

Swan Bond Opportunity – EUR

November 2018



Strategy

The sub-fund aims to generate 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 and residual allocation of the promised average spread over risk free rate to a number of interest rate and FX active strategies.

Performance

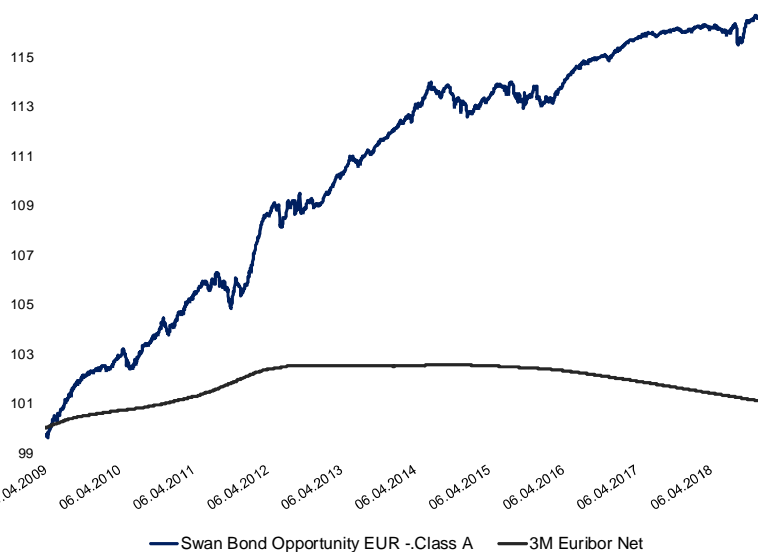
MTD :	0.03%	Fund Assets (mIn) :	176.8 €
Since inception	16.56%	1 Year Std Dev :	0.57%
Last 12 Months :	0.52%	1 Year Sharpe Ratio :	1.81
NAVps :	EUR 116.56	positive months %:	76%

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

November was another volatile month: European credit markets were negative (H9PC Index -2.08%), while equity markets delivered mixed performance with Eurostoxx 50 losing 0.76% and S&P 500 gaining 1.79%. Jerome Powell's speech sent a dovish message: comments on FED Funds neutral rates were changed from a “long way from neutral” to just below neutral. This change raised questions on how many rate hikes are forecasted for 2019, with markets now pricing only two and a half hikes until December 2019, far from the four hikes implied in the dots. Economic data showed that US exceptionalism could have reached its peak, with the latest data pointing to a growth of around 2.5% in Q4 and 2% in first half of 2019. More FED speakers indicated that next rates moves will be data dependent, adding uncertainty on an already complicated macro environment and pushing yield on 10 years Treasury down to 3%. Weakness in recent data continued in the Euro area, providing challenges for the first rate hike in 2H19: yield on 10 Years German Bund went under further pressure (-8bps at 0.31%) and reduced tensions between Italy and EU commission (Italian government seems more interested in reaching a compromise) were not sufficient to avoid a sell off movement on all European markets (both credit and equity). Emerging markets reported a negative performance (-0.32%) with homogenous contribution between regions. December will likely start with a positive tone, after the positive talks between Trump and Xi at G20 meeting, even if details were not provided, keeping uncertainties on how trade war will evolve in the future.

Yield-type strategy

The bucket generated a gross positive contribution to the monthly performance, with 80% of the positions (65 out of 81) contributing positively. Positive contributions were homogeneously distributed, the only exception being EVERRE 03/20, while there were not significant negative contributions. The average life of the yield-type portfolio is very short (9 months or 0.75 of spread duration), combined with a yield of 2.13% and z-spread of 253 basis points.

Period	Class C*	Class A	Portfolio info	
MTD	0.05%	0.03%	# of Securities	90
YTD	0.59%	0.41%	% Weight	88.61%
6 months	0.56%	0.47%	Int Dur	0.14
1 year	0.71%	0.52%	Yield (gross)	2.13%
2017	0.92%	0.75%	Spread Duration	0.66
2016	2.05%	1.86%	Z-spread	253
2015	0.58%	0.35%		
2014	0.63%	0.54%		
2013	3.00%	2.77%		
2012	3.05%	2.84%		
2011	2.07%	1.85%		
2010	1.90%	1.73%		
2009	2.63%	2.38%		

*Class A adjusted for management fee difference used for periods before Class C inception.

FX breakdown (fully hedged)

USD	39.17%
EUR	26.58%
NOK	18.61%
GBP	0.00%
SEK	8.11%
CHF	6.95%
AUD	0.58%
SGD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	13.38%
US	0.26%
Oth DEV	36.84%
LATAM	3.68%
EMEA	35.27%
ASIA	10.57%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	3.34%
BBB	14.68%
tot IG	18.02%
BB	26.47%
B	17.77%
CCC	0.00%
tot HY	44.24%
NR	37.74%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	35.99%
Services	24.79%
Real Estate	16.57%
Energy	4.81%
Financial Services	4.13%
Basic Industry	3.10%
Transportation	2.36%
Leisure	2.02%
Telecommunications	1.73%
Sovereign	1.51%

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: Class C 0.75% / Class A 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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