Swan Bond Opportunity – EUR
February 2018

SWAN ASSET MANAGEMENT SA

Strategy

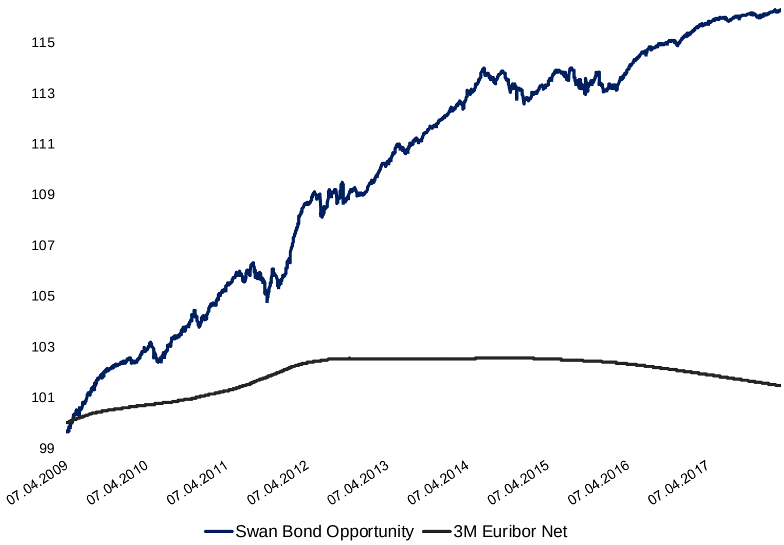
The sub-fund aims to generate significant excess return vs 3m Euribor in combination with extremely low volatility. The strategy combines the "buy and hold" investment in a highly diversified and granular portfolio of liquid short-term fixed income securities with the opportunistic allocation of the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

Performance

MTD :	0.03%	Fund Assets (mln) :	178.7 €
Since inception	16.27%	1 Year Std Dev :	0.28%
Last 12 Months :	0.51%	1 Year Sharpe Ratio :	3.04
NAVps :	EUR 116.27	positive months %:	78%

Risk Profile

Conservative | Intermediate | High Reward



Period	Perf.
MTD	0.03%
YTD	0.16%
6 months	0.22%
1 year	0.51%
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%

Portfolio info	
# of Securities	103
% Weight	94.14%
Int Dur	0.18
Yield (gross)	1.32%
Spread Duration	0.68
Z-spread	185

FX breakdown (fully hedged)	
USD	53.63%
EUR	8.72%
NOK	16.90%
GBP	5.55%
SEK	5.93%
CHF	6.78%
AUD	2.49%
SGD	0.00%
TOTAL	100.00%

Geographic breakdown	
EU	8.78%
US	0.22%
Oth DEV	25.29%
LATAM	5.35%
EMEA	44.87%
ASIA	15.49%
TOTAL	100.00%

Rating breakdown		
AAA		0.00%
AA		0.00%
A		1.46%
BBB		35.28%
	tot IG	36.75%
BB		19.58%
B		16.91%
CCC		0.22%
	tot HY	36.71%
NR		26.55%
TOTAL		100.00%

Sector breakdown - Top 10	
Banking	31.93%
Services	21.30%
Real Estate	19.67%
Energy	12.88%
Financial Services	4.50%
Supranational	2.72%
Foreign Sovereign	2.36%
Agency	1.89%
Basic Industry	1.15%
Healthcare	0.73%

Global market picture

During February, European credit markets experienced a negative performance (H9PC Index -0.67%), in tandem with a negative movement of the Eurostoxx 50 (-4.72%); also S&P500 interrupted its positive momentum lasting for ten straight months (-3.89% in February). The main theme of the month was the impressive surge in volatility experienced on the 2nd of February: an higher than expected print in average hourly Earnings YoY (2.9% vs 2.6%) brought inflation risk back to the attention, and investors got scared that the never ending rally in equity markets could terminate. Both S&P500 and Eurostoxx 50 lost 10% from their late January highs, yield on 10 Year Treasury soared to 2.95% and VIX index peaked at 37 (highest level since August 2015); some products linked to volatility, which took short exposure to VIX, have been closed due to losses that exceeded prospectus' limits, even if the VIX closed the month at 16. The 10 year Treasury yield closed the month at 2.86% (+16bps), while the 10 year Bund moved down by 4bps to 0.66% due to fly to quality movement and economic data a little bit weaker than expected. On central banks' side, February was a muted month, with no meetings: the most relevant event was Powell's slightly hawkish testimony to the congress, that strengthened the case for 2018 median dots to move from three to four hikes in March. Emerging markets credit performance was negative (EMHB index -0.88%), influenced by the spike in Treasury yields, while spread to worst was just 22bps wider at 344bps.

Yield-type strategy

The bucket generated a gross positive contribution to the monthly performance, thanks to 92% of the positions (79 out of 86) 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 0.72 of spread duration), combined with a yield of 1.32% and z-spread of 185 basis points.

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: 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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