Swan Bond Enhanced Sicav–SIF CHF
July 2019

SWAN
Managers of your future

Strategy

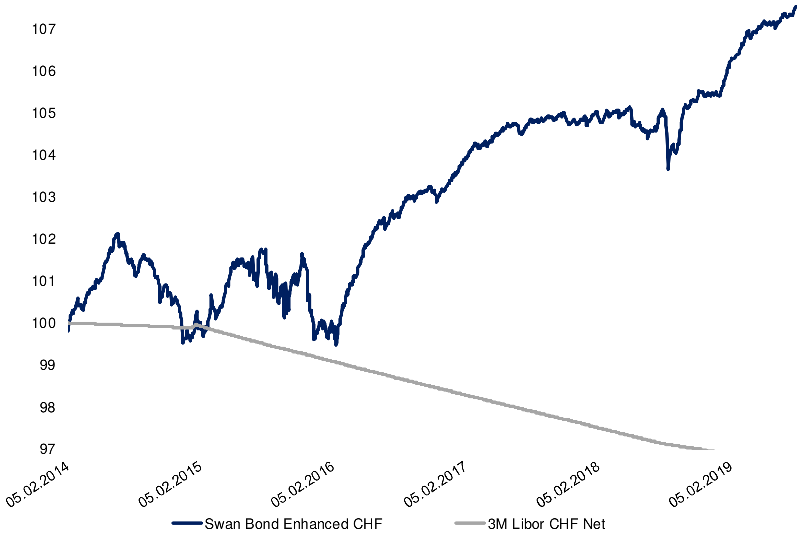
The sub-fund aims to generate significant excess return vs 3m Libor CHF in combination with extremely low volatility. The strategy is focused on the "buy and hold" levered investment in a highly diversified and granular portfolio of liquid short-term fixed income securities. Leverage is normally included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

Performance

MTD :	0.14%	Fund Assets (mln) :	126.2 €
Since inception	7.50%	1 Year Std Dev :	1.00%
Last 12 Months :	2.32%	1 Year Sharpe Ratio :	3.06
NAVps :	CHF 107.50	% of positive months :	74%

Risk Profile

Conservative | **Intermediate** | High Reward



Period	Perf.
MTD	0.14%
YTD	1.96%
6 months	1.31%
1 year	2.32%
2018	0.52%
2017	1.33%
2016	3.57%
2015	0.27%
2014	-0.34%

Portfolio info	
# of Securities	125
% Weight	146.72%
Int Dur	0.85
Yield (gross)	2.88%
Spread Duration	1.31
Z-spread	416

FX breakdown (fully hedged)	
USD	47.07%
EUR	19.15%
NOK	22.61%
SEK	8.07%
CHF	2.15%
GBP	0.71%
AUD	0.24%
TOTAL	100.00%

Geographic breakdown	
EU	8.21%
US	0.00%
Oth DEV	37.70%
LATAM	5.66%
EMEA	22.82%
ASIA	25.60%
TOTAL	100.00%

Rating breakdown		
AAA		0.00%
AA		0.00%
A		1.03%
BBB		7.51%
	tot IG	8.53%
BB		20.49%
B		27.62%
CCC		0.55%
	tot HY	48.66%
NR		42.80%
TOTAL		100.00%

Sector breakdown - Top 10	
Services	26.44%
Real Estate	25.88%
Banking	15.35%
Foreign Sovereign	6.06%
Energy	5.78%
Financial Services	5.50%
Capital Goods	3.44%
Basic Industry	1.99%
Consumer Goods	1.80%
Technology & Electronics	1.59%

Global market picture

July was a mixed month for financial markets: European credit markets were positive (H9PC Index +0.56%), while equity markets were negative in Europe (Eurostoxx 50 -0.20%) and positive in US (S&P 500 +1.31%). Release of 2Q GDP in US (2.1% vs 3.1% in 1Q), coupled with weak flash manufacturing PMI, confirmed that economy is slowing, adding pressure on FED decision on rates. FOMC meeting took place the 31st of July and committee voted for a cut of 25bps of FED funds (now between 2% and 2.25%), but market was disappointed by an hawkish press conference with Jerome Powell calling the move a "mid-cycle adjustment policy" that was "not the beginning of a long series of rate cuts". The ECB meeting was the other important event of the period: Draghi confirmed that interest rates are expected to remain "at their present or lower levels" at least through first half of 2020. The ECB President added that a new package of stimulus is under review and discussions are taking place about the "options for the size and composition of potential new net asset purchase". This environment of dovish Central Banks pushed the yield of government bonds further lower (around $13trn of debt exhibit negative yield): German 10 years Bund closed the month at -0.44% (-11bps during the month) while 10 Years Treasury was unchanged at 2%. Emerging markets reported a positive performance (+1.02%) with LATAM being the best performer during the month. EM performance was mainly due to the rally in Treasury and generic dovish stance of central bankers around the world, with the continuous "tweets" by Trump on trade war not impacting seriously the generic positive tone of the market. Oil was substantially flat during the month around 66USD per barrel.

Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, with 97% of the positions (91 out of 94) contributing positively. Positive contributions were homogeneously distributed, the only exception being DOFSUB 05/20, while a negative contribution was generated by IPFLN 04/21 in the tactical bucket. The average life of the yield-type portfolio is very short (11 months or average spread duration of 0.90), combined with a yield of 2.88% (net of funding cost in EUR) and z-spread of 416 basis points. The fund is levered, being invested at about 147% 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: SWBENAF LX
ISIN: LU1019165965

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