

Swan Bond Enhanced Sicav–SIF USD

January 2019



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

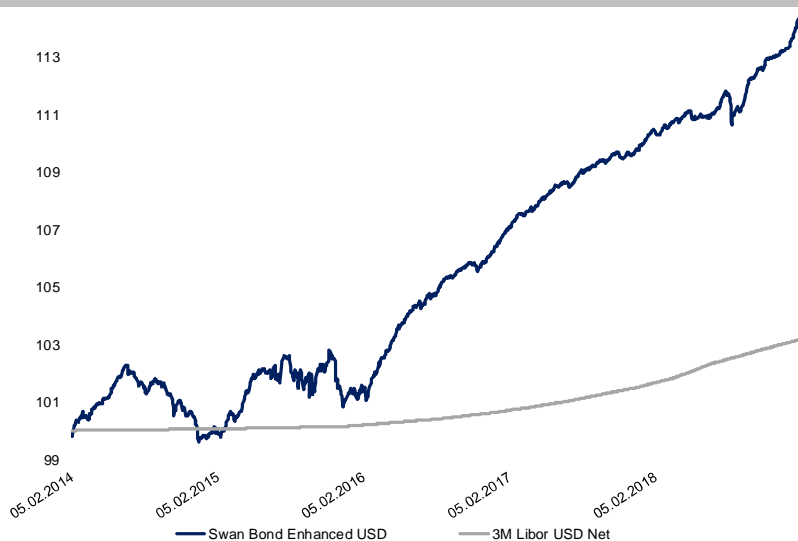
| | | | |
|------------------|---------------|------------------------|--------|
| MTD : | 0.92% | Fund Assets (mln) : | 94.5 € |
| Since inception | 14.32% | 1 Year Std Dev : | 0.93% |
| Last 12 Months : | 3.53% | 1 Year Sharpe Ratio : | 1.61 |
| NAVps : | USD 114.32 | % of positive months : | 78% |

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

January was a very strong month: European credit markets were positive (H9PC Index +2.15%), likewise equity markets with Eurostoxx 50 and S&P 500 gaining respectively 5.26% and 7.87%. The FED meeting on 30th of January was the main event of the month. Markets approached the event waiting for a “reassuring” message, and in this case Powell did not disappoint investors as he did in December. FED funds rate remained stuck at 2.375%, accompanied by an ultra-dovish tone both in the Committee statement and press conference: the word “patient” came back and references to further tightening was eliminated, while balance sheet policy flexibility was confirmed. The ECB meeting did not surprise, with confirmation that growth risks are on the downside and the council will reassess policy options in March. Central banks tone had a strong influence on rates: yield on 10 Years German Bund went under further pressure (-9bps at 0.15%) in tandem with yield on 10 years Treasury down to 2.63% (-5bps in January). Notwithstanding strong rally in January, economic uncertainty remains a concern for risky assets: current pace of global growth is around 2.6%, but several headwinds have still to be resolved (US/China trade deal, Brexit and weaker than expected growth in Europe). Emerging markets reported a positive performance (+3.82%) with LATAM being the best performer during the month. EM resilience was mainly due to the dovish FED tone and constructive talks between US and China, in addition to a strong rebound in oil prices (Brent closed up 15% at 62USD per barrel).

Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, with 97% of the positions (93 out of 96) contributing positively. Positive contributions were homogeneously distributed, the only exceptions being KOC 04/20, COGARD 03/20, AABAR 03/20, GMLP 05/20, DNONO 06/20, FARMIT 06/20 and BAMIIM 07/20, 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 0.78), combined with a yield of 3.67% (net of funding cost) and z-spread of 458 basis points. The fund is levered, being invested at about 171% currently

| Period | Perf. | Portfolio info | |
|----------|---------------|-----------------|---------|
| MTD | 0.92% | # of Securities | 104 |
| YTD | 0.92% | % Weight | 171.39% |
| 6 months | 2.29% | Int Dur | 0.89 |
| 1 year | 3.53% | Yield (gross) | 3.67% |
| 2018 | 3.07% | Spread Duration | 1.31 |
| 2017 | 3.32% | Z-spread | 458 |
| 2016 | 4.99% | | |
| 2015 | 1.53% | | |
| 2014 | -0.21% | | |

FX breakdown (fully hedged)

| | |
|--------------|----------------|
| USD | 42.25% |
| EUR | 19.52% |
| NOK | 20.40% |
| GBP | 1.43% |
| SEK | 11.72% |
| SGD | 0.00% |
| CHF | 4.38% |
| AUD | 0.28% |
| TOTAL | 100.00% |

Geographic breakdown

| | |
|--------------|----------------|
| EU | 10.57% |
| US | 1.66% |
| Oth DEV | 35.97% |
| LATAM | 8.01% |
| EMEA | 30.15% |
| ASIA | 13.63% |
| TOTAL | 100.00% |

Rating breakdown

| | |
|---------------|----------------|
| AAA | 0.00% |
| AA | 0.00% |
| A | 1.52% |
| BBB | 14.41% |
| tot IG | 15.93% |
| BB | 24.79% |
| B | 19.89% |
| CCC | 0.39% |
| tot HY | 45.07% |
| TOTAL | 100.00% |

Sector breakdown - Top 10

| | |
|--------------------|--------|
| Banking | 24.46% |
| Services | 24.17% |
| Real Estate | 23.04% |
| Financial Services | 6.67% |
| Energy | 5.61% |
| Foreign Sovereign | 3.95% |
| Consumer Goods | 2.26% |
| Transportation | 2.24% |
| Leisure | 2.15% |
| Telecommunications | 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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