

Swan Bond Enhanced Sicav–SIF EUR

January 2018



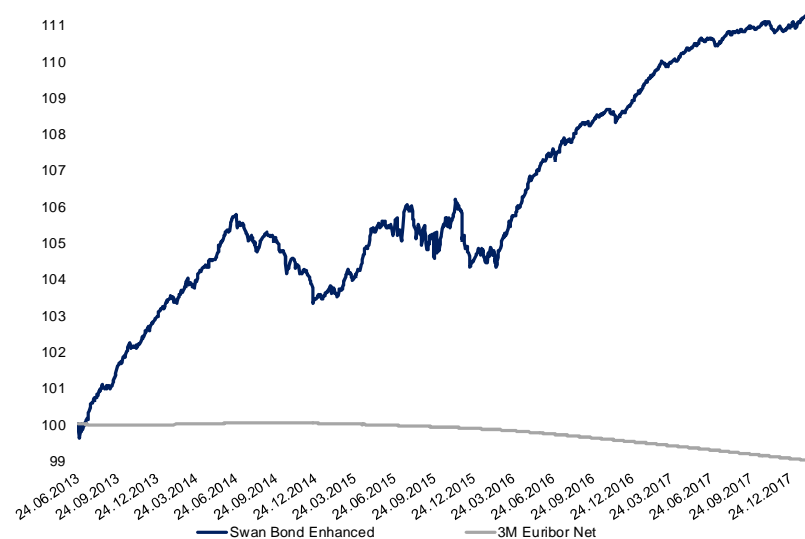
Strategy

The sub-fund aims to generate significant excess return vs 3m Euribor 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 :	0.21%	Fund Assets (mln) :	112.6 €
Since inception	11.27%	1 Year Std Dev :	0.47%
Last 12 Months :	1.61%	1 Year Sharpe Ratio :	4.14
NAVps :	EUR 111.27	% of positive months :	75%

Risk Profile



Global market picture

During January, European credit markets experienced a positive performance (H9PC Index +0.35%) in tandem with a positive movement of the Eurostoxx 50 (+3.01%), while S&P500 reached new historical highs at 2'823 (+5.62% during the month). The main theme of the month was the impressive movement in risk free rates: 10 years Bund rose 27bps to 0.7%, while 10 years Treasury rose 30bps to 2.71%; also the short term part of the rates curve experienced a significant upward movement with yield of US 2Y near decade highs at 2.14%. In Europe the movement was fueled by an hawkish interpretation of the December minutes, even if Mario Draghi, during the January meeting, completely excluded the possibility of a rate hike in 2018 (base case for first movement remains 2Q/3Q of 2019). On the FED side, January meeting signed the end of Yellen's presidency: it was relatively uneventful, but the forward guidance reinforced the case for multiple hikes. Market is actually pricing just two full hikes and 70% of a possible a third hike, while consensus calls between three and four hikes, so the risk that the FED derails markets with a more aggressive policy path remains a concern. Other potential concerns could arise in the coming months from political tensions: in US, President Trump reached with difficulty an agreement to interrupt the Government Shutdown, while at the beginning of March elections will take place in Italy. Emerging markets credit performance was positive (EMHB index +0.60%), thanks in particular to the general weakness of USD.

Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, thanks to 98% of the positions (107 out of 109) 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 0.71), combined with a yield of 2.36% (net of funding cost) and z-spread of 337 basis points. The fund is levered, being invested at about 191% currently.

Period	Perf.	Portfolio info	
MTD	0.21%	# of Securities	124
YTD	0.21%	% Weight	190.84%
6 months	0.42%	Int Dur	0.94
1 year	1.61%	Yield (gross)	2.36%
2017	1.83%	Spread Duration	1.36
2016	4.13%	Z-spread	337
2015	1.16%		
2014	0.37%		
2013	3.14%		

FX breakdown (fully hedged)

USD	52.14%
EUR	16.54%
NOK	17.11%
GBP	2.86%
SEK	5.21%
SGD	0.00%
CHF	5.03%
AUD	1.12%
TOTAL	100.00%

Geographic breakdown

EU	5.89%
US	0.43%
Oth DEV	23.40%
LATAM	10.35%
EMEA	42.65%
ASIA	17.28%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	1.72%
BBB	24.29%
tot IG	26.02%
BB	30.12%
B	18.13%
CCC	0.33%
tot HY	48.59%
NR	25.39%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	31.47%
Services	19.69%
Real Estate	17.97%
Energy	7.91%
Basic Industry	6.30%
Foreign Sovereign	5.18%
Financial Services	3.29%
Supranational	1.95%
Transportation	1.61%
Agency	1.22%

Fund Structure – Terms & Conditions

Domicile: Luxembourg
 Inception Date: 24 June 2013
 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: SWBDENA LX
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