

Swan Bond Opportunity – CHF

March 2018



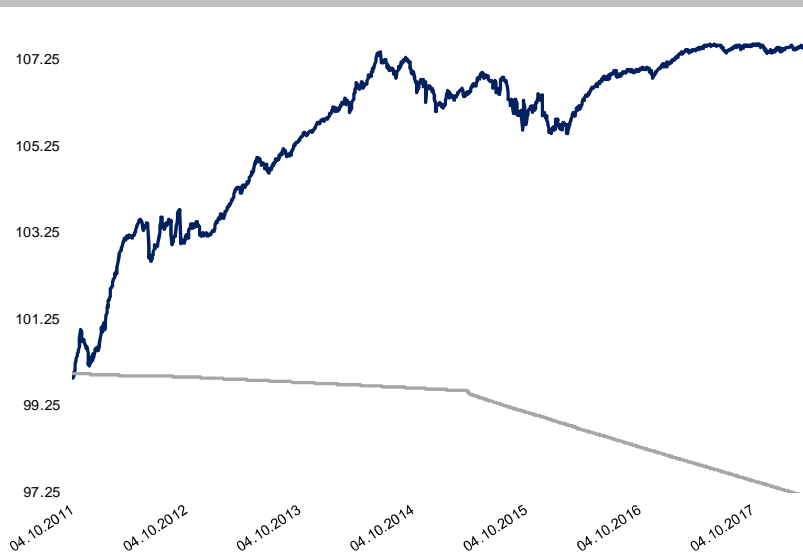
Strategy

The sub-fund aims to generate significant excess return vs 3m Libor CHF 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 : | -0.12% | Fund Assets (mln) : | 179.6 € |
| Since inception | 7.42% | 1 Year Std Dev : | 0.31% |
| Last 12 Months : | -0.03% | 1 Year Sharpe Ratio : | 2.28 |
| NAVps : | CHF 107.42 | % of positive months : | 71% |

Risk Profile



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

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. | Portfolio info | |
|----------|---------------|-----------------|--------|
| MTD | -0.12% | # of Securities | 104 |
| YTD | -0.02% | % Weight | 97.06% |
| 6 months | -0.14% | Int Dur | 0.21 |
| 1 year | -0.03% | Yield (gross) | 1.53% |
| 2017 | 0.29% | Spread Duration | 0.70 |
| 2016 | 1.43% | Z-spread | 189 |
| 2015 | -0.53% | | |
| 2014 | 0.27% | | |
| 2013 | 2.54% | | |
| 2012 | 2.42% | | |
| 2011 | 0.83% | | |

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% |

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: 4 October 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: CBSWBAC LX, class C: CBSWBCC LX

ISIN: class A: LU0681571880, class C: LU0681572268

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