

Swan Bond Enhanced Sicav–SIF USD

November 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

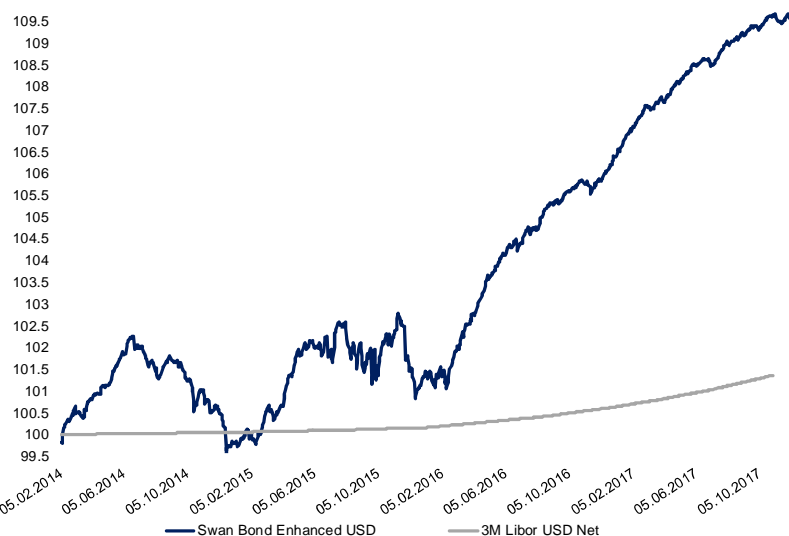
MTD :	-0.05%	Fund Assets (mln) :	91.5 €
Since inception	9.59%	1 Year Std Dev :	0.51%
Last 12 Months :	3.54%	1 Year Sharpe Ratio :	5.25
NAVps :	USD 109.59	% of positive months :	76%

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

During November, European credit markets experienced a negative performance (H9PC Index -0.44%) in tandem with a negative movement of the Eurostoxx 50 (-2.83%), while S&P500 reached new historical highs at 2'648 (+2.81% during the month). With the ECB on autopilot until mid-2018 after October meeting, the FED took center stage: at the beginning of the month President Donald Trump nominated Jerome Powell to run the FED, in a move widely expected and unlikely to disturb the rally in stock markets. Also the 1st November FOMC meeting confirmed expectations, with a December hike now fully priced by the market, while expectations for 2018 are more mixed: indeed market consensus expects three to four hikes, while market just prices in only one or two full hikes. On the political front, there was a decent progress on the tax bill reform, with increasing probability of a successful scenario. EM credit markets generated negative returns this month (EMHB Index -0.40%), due mainly to stretched valuations and idiosyncratic events: PDVSA repaid in full the bond matured the 2nd of November, but at the same time President Nicolas Maduro announced the intention to restructure foreign debt of the country, while tensions mounted in Lebanon after Hariri resignation. On a positive note the OPEC/non OPEC summit extended production cuts by nine months to end-2018.

Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, thanks to 78% of the positions (80 out of 103) contributing positively. Positive contributions were homogeneously distributed, while there were not significant negative contributions, the only exceptions being LEBAN bonds (exposure closed during the month) and DOFSUB 05/18, under pressure after company's request of maturity extension. 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 2.60% (net of funding cost) and z-spread of 361 basis points. The fund is levered, being invested at about 181% currently.

Period	Perf.	Portfolio info	
MTD	-0.05%	# of Securities	117
YTD	3.02%	% Weight	180.97%
6 months	1.00%	Int Dur	0.93
1 year	3.54%	Yield (gross)	2.60%
2016	4.99%	Spread Duration	1.29
2015	1.53%	Z-spread	361
2014	-0.21%		

FX breakdown (fully hedged)

USD	52.35%
EUR	14.85%
NOK	16.49%
GBP	4.17%
SEK	6.96%
SGD	0.00%
CHF	4.44%
AUD	0.74%
TOTAL	100.00%

Geographic breakdown

EU	7.06%
US	0.42%
Oth DEV	24.97%
LATAM	10.52%
EMEA	42.79%
ASIA	14.23%
TOTAL	100.00%

Rating breakdown

AAA	0.00%	
AA	0.00%	
A	1.75%	
BBB	23.57%	
	tot IG	25.32%
BB	30.76%	
B	15.56%	
CCC	0.81%	
	tot HY	47.14%
NR	27.54%	
TOTAL	100.00%	

Sector breakdown - Top 10

Banking	31.09%
Services	18.13%
Real Estate	15.57%
Energy	7.23%
Basic Industry	6.61%
Foreign Sovereign	5.16%
Financial Services	4.46%
Supranational	2.08%
Consumer Goods	1.64%
Utility	1.62%

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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