

Swan Bond Enhanced Sicav–SIF CHF

October 2017



Strategy

The sub-fund aims to generate significant excess return vs 3m Libor CHF in combination with extremely low volatility. The strategy is focused on the “buy and hold” levered investment in a highly diversified and granular portfolio of liquid short-term fixed income securities. Leverage is normally included between 100% and 200% of the NAV with invested capital between 2x and 3x the NAV.

Performance

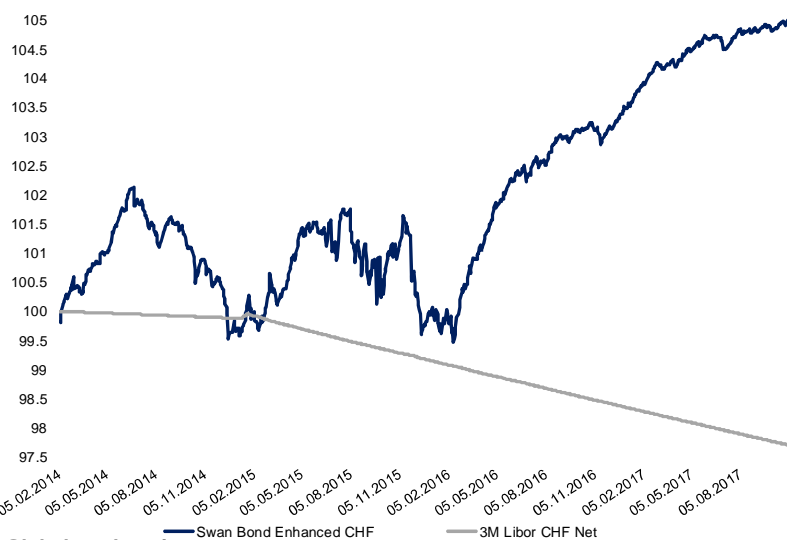
MTD :	0.10%	Fund Assets (mIn) :	93.0 €
Since inception	5.00%	1 Year Std Dev :	0.52%
Last 12 Months :	1.70%	1 Year Sharpe Ratio :	4.7
NAVps :	CHF 105.00	% of positive months :	71%

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

During October, European credit markets experienced a positive performance (H9PC Index +1.07%) in tandem with a positive movement of the Eurostoxx 50 (+2.20%), while S&P500 reached new historical highs at 2'575 (+2.22% during the month). The ECB meeting was one of the main topic of the month: Mario Draghi reiterated the ECB accommodative stance announcing a reduction in monthly purchases to €30bn from January to September 2018, with no sudden stop of the program thereafter. In US president Trump and his staff started discussions on next FED chairman: Yellen or Powell appointment would represent continuity, while Taylor or Warsh a more hawkish solution (final decision will be announced before the Presidential Asian trip). From a macro point of view, US economic data continued to confirm a solid path of growth, with Q3 GDP ahead of expectations at 3%, and the reporting season was strong globally with US, Europe and Japan posting EPS growth of 7%, 8% and 10% respectively. EM credit markets generated positive returns this month (EMHB Index +0.73%), helped also by Xi Jinping reappointment as General Secretary of the CPC after the party congress.

Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, thanks to 95% of the positions (102 out of 107) contributing positively. Positive contributions were homogeneously distributed, while there were not significant negative contributions. The average life of the yield-type portfolio is very short (9 months or average spread duration of 0.75), combined with a yield of 2.37% (net of funding cost) and z-spread of 339 basis points. The fund is levered, being invested at about 189% currently.

Period	Perf.
MTD	0.10%
YTD	1.45%
6 months	0.47%
1 year	1.70%
2016	3.57%
2015	0.27%
2014	-0.34%

Portfolio info

# of Securities	124
% Weight	188.76%
Int Dur	1.00
Yield (gross)	2.37%
Spread Duration	1.41
Z-spread	339

FX breakdown (fully hedged)

USD	54.08%
EUR	13.75%
NOK	16.82%
GBP	3.97%
SEK	6.43%
SGD	0.00%
CHF	4.23%
AUD	0.72%
TOTAL	100.00%

Geographic breakdown

EU	6.67%
US	0.41%
Oth DEV	24.82%
LATAM	11.21%
EMEA	42.47%
ASIA	14.42%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.99%
BBB	23.85%
tot IG	24.83%
BB	31.36%
B	15.68%
CCC	1.18%
tot HY	48.23%
NR	26.94%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	31.39%
Services	18.63%
Real Estate	15.54%
Energy	7.50%
Basic Industry	6.39%
Foreign Sovereign	5.72%
Financial Services	3.50%
Supranational	2.05%
Consumer Goods	1.62%
Utility	1.54%

Fund Structure – Terms & Conditions

Domicile: Luxembourg

Inception Date: 5 February 2014

Minimum Investment: EUR 125k Initial Investment

Liquidity / Reporting: Daily

Fees: 1.5% Management Fee

20% Performance Fee (high water mark)

Investment Manager: Swan Asset Management SA

Sub-Custodian Bank & Prime Broker: BNP Paribas, London Branch

Administrator & Custodian Bank: Banque Privée Edmond de Rothschild

Auditor: PWC

Bloomberg: SWBENAF LX

ISIN: LU1019165965

Contacts at Swan Asset Management SA:

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

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