

# Swan Bond Enhanced Sicav–SIF CHF

## October 2018



### Strategy

The sub-fund aims to generate significant excess return vs 3m Libor CHF 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

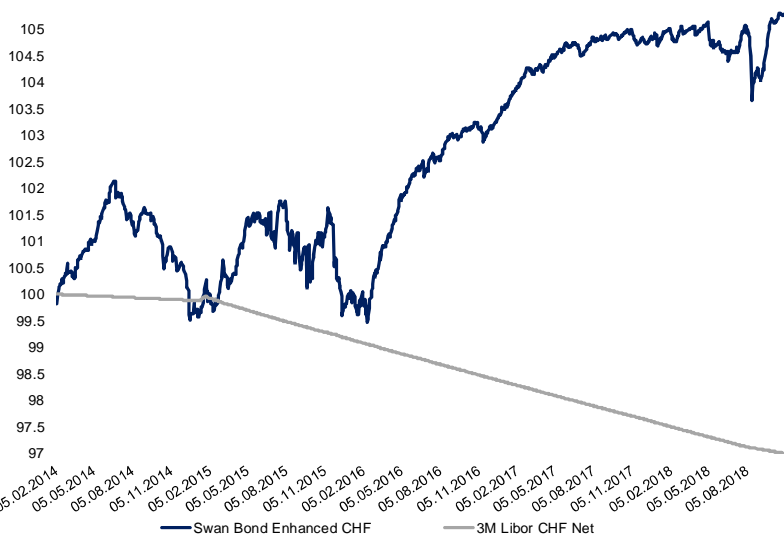
MTD :	<b>0.13%</b>	Fund Assets (mln) :	90.4 €
Since inception	<b>5.27%</b>	1 Year Std Dev :	1.08%
Last 12 Months :	<b>0.26%</b>	1 Year Sharpe Ratio :	0.93
NAVps :	CHF 105.27	% of positive months :	70%

### Risk Profile

Conservative

Intermediate

**High Reward**



### Global market picture

October was another volatile month for markets. European credit markets were negative (H9PC Index -0.86%), likewise equity markets, with Eurostoxx 50 and S&P 500 losing respectively 5.93% and 4.41% (first negative month for US stocks since March 2018). The minutes of the FOMC meeting disclosed that several members would raise rates to restrictive territory, with markets pricing slightly more than three hikes until December 2019; economic data showed that US exceptionalism could have reached its peak, notwithstanding Q3 GDP beat consensus at +3.5%. December rate hike is very likely (84% probability), while much more uncertain is how US and China relations will evolve: during the month president Trump reiterated his hard stance in the trade dispute, but at the same time he looked for a possible meeting with Xi at G-20 summit in late November. In the Euro area, weakness in recent data did not influence the tone used by Draghi during the last meeting: he affirmed that recent slowdown was mainly due to specific factors, with improvement in underlying factors still positive and broad based. Yield on 10 Years German Bund went under pressure (-9bps at 0.39%) due to the conflict between Italy and EU commission, with the latter asking to review financial bill proposed by the “populist” government. Emerging markets reported a negative performance, with mixed contribution: both Latam and Ceemea regions registered a slightly positive performance, thanks respectively to Bolsonaro victory in Brazil and recovery in Turkey, while Asia was negative due to continuous headlines on Trade War.

### Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, with 83% of the positions (70 out of 84) 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 0.67), combined with a yield of 4.37% (net of funding cost) and z-spread of 541 basis points. The fund is levered, being invested at about 166% currently.

Period	Perf.	Portfolio info	
MTD	<b>0.13%</b>	# of Securities	98
YTD	<b>0.37%</b>	% Weight	166.30%
6 months	<b>0.15%</b>	Int Dur	0.64
1 year	<b>0.26%</b>	Yield (gross)	4.37%
2017	<b>1.33%</b>	Spread Duration	1.09
2016	<b>3.57%</b>	Z-spread	541
2015	<b>0.27%</b>		
2014	<b>-0.34%</b>		

### FX breakdown (fully hedged)

USD	48.32%
EUR	17.44%
NOK	18.75%
GBP	0.00%
SEK	10.50%
SGD	0.00%
CHF	4.69%
AUD	0.31%
<b>TOTAL</b>	<b>100.00%</b>

### Geographic breakdown

EU	6.93%
US	0.52%
Oth DEV	36.61%
LATAM	8.72%
EMEA	27.17%
ASIA	20.05%
<b>TOTAL</b>	<b>100.00%</b>

### Rating breakdown

AAA	0.00%
AA	0.00%
A	1.65%
BBB	14.60%
	<b>tot IG</b> <b>16.25%</b>
BB	18.92%
B	26.95%
CCC	0.00%
	<b>tot HY</b> <b>45.88%</b>
NR	37.88%
<b>TOTAL</b>	<b>100.00%</b>

### Sector breakdown - Top 10

Services	27.09%
Banking	26.82%
Real Estate	24.66%
Financial Services	4.19%
Energy	3.83%
Basic Industry	2.60%
Foreign Sovereign	2.09%
Supranational	2.00%
Leisure	1.77%
Transportation	1.50%

### 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: SWBENAF LX

ISIN: LU1019165965

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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.*