

Swan Bond Enhanced Sicav–SIF USD

August 2018



Strategy

The sub-fund aims to generate significant excess return vs 3m Libor 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

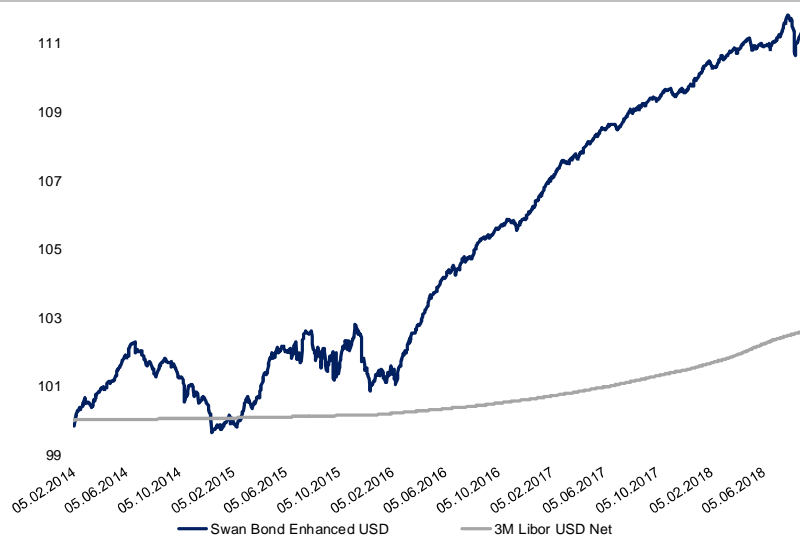
MTD :	-0.55%	Fund Assets (mln) :	86.4 €
Since inception	11.14%	1 Year Std Dev :	0.89%
Last 12 Months :	1.76%	1 Year Sharpe Ratio :	0.21
NAVps :	USD 111.14	% of positive months :	76%

Risk Profile

Conservative

Intermediate

High Reward



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.

Yield-type strategy

The bucket generated a negative gross contribution to the monthly performance, with 72% of the positions (65 out of 90) contributing positively. Positive contributions were homogeneously distributed, while negative contributions were concentrated mostly on Turkish banks (senior) exposure that more than offset the positive contribution from the rest of the portfolio. The average life of the yield-type portfolio is very short (8 months or average spread duration of 0.69), combined with a yield of 6.47% (net of funding cost) and z-spread of 747 basis points. The fund is levered, being invested at about 192% currently

Period	Perf.
MTD	-0.55%
YTD	1.12%
6 months	0.47%
1 year	1.76%
2017	3.32%
2016	4.99%
2015	1.53%
2014	-0.21%

Portfolio info	
# of Securities	108
% Weight	192.20%
Int Dur	0.85
Yield (gross)	6.47%
Spread Duration	1.30
Z-spread	747

FX breakdown (fully hedged)

USD	45.49%
EUR	19.94%
NOK	18.47%
GBP	0.10%
SEK	10.30%
SGD	0.00%
CHF	5.43%
AUD	0.27%
TOTAL	100.00%

Geographic breakdown

EU	8.81%
US	0.46%
Oth DEV	32.85%
LATAM	7.91%
EMEA	31.36%
ASIA	18.61%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	1.44%
BBB	14.27%
tot IG	15.71%
BB	22.95%
B	24.65%
CCC	0.46%
tot HY	48.07%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	29.05%
Services	25.68%
Real Estate	23.69%
Financial Services	3.75%
Energy	3.44%
Basic Industry	2.18%
Foreign Sovereign	1.86%
Supranational	1.75%
Leisure	1.50%
Transportation	1.36%

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: SWBENAU LX

ISIN: LU1019165882

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