

Swan Bond Enhanced Sicav–SIF USD

August 2019



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

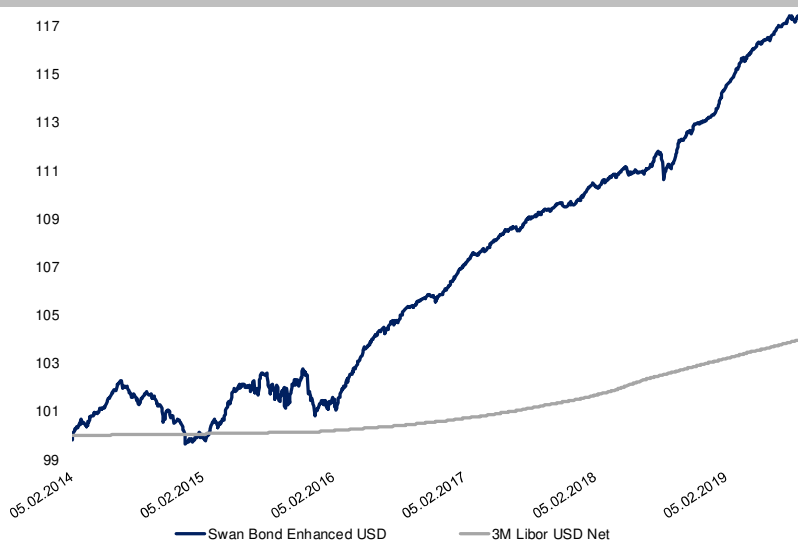
MTD :	0.03%	Fund Assets (mln) :	129.3 €
Since inception	17.39%	1 Year Std Dev :	0.58%
Last 12 Months :	5.62%	1 Year Sharpe Ratio :	5.81
NAVps :	USD 117.39	% of positive months :	81%

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

August was a mixed month for financial markets: European credit markets were positive (H9PC Index +0.64%), while equity markets were negative both in Europe (Eurostoxx 50 -1.16%) and in US (S&P 500 -1.81%). The month started with a bounce in volatility due to renewed tension on trade war: Trump tweeted that US would place a 10% tariff on additional \$300bn Chinese goods starting from 1st of September while China retaliated with a ban on imports of agricultural products from United States and further devaluation of CNY above the psychological level of 7 USDCNY. Additional pressure on growth expectations has been generated by negative economic data in Europe: a bigger than expected fall in industrial production in Germany was confirmed by a negative (-0.1% QoQ in 2Q) GDP reading, while at the same time the Italian coalition reached a breaking point with League leader Matteo Salvini asking for snap elections. Negative sentiment pushed yield on government bonds further lower: German 10 years Bund closed the month at -0.70% (-26bps during the month) while 10 Years Treasury reached 2016 lows at 1.50% (-52bps during the month). The central banks' dovish tone added pressure on “risk-free” rates: the FED is expected to cut rates for the second time at its September meeting, while a new QE plan coupled with a rate cut could be unveiled by the ECB next month. Emerging markets reported a negative performance (-2.60%) with LATAM being the worst performer during the month. Argentina was the main driver of this movement: ARS lost a fifth of its value after opposition candidate Fernandez won primary election, forcing current president Macri to delay \$7bn of payment on short term local debt and seek a voluntary reprofiling of \$50bn of longer-term debt.

Yield-type strategy

The bucket generated a negative gross contribution to the monthly performance, with 80% of the positions (76 out of 95) contributing positively. Positive contributions were homogeneously distributed, the only exception being COFP 05/21, while negative contributions were generated by DOFSUB 05/20 and YPFDAR 09/19. The average life of the yield-type portfolio is very short (10 months or average spread duration of 0.87), combined with a yield of 3.35% (net of funding cost in EUR) and z-spread of 467 basis points. The fund is levered, being invested at about 146% currently.

Period	Perf.	Portfolio info	
MTD	0.03%	# of Securities	125
YTD	3.63%	% Weight	145.66%
6 months	2.14%	Int Dur	0.84
1 year	5.62%	Yield (gross)	3.35%
2018	3.07%	Spread Duration	1.26
2017	3.32%	Z-spread	467
2016	4.99%		
2015	1.53%		
2014	-0.21%		

FX breakdown (fully hedged)

USD	47.36%
EUR	19.16%
NOK	22.07%
SEK	8.37%
CHF	2.10%
GBP	0.71%
AUD	0.23%
TOTAL	100.00%

Geographic breakdown

EU	8.20%
US	0.00%
Oth DEV	37.53%
LATAM	5.63%
EMEA	24.38%
ASIA	24.25%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	1.01%
BBB	7.44%
tot IG	8.45%
BB	19.34%
B	26.55%
CCC	3.11%
tot HY	49.00%
TOTAL	100.00%

Sector breakdown - Top 10

Services	25.84%
Real Estate	24.20%
Banking	16.45%
Foreign Sovereign	7.31%
Energy	5.90%
Financial Services	4.28%
Capital Goods	3.62%
Basic Industry	1.86%
Consumer Goods	1.80%
Technology & Electronics	1.52%

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

Contacts at Swan Asset Management SA:

E-mail: info@swan-am.ch - Tel: +41 91 986 31 90

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