

Swan Bond Enhanced Sicav–SIF CHF

December 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

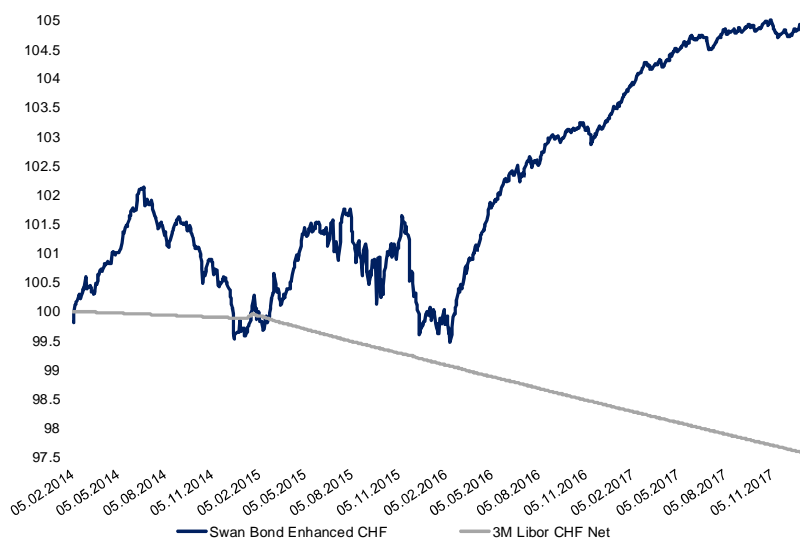
MTD :	0.07%	Fund Assets (mIn) :	116.7 €
Since inception	4.88%	1 Year Std Dev :	0.49%
Last 12 Months :	1.33%	1 Year Sharpe Ratio :	4.22
NAVps :	CHF 104.88	% of positive months :	70%

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

During December, European credit markets experienced a slightly negative performance (H9PC Index -0.04%) in tandem with a negative movement of the Eurostoxx 50 (-1.85%), while S&P500 reached new historical highs at 2'674 (+0.98% during the month). Central banks meetings were once again one of the main events during the period: the ECB did not surprise the market, being on autopilot until mid-2018 with monetary policy, but revised its growth outlook higher for both 2018 and 2019 while remained cautious on inflation. On the other side the FED continued on its policy normalization, raising FED funds target range by 25bps to 1.25%/1.5%; the dots were little changed, still signaling three hikes for 2018, while markets consider a lower movement to rates. Tax Reform in US was the other main topic of the month: on Wednesday 20th of December the House of Representatives passed the most important tax overhaul since the 1980's (1.5tn USD tax cut in 10 years), a very important topic of Trump's agenda. Rates reaction was quite muted, with 10 years Treasury flat during the month around 2.41%, while 10 years Bund was 6bps higher to 0.43%. Emerging markets credit performance was slightly positive (EMHB index +0.28%); Brent Crude price reached its highest level since April 2015 (around 67USD per barrel).

Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, thanks to 87% of the positions (91 out of 105) 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 (8 months or average spread duration of 0.70), combined with a yield of 2.22% (net of funding cost) and z-spread of 327 basis points. The fund is levered, being invested at about 176% currently.

Period	Perf.
MTD	0.07%
YTD	1.33%
6 months	0.22%
1 year	1.33%
2016	3.57%
2015	0.27%
2014	-0.34%

Portfolio info	
# of Securities	115
% Weight	176.12%
Int Dur	0.88
Yield (gross)	2.22%
Spread Duration	1.24
Z-spread	327

FX breakdown (fully hedged)

USD	53.14%
EUR	16.33%
NOK	16.61%
GBP	3.41%
SEK	5.40%
SGD	0.00%
CHF	4.09%
AUD	1.01%
TOTAL	100.00%

Geographic breakdown

EU	6.57%
US	0.47%
Oth DEV	23.28%
LATAM	10.66%
EMEA	44.56%
ASIA	14.47%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	1.78%
BBB	26.33%
	tot IG 28.11%
BB	29.21%
B	17.09%
CCC	0.86%
	tot HY 47.17%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	33.44%
Services	18.57%
Real Estate	15.76%
Energy	7.37%
Basic Industry	6.87%
Foreign Sovereign	5.19%
Financial Services	2.94%
Supranational	2.12%
Consumer Goods	1.69%
Transportation	1.67%

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

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