

Swan Bond Opportunity – EUR August 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

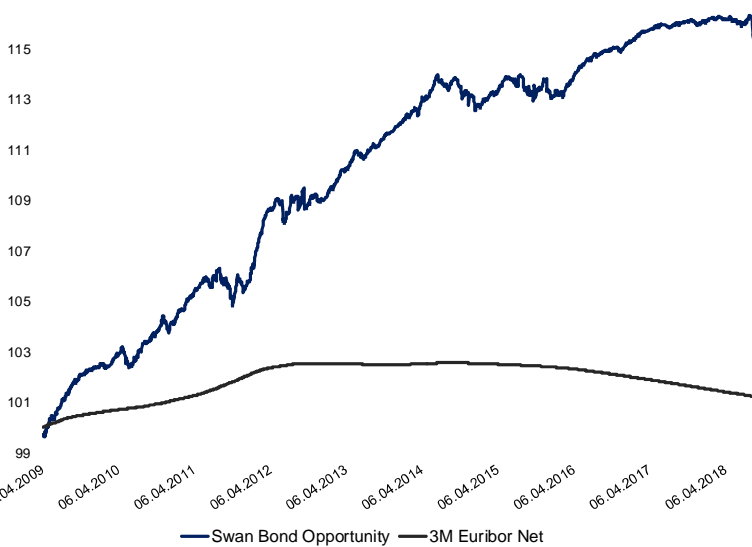
MTD :	-0.67%	Fund Assets (mIn) :	164.0 €
Since inception	15.54%	1 Year Std Dev :	0.54%
Last 12 Months :	-0.41%	1 Year Sharpe Ratio :	-0.14
NAVps :	EUR 115.54	positive months %:	75%

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

August was a very volatile month for markets. European credit markets were flat (H9PC Index 0%), while equity markets experienced a divergent performance with Eurostoxx 50 losing -3.8% while S&P 500 gaining +3%. The FOMC released July/August minutes with no major surprises, indicating more risks on the horizon (Trade, Emerging Markets, Fiscal and Housing) and continuing to be set on hiking rates gradually (other two hikes this year, and probably two more next year). 10 years Bund yield compressed to 0.33% from 0.44% on general fly to quality movement, due to risks arising in Emerging Markets and uncertainty over Italian budget, while 10 years Treasury yield was lower at 2.86% (from 2.96%) with US curve experiencing a flattening to 23 bps. Emerging markets were on the spotlight, due to many uncertainties arising from different countries, with Turkey and Argentina suffering the most, for different reasons: Turkey's dispute over Pastor Brunson with the US and its reaction with sanctions on two ministers and tariffs on Turkish steel and aluminium, let the Turkish lira weakening almost 30% since the beginning of the year, arising uncertainties over inflation and the actual response and independence of its central bank to calm markets; while Argentina requested an early disbursement of the agreed IMF 50bn plan, scaring market of possible needs that were not priced in, and intervening with a hike of interest rates to a record level of 60%, to stem the currency depreciation. On the back of this, ongoing talks with China on trade, US sanctions to Russia on chemical use and a brand new deal with Mexico replacing NAFTA were other relevant topic of the month. As said, Emerging markets credit performance was negative again (EMHB Index -2.56%) after July positive relief..

Yield-type strategy

The bucket generated a gross negative contribution to the monthly performance, with 73% of the positions (58 out of 80) contributing positively. Positive contributions were homogeneously distributed, while negative contributions were concentrated mostly on Turkish banks (senior) exposure that more than offset the positive contribution from the rest of the portfolio. The average life of the yield-type portfolio is very short (7 months or 0.58 of spread duration), combined with a yield of 3.07% and z-spread of 339 basis points.

Period	Perf.	Portfolio info	
MTD	-0.67%	# of Securities	98
YTD	-0.47%	% Weight	98.01%
6 months	-0.63%	Int Dur	0.16
1 year	-0.41%	Yield (gross)	3.60%
2017	0.75%	Spread Duration	0.73
2016	1.86%	Z-spread	399
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	46.85%
EUR	17.25%
NOK	18.13%
GBP	0.00%
SEK	7.55%
CHF	9.83%
AUD	0.40%
SGD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	6.64%
US	0.24%
Oth DEV	31.25%
LATAM	3.53%
EMEA	39.13%
ASIA	19.21%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	3.15%
BBB	24.68%
tot IG	27.84%
BB	17.71%
B	19.87%
CCC	0.24%
tot HY	37.82%
NR	34.34%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	27.99%
Services	24.01%
Real Estate	23.57%
Energy	7.47%
Financial Services	3.84%
Basic Industry	2.84%
Sovereign	2.82%
Transportation	2.28%
Leisure	1.20%
Capital Goods	1.15%

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

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