

Swan Bond Opportunity – EUR

March 2018



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

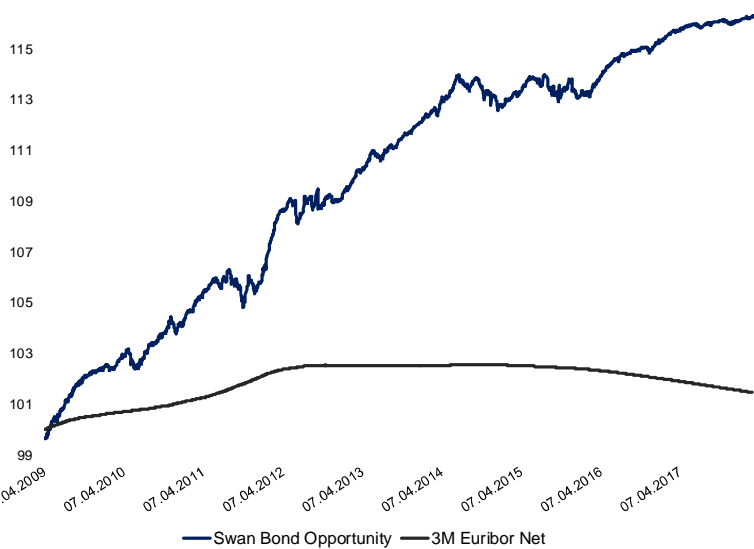
MTD :	-0.08%	Fund Assets (mIn) :	179.6 €
Since inception	16.18%	1 Year Std Dev :	0.28%
Last 12 Months :	0.41%	1 Year Sharpe Ratio :	2.63
NAVps :	EUR 116.18	positive months %:	77%

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

During March, European credit markets experienced a negative performance (H9PC Index -0.19%), in tandem with a negative movement of the Eurostoxx 50 (-2.25%); also S&P500 realized negative performance (-2.69%), continuing the correction started in February. The main theme of the month was the surge in rhetoric about new trading sanctions imposed by the US that culminated in additional duties on \$50bio imports from China. China retaliatory action was not significant (sanctions on \$3bio of US products using 2017 trade data), and President Xi is willing to negotiate, although wide gaps between the two sides suggest trade tensions will impact markets in the next weeks. Additional worries on global growth were signaled by a sharp fall in PMI indexes from January highs: consequently growth expectation in Eurozone was revised down to 2.4% in 2018, while in US it is forecasted at 2.7%. A possible sluggish growth influenced the 10 years Bund yield that moved down by 16bps to 0.50%, and also the 10 years Treasury yield retraced at 2.74% from its recent highs of 2.93%. On central banks' side, March was a busy month with meetings at both FED and ECB level, but with no significant surprises: the FOMC hiked Fed Funds by 25bps to 1.5%-1.75% and steepened the policy rate path, with dots now signaling 3 hikes for 2018, 3 for 2019 and 2 for 2020. On the opposite Mario Draghi sounded dovish in his post meeting conference, indicating how ECB next moves will be data dependent: QE taper could probably start in Q4 2018, while first rate hike will likely be postponed to 2Q19 from 1Q19. Emerging markets credit performance was negative (EMHB index -0.22%), influenced by concerns on trade wars, while spread to worst was just 9bps wider at 353bps.

Yield-type strategy

The bucket generated a gross positive contribution to the monthly performance,

Period	Perf.
MTD	-0.08%
YTD	0.09%
6 months	0.09%
1 year	0.41%
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%

FX breakdown (fully hedged)

USD	49.98%
EUR	12.40%
NOK	16.81%
GBP	5.35%
SEK	5.38%
CHF	7.37%
AUD	2.70%
SGD	0.00%
TOTAL	100.00%

Portfolio info

# of Securities	104
% Weight	97.06%
Int Dur	0.21
Yield (gross)	1.53%
Spread Duration	0.70
Z-spread	189

Geographic breakdown

EU	9.21%
US	0.21%
Oth DEV	26.46%
LATAM	4.78%
EMEA	45.01%
ASIA	14.34%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	1.06%
BBB	35.94%
tot IG	37.00%
BB	19.10%
B	17.02%
CCC	0.21%
tot HY	36.33%
NR	26.67%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	30.63%
Services	21.66%
Real Estate	20.86%
Energy	12.37%
Financial Services	5.08%
Supranational	2.68%
Foreign Sovereign	1.89%
Agency	1.81%
Basic Industry	1.04%
Healthcare	0.68%

thanks to 87% of the positions (77 out of 89) 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 (8 months or 0.70 of spread duration), combined with a yield of 1.53% and z-spread of 189 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

Contacts at Swan Asset Management SA:

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