

Swan Bond Enhanced Sicav–SIF USD

August 2017



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

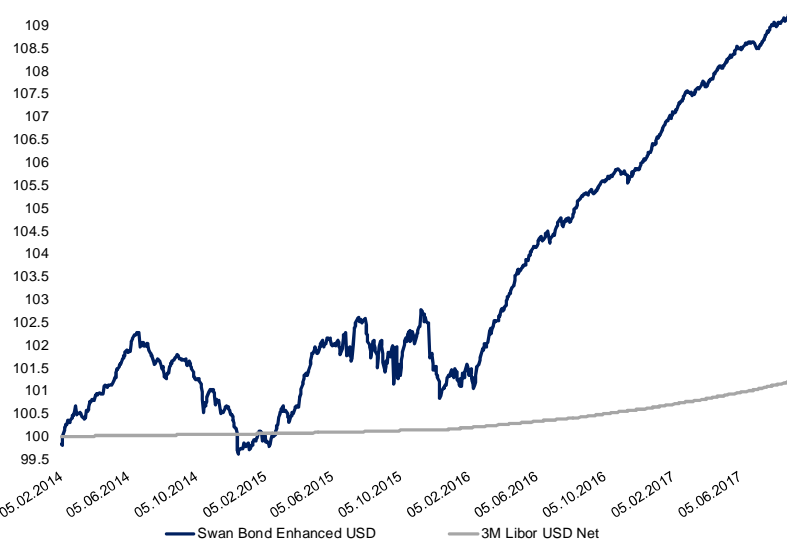
MTD :	0.22%	Fund Assets (mln) :	93.0 €
Since inception	9.22%	1 Year Std Dev :	0.54%
Last 12 Months :	3.71%	1 Year Sharpe Ratio :	6.32
NAVps :	USD 109.22	% of positive months :	77%

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

During August, European credit markets experienced a slightly negative performance (Xover 2bps wider at 236bps) in tandem with a negative movement of the Eurostoxx 50 (-0.81%), while S&P500 reached new historical highs at 2'471, almost flat during the month. Nervousness arose in the market due to North Korea missile tests, that increased tensions with the US and showed different positions among the different parties (US, South Korea, China and Russia) on how to reply to this offence: for the moment it seems that the situation will not escalate to war as it would be negative for all parties; anyway it remains an issue that can give some volatility in the future. On the macro side, global growth is still solid while inflation remains missing: this makes the tapering for the ECB more difficult to be implemented, postponing again market consensus on the reduction of monthly purchases to October (from € 60bn to € 40bn); EURUSD strength is not helping on this, with a possible reduction on inflation projections for the future; while the FED seems ready to announce the start of balance sheet normalization during its September meeting. On the rates side the 10 Treasury yield was lower at around 2.11% (-18 bps) due to North Korea tensions, the same for the 10 Year Bund yield lower at 0.36% (-18bps). EM credit market had a positive return this month, continuing the recent trend and benefiting from the tapering postponement from DM central banks.

Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, thanks to 92% of the positions (93 out of 101) 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 0.77), combined with a yield of 1.99% (net of funding cost) and z-spread of 299 basis points. The fund is levered, being invested at about 170% currently.

Period	Perf.	Portfolio info	
MTD	0.22%	# of Securities	124
YTD	2.67%	% Weight	169.67%
6 months	1.54%	Int Dur	0.96
1 year	3.71%	Yield (gross)	1.99%
2016	4.99%	Spread Duration	1.31
2015	1.53%	Z-spread	299
2014	-0.21%		

FX breakdown (fully hedged)

USD	51.56%
EUR	14.44%
NOK	17.83%
GBP	4.71%
SEK	6.93%
SGD	0.50%
CHF	3.20%
AUD	0.82%
CHF	3.20%
TOTAL	103.20%

Geographic breakdown

EU	7.96%
US	0.11%
Oth DEV	25.77%
LATAM	11.37%
EMEA	41.47%
ASIA	13.32%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.37%
BBB	26.11%
	tot IG 26.48%
BB	29.07%
B	17.43%
CCC	0.44%
	tot HY 46.94%
NR	26.58%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	31.31%
Services	19.06%
Real Estate	14.89%
Energy	7.46%
Basic Industry	7.16%
Financial Services	5.14%
Foreign Sovereign	5.23%
Supranational	2.03%
Utility	2.53%
Telecommunications	0.74%

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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