

# Swan Bond Enhanced Sicav–SIF USD

## February 2018



### Strategy

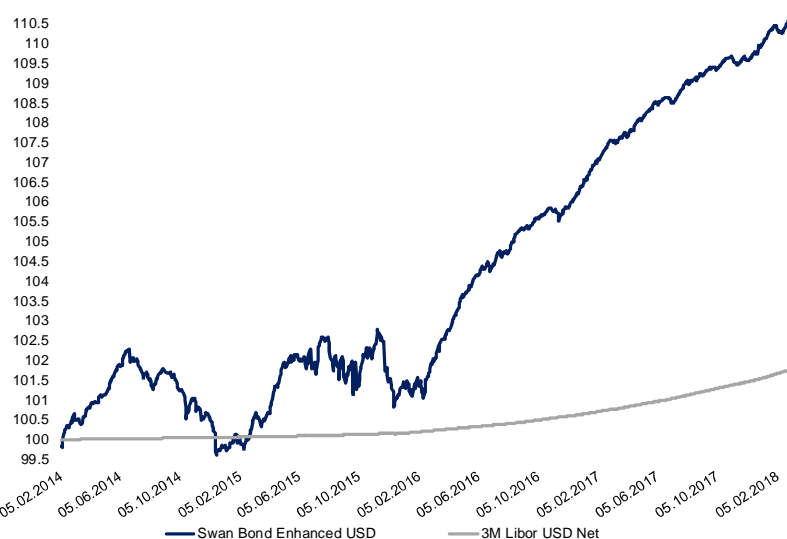
The sub-fund aims to generate significant excess return vs 3m Libor in combination with extremely low volatility. The strategy is focused on the “buy and hold” levered investment in a highly diversified and granular portfolio of liquid short-term fixed income securities. Leverage is normally included between 100% and 200% of the NAV with invested capital between 2x and 3x the NAV.

### Performance

MTD :	<b>0.18%</b>	Fund Assets (mln) :	105.3 €
Since inception	<b>10.62%</b>	1 Year Std Dev :	0.51%
Last 12 Months :	<b>2.84%</b>	1 Year Sharpe Ratio :	3.42
NAVps :	USD 110.62	% of positive months :	78%

### Risk Profile

Conservative Intermediate **High Reward**



### Global market picture

During February, European credit markets experienced a negative performance (H9PC Index -0.67%), in tandem with a negative movement of the Eurostoxx 50 (-4.72%); also S&P500 interrupted its positive momentum lasting for ten straight months (-3.89% in February). The main theme of the month was the impressive surge in volatility experienced on the 2nd of February: an higher than expected print in average hourly Earnings YoY (2.9% vs 2.6%) brought inflation risk back to the attention, and investors got scared that the never ending rally in equity markets could terminate. Both S&P500 and Eurostoxx 50 lost 10% from their late January highs, yield on 10 Year Treasury soared to 2.95% and VIX index peaked at 37 (highest level since August 2015); some products linked to volatility, which took short exposure to VIX, have been closed due to losses that exceeded prospectus' limits, even if the VIX closed the month at 16. The 10 year Treasury yield closed the month at 2.86% (+16bps), while the 10 year Bund moved down by 4bps to 0.66% due to fly to quality movement and economic data a little bit weaker than expected. On central banks' side, February was a muted month, with no meetings: the most relevant event was Powell's slightly hawkish testimony to the congress, that strengthened the case for 2018 median dots to move from three to four hikes in March. Emerging markets credit performance was negative (EMHB index -0.88%), influenced by the spike in Treasury yields, while spread to worst was just 22bps wider at 344bps.

### Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, thanks to 85% of the positions (88 out of 103) 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 0.72), combined with a yield of 2.91% (net of funding cost) and z-spread of 379 basis points. The fund is levered, being invested at about 197% currently.

Period	Perf.	Portfolio info	
MTD	<b>0.18%</b>	# of Securities	124
YTD	<b>0.65%</b>	% Weight	197.27%
6 months	<b>1.28%</b>	Int Dur	0.97
1 year	<b>2.84%</b>	Yield (gross)	2.91%
2017	<b>3.32%</b>	Spread Duration	1.39
2016	<b>4.99%</b>	Z-spread	379
2015	<b>1.53%</b>		
2014	<b>-0.21%</b>		

### FX breakdown (fully hedged)

USD	56.08%
EUR	14.13%
NOK	17.06%
GBP	2.93%
SEK	5.08%
SGD	0.00%
CHF	3.58%
AUD	1.14%
<b>TOTAL</b>	<b>100.00%</b>

### Geographic breakdown

EU	6.16%
US	0.45%
Oth DEV	24.43%
LATAM	10.92%
EMEA	39.18%
ASIA	18.86%
<b>TOTAL</b>	<b>100.00%</b>

### Rating breakdown

AAA	0.00%
AA	0.00%
A	1.80%
BBB	19.92%
<b>tot IG</b>	<b>21.72%</b>
BB	31.74%
B	19.67%
CCC	0.35%
<b>tot HY</b>	<b>51.76%</b>
<b>TOTAL</b>	<b>100.00%</b>

### Sector breakdown - Top 10

Banking	30.68%
Services	20.91%
Real Estate	18.79%
Energy	6.66%
Basic Industry	6.64%
Foreign Sovereign	5.51%
Financial Services	3.94%
Supranational	2.06%
Agency	1.27%
Consumer Goods	1.16%

### 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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*The State of the origin of the Fund is Luxembourg. This Fund may only be distributed in or from Switzerland to qualified investors within the meaning of Art. 10 Para. 3, 3bis and 3ter CISA. In Switzerland, the Representative is ACOLIN Fund Services AG, Affolternstrasse 56, CH-8050 Zurich, whilst the Paying agent is Cornèr Banca SA, Via Canova 16, CH – 6900 Lugano. In respect of the units distributed in Switzerland, the competent Courts shall be at the registered office of the Representative in Switzerland. The Basic documents of the Fund as defined in Art. 13a CISO as well as the annual and, if applicable, semi-annual reports may be obtained free of charge at the office of the Swiss Representative. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming shares. Past performance may not be reliable guide to future performance. The current document is intended for information purposes only and shall not to be used as an offer to buy and/or sell shares.*