

Swan High Yield – EUR July 2018



Strategy

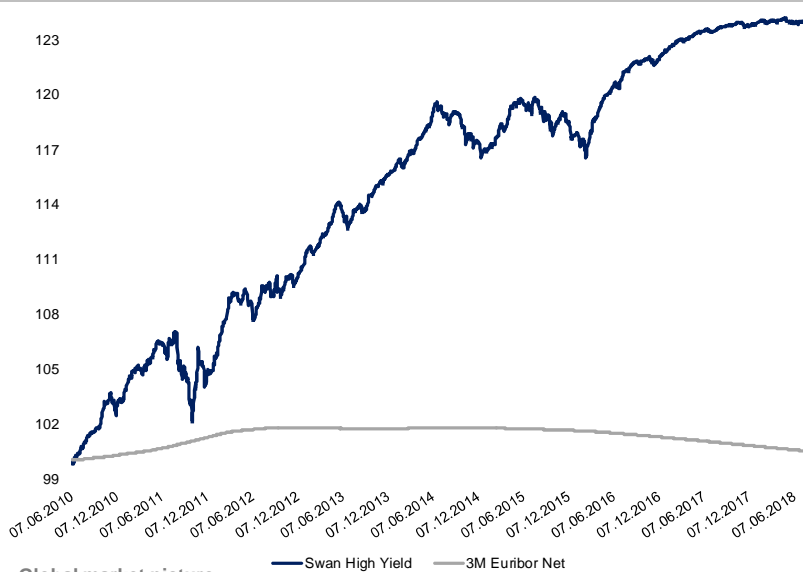
The sub-fund aims to generate a significant excess return vs 3m Euribor in combination with below-average market volatility. Depending on market conditions, the strategy combines in variable proportions the “buy and hold” investment in a highly diversified and granular portfolio of liquid short-term fixed income securities with the “strategic” and/or “tactical” investment in HY or EM securities denominated in hard currency.

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

During July European credit markets experienced a positive performance (H9PC Index 1.55%), in tandem with a positive movement of the Eurostoxx 50 and S&P500 that gained respectively 3.83% and 3.60%. Central banks were really uneventful this month: ECB meeting did not signal changes to the tapering path (expected in 4Q18, with first rate hike at end summer 2019) while FED minutes confirmed the monetary policy expressed in previous meetings (market prices an 82% probability of 2 more hikes in 2018). Interest Rates market was more influenced by positive macro data: US expansion is pointing to become one of the longest in post war history, while in Europe economic data signaled stabilization in growth trajectory. 10 years Bund yield rebounded from 0.30% to 0.44%, while 10 years Treasury approached the 3% area (2.96%). July was also the month when the first round of US trade sanctions against China started (on \$35bn of goods), even if market was more worried about the possibility of an increase to \$200bn of goods threatened by President Trump. Emerging markets credit performance was positive (EMHB index +1.96% during July) after five consecutive months of negative results, notwithstanding a significant correction in oil price (Brent -6.53% @ 74.25 USD per barrel) and no signs of an agreement between US and China on trade war.

Active Portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 15.30%, flat relatively to the end of June (15.30%). Fund's actual exposure (beta and duration adjusted) is 13.1%, higher relatively to last month (9.06%). The mix between Strategic and Tactical positions is 25% Strategic and 75% Tactical. The fund has an estimated gross yield of 3.33%, a low spread duration of 1.02 and a z spread of 366.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, thanks to 95% of the positions (57 out of 60) contributing positively. Positive contributions were homogeneously distributed, the only exceptions being PKSTAN 04/19 and ZENITH 04/19 thanks to a rebound in EM credit, while there were not significant negative contributions. The average life of the YT portfolio at the end of July is very short (8 months or 0.69 of

Performance

MTD :	0.34%	Fund Assets (mln) :	106.9 €
Since inception	24.34%	1 Year Std Dev :	0.37%
Last 12 Months :	0.61%	1 Year Sharpe Ratio :	2.52
NAVps :	EUR 124.34	% of positive months :	71%

Period	Perf.
MTD	0.34%
YTD	0.42%
6 months	0.28%
1 year	0.61%
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	106.02%
Int Dur	0.73
Yield (gross)	3.33%
Spread Duration	1.02
Z-spread	366

FX breakdown (fully hedged)

USD	49.07%
EUR	21.22%
NOK	17.61%
GBP	0.73%
SEK	7.79%
SGD	0.00%
AUD	0.00%
CHF	3.59%
TOTAL	100.00%

Geographic breakdown

EU	8.77%
US	0.38%
Oth DEV	29.04%
LATAM	8.02%
EMEA	30.46%
ASIA	23.33%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	2.71%
tot IG	2.71%
BB	36.61%
B	23.42%
CCC	0.72%
tot HY	60.75%
NR	36.54%
TOTAL	100.00%

Sector breakdown - Top 10

Services	25.65%
Banking	27.25%
Real Estate	25.94%
Financial Services	5.55%
Energy	4.63%
Sovereign	2.15%
Leisure	1.70%
Capital Goods	1.54%
Telecommunications	1.56%
Basic Industry	0.78%

spread duration), with a combination of yield close to 2.88% and z-spread of 325.

Strategic & Tactical buckets.

Tactical and Strategic bucket generated positive performances during the month with homogeneous contribution, the only exception being COGARD 03/20. Geographical allocation in EM was slightly positive, while picking was neutral on EM and negative 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

Contacts at Swan Asset Management SA:

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