Swan Bond Enhanced Sicav–SIF EUR
March 2018

SWAN
ASSET MANAGEMENT SA

Strategy

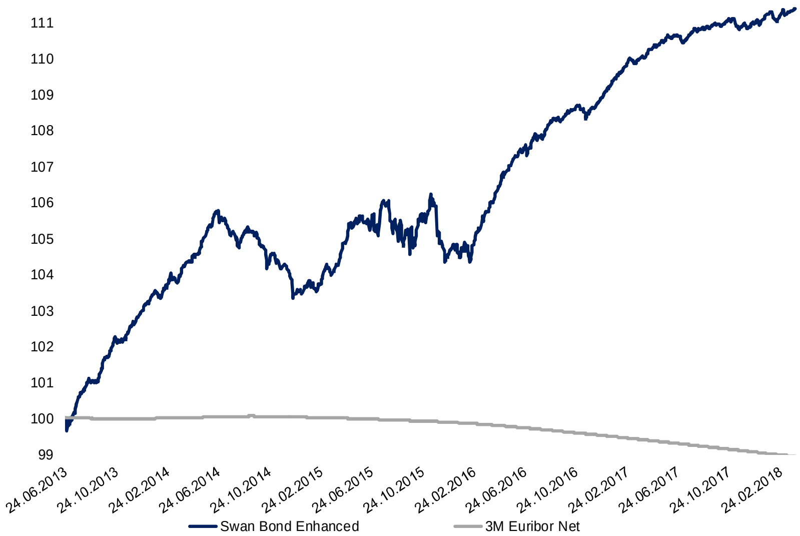
The sub-fund aims to generate significant excess return vs 3m Euribor in combination with extremely low volatility. The strategy is focused on the “buy and hold” levered investment in a highly diversified and granular portfolio of liquid short-term fixed income securities. Leverage is normally included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

Performance

MTD :	0.03%	Fund Assets (mln) :	104.5 €
Since inception	11.37%	1 Year Std Dev :	0.48%
Last 12 Months :	1.20%	1 Year Sharpe Ratio :	3.2
NAVps :	EUR 111.37	% of positive months :	76%

Risk Profile

Conservative | Intermediate | **High Reward**



Period	Perf.
MTD	0.03%
YTD	0.30%
6 months	0.40%
1 year	1.20%
2017	1.83%
2016	4.13%
2015	1.16%
2014	0.37%
2013	3.14%

Portfolio info	
# of Securities	120
% Weight	197.85%
Int Dur	0.93
Yield (gross)	2.86%
Spread Duration	1.34
Z-spread	390

FX breakdown (fully hedged)	
USD	54.87%
EUR	15.21%
NOK	15.88%
GBP	2.98%
SEK	6.04%
SGD	0.00%
CHF	3.68%
AUD	1.34%
TOTAL	100.00%

Geographic breakdown	
EU	6.20%
US	0.45%
Oth DEV	25.06%
LATAM	10.72%
EMEA	38.93%
ASIA	18.64%
TOTAL	100.00%

Rating breakdown	
AAA	0.00%
AA	0.00%
A	1.66%
BBB	20.31%
tot IG	21.97%
BB	31.01%
B	19.75%
CCC	0.35%
tot HY	51.11%
NR	26.93%
TOTAL	100.00%

Sector breakdown - Top 10	
Banking	30.19%
Services	20.86%
Real Estate	20.20%
Basic Industry	6.97%
Energy	6.73%
Foreign Sovereign	4.48%
Financial Services	4.16%
Supranational	2.05%
Agency	1.28%
Healthcare	0.96%

Global market picture

During March, European credit markets experienced a negative performance (H9PC Index -0.19%), in tandem with a negative movement of the Eurostoxx 50 (-2.25%); also S&P500 realized negative performance (-2.69%), continuing the correction started in February. The main theme of the month was the surge in rhetoric about new trading sanctions imposed by the US that culminated in additional duties on $50bio imports from China. China retaliatory action was not significant (sanctions on $3bio of US products using 2017 trade data), and President Xi is willing to negotiate, although wide gaps between the two sides suggest trade tensions will impact markets in the next weeks. Additional worries on global growth were signaled by a sharp fall in PMI indexes from January highs: consequently growth expectation in Eurozone was revised down to 2.4% in 2018, while in US it is forecasted at 2.7%. A possible sluggish growth influenced the 10 years Bund yield that moved down by 16bps to 0.50%, and also the 10 years Treasury yield retraced at 2.74% from its recent highs of 2.93%. On central banks' side, March was a busy month with meetings at both FED and ECB level, but with no significant surprises: the FOMC hiked Fed Funds by 25bps to 1.5%-1.75% and steepened the policy rate path, with dots now signaling 3 hikes for 2018, 3 for 2019 and 2 for 2020. On the opposite Mario Draghi sounded dovish in his post meeting conference, indicating how ECB next moves will be data dependent: QE taper could probably start in Q4 2018, while first rate hike will likely be postponed to 2Q19 from 1Q19. Emerging markets credit performance was negative (EMHB index -0.22%), influenced by concerns on trade wars, while spread to worst was just 9bps wider at 353bps.

Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, thanks to 88% of the positions (92 out of 104) 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 (8 months or average spread duration of 0.69), combined with a yield of 2.86% (net of funding cost) and z-spread of 390 basis points. The fund is levered, being invested at about 198% currently.

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
ISIN: LU0849750368

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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.