

Swan High Yield – EUR August 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

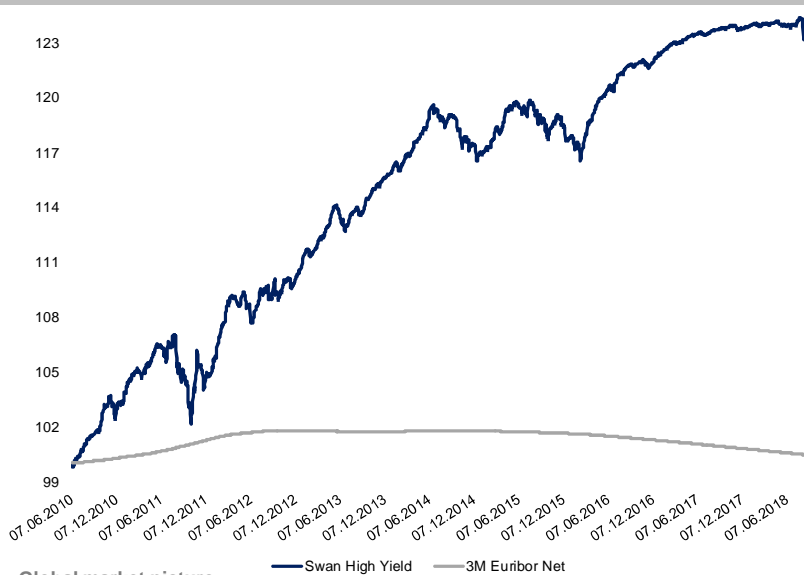
MTD :	-0.83%	Fund Assets (mln) :	102.4 €
Since inception	23.31%	1 Year Std Dev :	0.74%
Last 12 Months :	-0.32%	1 Year Sharpe Ratio :	0.02
NAVps :	EUR 123.31	% of positive months :	71%

Risk Profile

Conservative

Intermediate

High Reward



Period	Perf.
MTD	-0.83%
YTD	-0.41%
6 months	-0.56%
1 year	-0.32%
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	91
% Weight	104.56%
Int Dur	0.71
Yield (gross)	4.95%
Spread Duration	1.00
Z-spread	531

FX breakdown (fully hedged)

USD	50.47%
EUR	23.64%
NOK	13.62%
GBP	0.77%
SEK	7.67%
SGD	0.00%
AUD	0.00%
CHF	3.83%
TOTAL	100.00%

Geographic breakdown

EU	6.50%
US	0.41%
Oth DEV	27.96%
LATAM	5.24%
EMEA	34.61%
ASIA	25.29%
TOTAL	100.00%

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.

Active Portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 15.30%, flat relatively to the end of July (15.30%). Fund's actual exposure (beta and duration adjusted) is 15.29%, higher relatively to last month (13.1%). The mix between Strategic and Tactical positions is 20% Strategic and 80% Tactical. The fund has an estimated gross yield of 4.95%, a low spread duration of 1.00 and a z spread of 531.

Yield-type bucket

The bucket generated a negative gross contribution to the monthly performance, with 72% of the positions (41 out of 57) contributing positively. Positive contributions were homogeneously distributed, while negative contributions were concentrated mostly on

Rating breakdown

AAA	0.00%
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A	0.00%
BBB	2.86%
tot IG	2.86%
BB	34.08%
B	29.14%
CCC	0.79%
tot HY	64.01%
NR	33.14%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	27.69%
Real Estate	26.87%
Services	22.14%
Financial Services	5.86%
Energy	4.91%
Sovereign	2.28%
Capital Goods	2.10%
Basic Industry	2.02%
Leisure	1.75%
Telecommunications	1.65%

Turkish banks (senior) exposure that more than offset the positive contribution from the rest of the portfolio. The average life of the YT portfolio at the end of August is very short (8 months or 0.63 of spread duration), with a combination of yield close to 3.85% and z-spread of 415

Strategic & Tactical buckets.

Tactical bucket generated a slightly negative performance while the Strategic one was positive. with homogeneous contributions. 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

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