Swan Bond Enhanced Sicav–SIF EUR
December 2018

SWAN
Managers of your future

Strategy

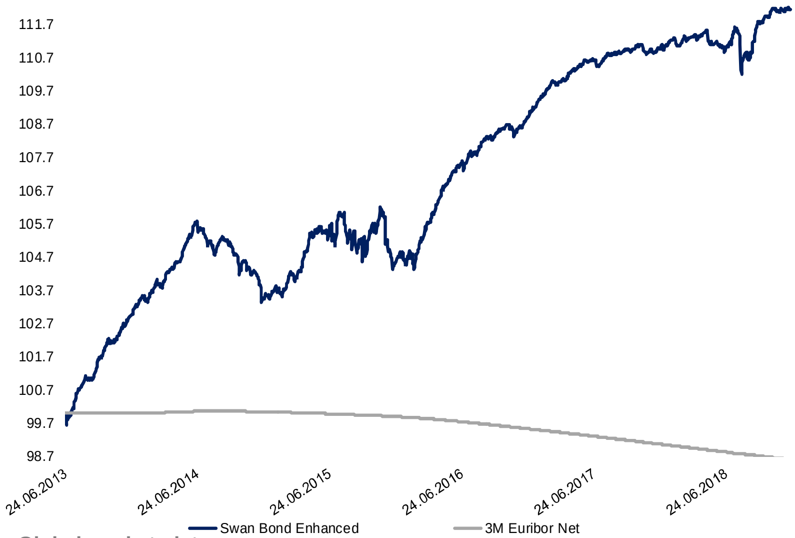
The sub-fund aims to generate significant excess return vs 3m Euribor in combination with extremely low volatility. The strategy is focused on the "buy and hold" levered investment in a highly diversified and granular portfolio of liquid short-term fixed income securities. Leverage is normally included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

Performance

MTD :	0.04%	Fund Assets (mln) :	91.7 €
Since inception	12.15%	1 Year Std Dev :	1.02%
Last 12 Months :	1.00%	1 Year Sharpe Ratio :	1.3
NAVps :	EUR 112.15	% of positive months :	75%

Risk Profile

Conservative | Intermediate | **High Reward**



Period	Perf.
MTD	0.04%
YTD	1.00%
6 months	1.02%
1 year	1.00%
2017	1.83%
2016	4.13%
2015	1.16%
2014	0.37%
2013	3.14%

Portfolio info	
# of Securities	93
% Weight	155.67%
Int Dur	0.73
Yield (gross)	4.30%
Spread Duration	1.15
Z-spread	515

FX breakdown (fully hedged)	
USD	41.67%
EUR	18.84%
NOK	21.43%
GBP	0.00%
SEK	12.73%
SGD	0.00%
CHF	5.02%
AUD	0.31%
TOTAL	100.00%

Geographic breakdown	
EU	8.83%
US	0.55%
Oth DEV	38.19%
LATAM	7.98%
EMEA	31.37%
ASIA	13.09%
TOTAL	100.00%

Global market picture

December was another volatile month: European credit markets were negative (H9PC Index -0.72%), likewise equity markets with Eurostoxx 50 and S&P 500 losing respectively 5.41% and 9.18%. The FED meeting on 19th of December was the main catalyst of the month. Markets approached the event already in a sell-off mode and Jerome Powell's speech did not send a "reassuring" message: FED funds rate hike to 2.375% was accompanied by a reduction in dots that now forecast only two hikes for 2019, but investors hoped for a more dovish action. Markets are now pricing a FED on hold for 2019, but economic uncertainty remains a drag for risky assets: CESI Indexes (that measures economic data surprises relative to market expectations) are all in negative territory and downward trend while also ISM and PMI surveys suggest that the economy is slowing. Global growth is expected at around 3% for the first half of 2019, but this outlook looks increasingly challenging and rates movement in December was in line with this skeptical outlook: yield on 10 Years German Bund went under further pressure (-7bps at 0.24%) in tandem with yield on 10 years Treasury down to 2.68% (-30bps in December). The only positive events during the month were the agreement between the EU and the Italian government regarding the fiscal deficit (fixed at 2.04%), that should save Italy from an infringement procedure, and a more constructive in tone in the dialogue between US and China on trade war dispute. Emerging markets reported a positive performance (+0.70%) with Asia being the best performer during the month, partially recovering 2018 underperformance. EM resilience was mainly due to lower US rates and possible truce between US and China.

Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, with 76% of the positions (65 out of 86) contributing positively. Positive contributions were homogeneously distributed while there were not significant negative contributions, the only exception being DNONO 06/19. 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 4.30% (net of funding cost) and z-spread of 515 basis points. The fund is levered, being invested at about 156% currently.

Rating breakdown		
AAA		0.00%
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A		1.72%
BBB		13.16%
	tot IG	14.88%
BB		19.19%
B		24.38%
CCC		0.00%
	tot HY	43.57%
NR		41.55%
TOTAL		100.00%

Sector breakdown - Top 10	
Services	25.62%
Banking	25.45%
Real Estate	21.70%
Financial Services	4.97%
Energy	4.55%
Foreign Sovereign	3.55%
Basic Industry	2.73%
Transportation	2.37%
Consumer Goods	2.32%
Leisure	1.87%

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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