

Swan Bond Enhanced Sicav–SIF EUR

November 2018



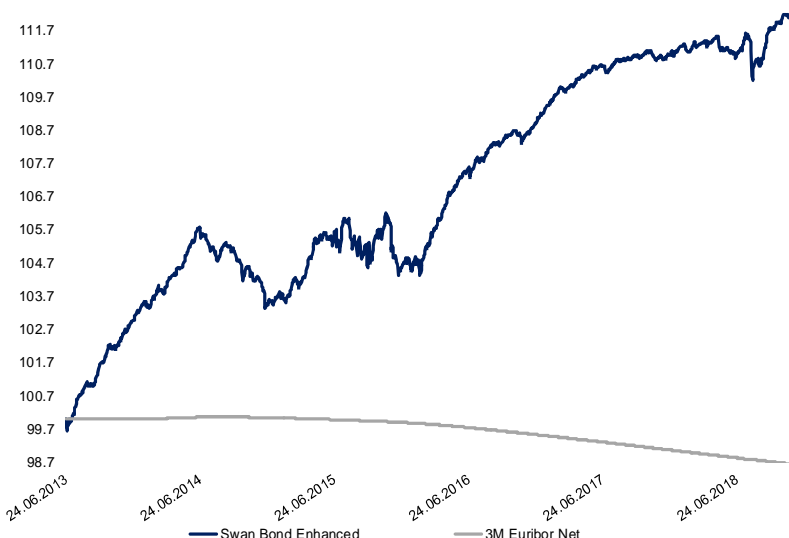
Strategy

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 :	0.18%	Fund Assets (mln) :	91.2 €
Since inception	12.10%	1 Year Std Dev :	1.02%
Last 12 Months :	1.08%	1 Year Sharpe Ratio :	1.38
NAVps :	EUR 112.10	% of positive months :	74%

Risk Profile



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 positive gross contribution to the monthly performance, with 83% of the positions (68 out of 84) contributing positively. Positive contributions were homogeneously distributed, the only exceptions being MAMANO 7 07/19 and ALBRK 6/19, 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 3.83% (net of funding cost) and z-spread of 462 basis points. The fund is levered, being invested at about 155% currently.

Period	Perf.	Portfolio info	
MTD	0.18%	# of Securities	92
YTD	0.95%	% Weight	154.50%
6 months	0.87%	Int Dur	0.64
1 year	1.08%	Yield (gross)	3.83%
2017	1.83%	Spread Duration	1.06
2016	4.13%	Z-spread	462
2015	1.16%		
2014	0.37%		
2013	3.14%		

FX breakdown (fully hedged)

USD	40.91%
EUR	20.83%
NOK	21.17%
GBP	0.00%
SEK	11.71%
SGD	0.00%
CHF	5.05%
AUD	0.33%
TOTAL	100.00%

Geographic breakdown

EU	9.00%
US	0.56%
Oth DEV	40.73%
LATAM	9.34%
EMEA	27.94%
ASIA	12.42%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	1.74%
BBB	12.86%
tot IG	14.61%
BB	21.12%
B	22.26%
CCC	0.00%
tot HY	43.38%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	28.25%
Services	27.94%
Real Estate	19.97%
Financial Services	4.49%
Energy	4.11%
Basic Industry	2.77%
Supranational	2.13%
Leisure	1.89%
Transportation	1.61%
Foreign Sovereign	1.60%

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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