

Swan Bond Opportunity – USD

February 2018



Strategy

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

Performance

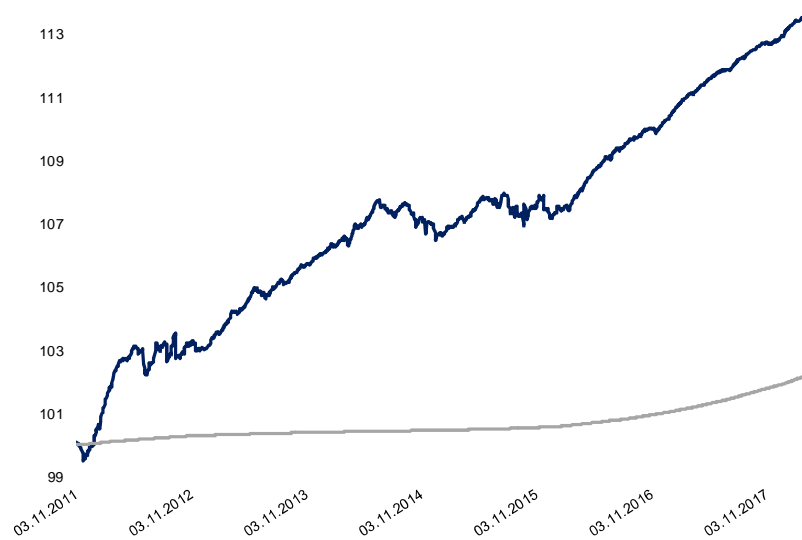
MTD :	0.17%	Fund Assets (mln) :	178.7 €
Since inception	13.58%	1 Year Std Dev :	0.27%
Last 12 Months :	2.22%	1 Year Sharpe Ratio :	4.22
NAVps :	USD 113.58	% of positive months :	79%

Risk Profile

Conservative

Intermediate

High Reward



Global market picture Swan Bond Opportunity USD — 3M Libor USD Net

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

Period	Perf.
MTD	0.17%
YTD	0.43%
6 months	1.09%
1 year	2.22%
2017	2.43%
2016	2.88%
2015	0.63%
2014	0.53%
2013	2.86%
2012	2.86%
2011	0.27%

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%

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: 3 November 2011

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: CBSBAUH LX, class C: CBSBCUH LX

ISIN: class A: LU0698400198, class C: LU0698400354

Contacts at Swan Asset Management SA:

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