

Swan Bond Enhanced Sicav–SIF EUR

July 2018



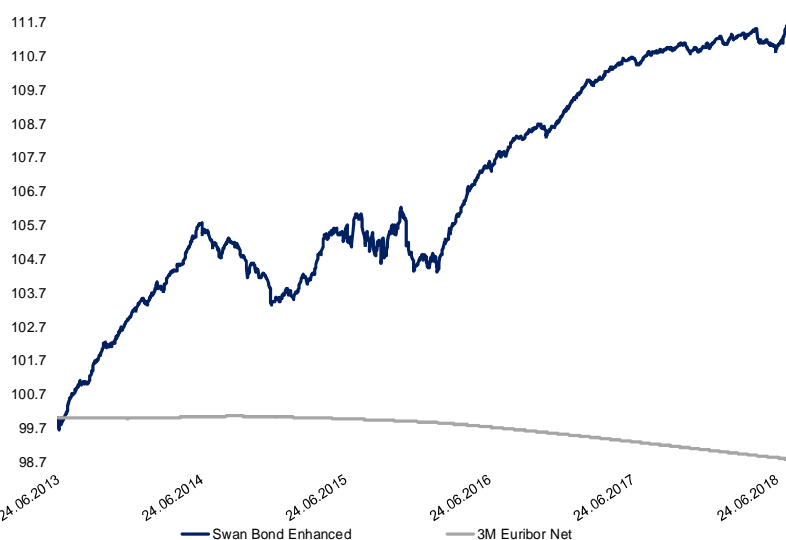
Strategy

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 :	0.50%	Fund Assets (mln) :	86.9 €
Since inception	11.57%	1 Year Std Dev :	0.58%
Last 12 Months :	0.69%	1 Year Sharpe Ratio :	1.76
NAVps :	EUR 111.57	% of positive months :	74%

Risk Profile



Global market picture

During July European credit markets experienced a positive performance (H9PC Index 1.55%), in tandem with a positive movement of the Eurostoxx 50 and S&P500 that gained respectively 3.83% and 3.60%. Central banks were really uneventful this month: ECB meeting did not signal changes to the tapering path (expected in 4Q18, with first rate hike at end summer 2019) while FED minutes confirmed the monetary policy expressed in previous meetings (market prices an 82% probability of 2 more hikes in 2018). Interest Rates market was more influenced by positive macro data: US expansion is pointing to become one of the longest in post war history, while in Europe economic data signaled stabilization in growth trajectory. 10 years Bund yield rebounded from 0.30% to 0.44%, while 10 years Treasury approached the 3% area (2.96%). July was also the month when the first round of US trade sanctions against China started (on \$35bn of goods), even if market was more worried about the possibility of an increase to \$200bn of goods threatened by President Trump. Emerging markets credit performance was positive (EMHB index +1.96% during July) after five consecutive months of negative results, notwithstanding a significant correction in oil price (Brent -6.53% @ 74.25 USD per barrel) and no signs of an agreement between US and China on trade war.

Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, thanks to 96% of the positions (88 out of 92) contributing positively. Positive contributions were homogeneously distributed, the only exceptions being PKSTAN 04/19, COGARD 11/18, EHICAR 12/18, ZENITH 04/19 thanks to a rebound in EM credit and IFIM 03/19; there were not significant negative contributions. The average life of the yield-type portfolio is very short (9 months) or average spread duration of 0.76), combined with a yield of 4.34% (net of funding cost) and z-spread of 527 basis points. The fund is levered, being invested at about 202% currently.

Period	Perf.
MTD	0.50%
YTD	0.48%
6 months	0.27%
1 year	0.69%
2017	1.83%
2016	4.13%
2015	1.16%
2014	0.37%
2013	3.14%

Portfolio info	
# of Securities	111
% Weight	201.90%
Int Dur	0.98
Yield (gross)	4.34%
Spread Duration	1.49
Z-spread	527

FX breakdown (fully hedged)

USD	43.71%
EUR	21.32%
NOK	19.53%
GBP	0.76%
SEK	9.33%
SGD	0.00%
CHF	5.08%
AUD	0.26%
TOTAL	100.00%

Geographic breakdown

EU	9.62%
US	0.44%
Oth DEV	32.68%
LATAM	8.77%
EMEA	30.82%
ASIA	17.67%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	1.04%
BBB	15.34%
tot IG	16.38%
BB	27.43%
B	19.80%
CCC	0.44%
tot HY	47.67%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	29.20%
Services	26.42%
Real Estate	22.31%
Financial Services	4.27%
Energy	3.25%
Foreign Sovereign	2.29%
Supranational	1.65%
Agency	1.60%
Basic Industry	1.47%
Transportation	1.28%

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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