

Swan Bond Enhanced Sicav–SIF USD

May 2018



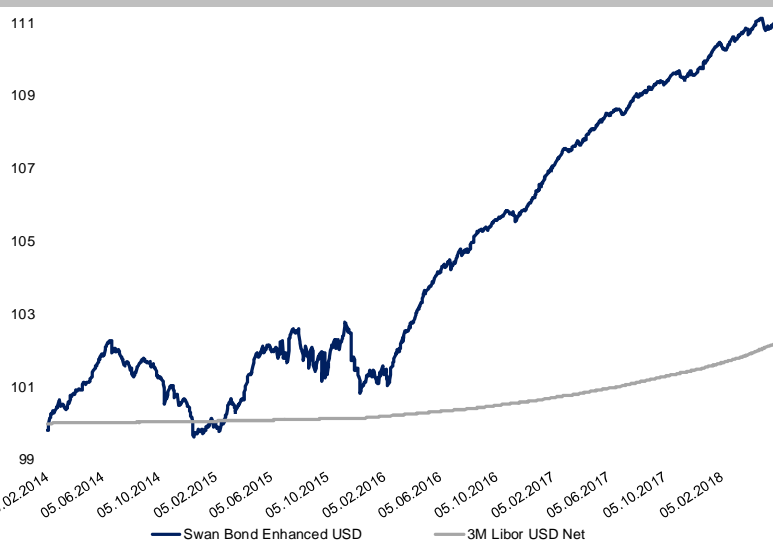
Strategy

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 :	-0.16%	Fund Assets (mln) :	100.6 €
Since inception	10.94%	1 Year Std Dev :	0.58%
Last 12 Months :	2.25%	1 Year Sharpe Ratio :	1.57
NAVps :	USD 110.94	% of positive months :	77%

Risk Profile



Global market picture

Main topic of the month was the political tension in Italy, with investors worried about the possible appointment of Paolo Savona (well known for his anti Euro position) as Finance Minister: European credit markets experienced a negative performance (H9PC Index - 0.98%), in tandem with a negative movement of the Eurostoxx 50 (-3.67%), while S&P500 realized a positive performance (+2.16%). Risk off environment had a significant influence on rates: yield on 10 years Bund pulled back to 0.34%, while Italian 10 years BTPs peaked at 3% (highest level since summer 2014), with the spread between the two sovereign at 241bps (+117bps during the month). After 3 months of negotiations the Five Star Movement and the League found an agreement on the composition of the new government (with the appointment of a more mainstream Minister of Finance), and tensions on periphery debt eased. The FED meeting did not signal substantial change in monetary policy, with FED funds future pricing in just two of the four hikes market expect in the next 12 months. On the political side, President Donald Trump launched new message to its “rivals”: during May, the USA retired from the Iran nuclear deal and imposed new tariffs on aluminum and steel, while a more soft tone was used with North Korea, with the meeting with Kim Jong-un confirmed for the 12th of June in Singapore. Emerging markets credit performance was negative (EMHB index -1.56%), with spread to worst 68bps wider at 444bps: tensions due to FX weakness and fourth consecutive monthly negative return influenced investors’ sentiment, only partially compensated by new Brent highs at 77USD per barrel.

Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, thanks to 76% of the positions (71 out of 94) contributing positively. Positive contributions were homogeneously distributed, the only exception being AWRDNO 7 04/19, while a significant negative contribution was generated by YPF DAR 09/19 due to pressure on Argentinean corporates. 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 3.42% (net of funding cost) and z-spread of 449 basis points. The fund is levered, being invested at about 182% currently.

Period	Perf.	Portfolio info	
MTD	-0.16%	# of Securities	112
YTD	0.94%	% Weight	181.63%
6 months	1.23%	Int Dur	0.86
1 year	2.25%	Yield (gross)	3.42%
2017	3.32%	Spread Duration	1.28
2016	4.99%	Z-spread	449
2015	1.53%		
2014	-0.21%		

FX breakdown (fully hedged)

USD	49.97%
EUR	16.58%
NOK	18.00%
GBP	1.80%
SEK	8.45%
SGD	0.00%
CHF	4.94%
AUD	0.26%
TOTAL	100.00%

Geographic breakdown

EU	6.96%
US	0.54%
Oth DEV	32.40%
LATAM	10.64%
EMEA	30.00%
ASIA	19.46%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.99%
BBB	18.94%
	tot IG
	19.93%
BB	28.82%
B	18.62%
CCC	0.42%
	tot HY
	47.86%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	24.65%
Services	24.53%
Real Estate	21.37%
Basic Industry	5.54%
Financial Services	5.02%
Energy	4.14%
Foreign Sovereign	3.79%
Supranational	3.29%
Agency	1.40%
Transportation	1.25%

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
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