Swan Bond Enhanced Sicav–SIF USD
September 2018

SWAN
Managers of your future

Strategy

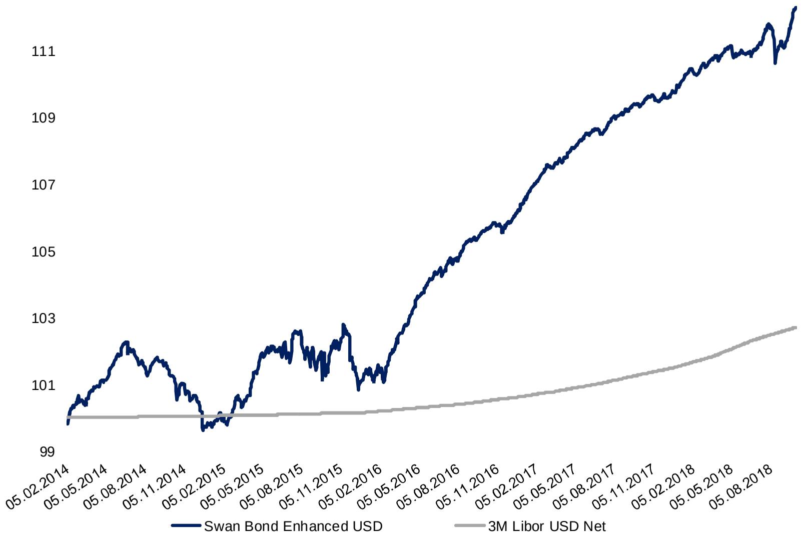
The sub-fund aims to generate significant excess return vs 3m Libor in combination with extremely low volatility. The strategy is focused on the "buy and hold" levered investment in a highly diversified and granular portfolio of liquid short-term fixed income securities. Leverage is normally included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

Performance

MTD :	0.98%	Fund Assets (mln) :	86.3 €
Since inception	12.23%	1 Year Std Dev :	0.93%
Last 12 Months :	2.59%	1 Year Sharpe Ratio :	1
NAVps :	USD 112.23	% of positive months :	77%

Risk Profile

Conservative | Intermediate | **High Reward**



Period	Perf.
MTD	0.98%
YTD	2.11%
6 months	1.25%
1 year	2.59%
2017	3.32%
2016	4.99%
2015	1.53%
2014	-0.21%

Portfolio info	
# of Securities	105
% Weight	188.16%
Int Dur	0.75
Yield (gross)	4.89%
Spread Duration	1.22
Z-spread	598

FX breakdown (fully hedged)	
USD	46.26%
EUR	18.81%
NOK	19.37%
GBP	0.10%
SEK	9.70%
SGD	0.00%
CHF	5.48%
AUD	0.28%
TOTAL	100.00%

Geographic breakdown	
EU	8.27%
US	0.48%
Oth DEV	33.47%
LATAM	7.96%
EMEA	31.43%
ASIA	18.39%
TOTAL	100.00%

Rating breakdown		
AAA		0.00%
AA		0.00%
A		1.48%
BBB		12.15%
	tot IG	13.62%
BB		23.39%
B		25.54%
CCC		0.48%
	tot HY	49.41%
NR		36.97%
TOTAL		100.00%

Sector breakdown - Top 10	
Banking	28.26%
Services	27.05%
Real Estate	23.18%
Financial Services	3.85%
Energy	3.44%
Basic Industry	2.39%
Foreign Sovereign	1.92%
Supranational	1.79%
Leisure	1.65%
Transportation	1.38%

Global market picture

September was another volatile month for markets. European credit markets were slightly positive (H9PC Index +0.11%), likewise equity markets, with Eurostoxx 50 and S&P 500 gaining respectively 0.35% and 0.43%. The FOMC meeting did not surprise, with FED funds raised by 25bps, dots largely unchanged and the removal of the "accommodative" stance: strong projections of economic growth (3Q18 forecasted at 3%) support the FED hiking path (four hikes expected by end 2019), with steepness in the 2/10years space further reduced to just 24bps. The ECB meeting reaffirmed the halving of QE from October and the stop of net purchase in December; close to the end of the month, Draghi statement about "a vigorous pick-up in underlying inflation" caused a spike in the 10 years Bund yield to 0.53%, immediately reversed due to tensions between Italian populist government and European partners on deficit targets. Emerging markets were still on the spotlight: central bank of Turkey sent a strong signal of independence, raising rates to 24%, that combined with the new fiscal plan announced by Finance Minister Albayrak, eased pressure on TRY and corporate/banks bonds, while Argentina reached an agreement on a set of strengthened economic policies with IMF. US/China trade dispute reached a new level, with 10% tariffs (lower than the 25% expected) imposed on $200bn of goods that will increase to 25% in 1Q19 if an agreement is not reached; China retaliated with 10% tariffs on $60bn of US goods. Emerging markets credit performance was positive (EMHB Index +2.04%) after August negative movement, bolstered by Turkey rebound and cheaper valuations.

Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, with 91% of the positions (81 out of 89) contributing positively. Positive contributions were concentrated mostly on Turkish banks (senior) exposure, 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 0.67), combined with a yield of 4.89% (net of funding cost) and z-spread of 598 basis points. The fund is levered, being invested at about 188% currently.

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.