

Swan High Yield – EUR March 2018



Strategy

The sub-fund aims to generate a significant excess return vs 3m Euribor 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

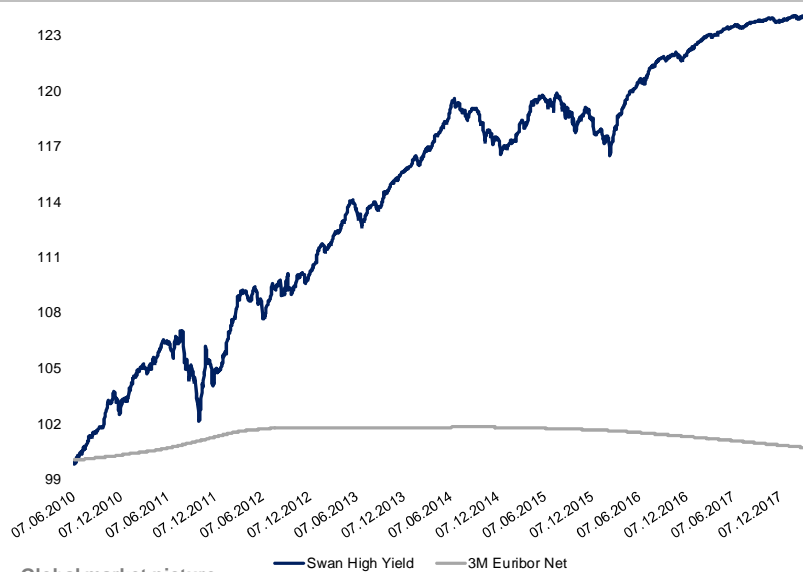
MTD :	0.00%	Fund Assets (mln) :	107.3 €
Since inception	24.01%	1 Year Std Dev :	0.33%
Last 12 Months :	0.82%	1 Year Sharpe Ratio :	3.55
NAVps :	EUR 124.01	% of positive months :	71%

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.

Active Portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 15.30%, flat relatively to the end of February (15.30%). Fund's actual exposure (beta and duration adjusted) is 9.42%, lower relatively to last month (11.84%). The mix between Strategic and Tactical positions is 22% Strategic and 78% Tactical. The fund has an estimated gross yield of 2.15%, a low spread duration of 0.97 and a z spread of 246.

Period	Perf.
MTD	0.00%
YTD	0.15%
6 months	0.19%
1 year	0.82%
2017	1.28%
2016	3.82%
2015	0.74%
2014	0.90%
2013	4.66%
2012	5.19%
2011	1.83%
2010	3.35%

Portfolio info

# of Securities	93
% Weight	96.79%
Int Dur	0.67
Yield (gross)	2.15%
Spread Duration	0.97
Z-spread	246

FX breakdown (fully hedged)

USD	50.22%
EUR	12.10%
NOK	23.71%
GBP	0.83%
SEK	8.62%
SGD	0.00%
AUD	0.00%
CHF	4.52%
TOTAL	100.00%

Geographic breakdown

EU	5.01%
US	0.39%
Oth DEV	34.44%
LATAM	9.54%
EMEA	28.96%
ASIA	21.66%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	1.25%
BBB	5.15%
tot IG	6.40%
BB	25.14%
B	26.53%
CCC	0.80%
tot HY	52.47%
NR	41.13%
TOTAL	100.00%

Sector breakdown - Top 10

Services	30.41%
Real Estate	29.33%
Banking	18.49%
Financial Services	5.14%
Energy	4.65%
Foreign Sovereign	3.72%
Agency	2.17%
Leisure	1.46%
Healthcare	1.21%
Basic Industry	0.91%

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance. The average life of the YT portfolio at the end of March is very short (9 months or 0.77 of spread duration), with a combination of yield close to 1.92% and z-spread of 226.

Strategic & Tactical buckets.

Tactical bucket generated a positive performance during the month, while the Strategic bucket a negative one. Geographical allocation in EM was neutral, while negative picking in EM was more than compensated by a positive one in EUR HY.

Sicav Structure – Terms & Conditions

Domicile: Luxembourg

Inception Date: 7 June 2010

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: CBASHYA LX, class C: CBASHYC LX

ISIN: class A: LU0511796509, class C: LU0511796764

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