42%
Telecommunications	0.92%

average life of the YT portfolio at the end of January is very short (8 months or 0.70 of spread duration), with a combination of yield close to 1.67% and z-spread of 209.

Strategic & Tactical buckets.

Tactical and Strategic bucket generated a positive performance during the month (no significant contributions), with a slightly negative geographical allocation in EM and a globally positive picking (positive both in EM and 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

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