

Swan Bond Enhanced Sicav–SIF CHF

September 2019



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

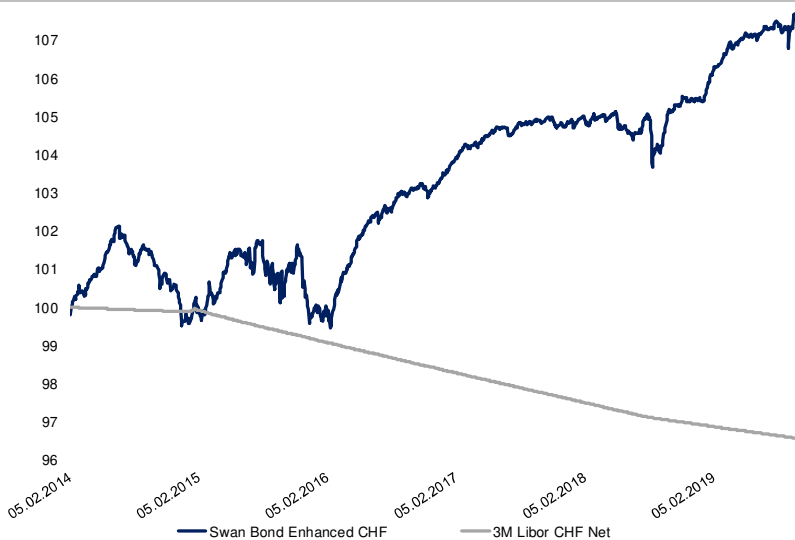
| | | | |
|------------------|--------------|------------------------|---------|
| MTD : | 0.35% | Fund Assets (mln) : | 130.4 € |
| Since inception | 7.67% | 1 Year Std Dev : | 0.87% |
| Last 12 Months : | 2.42% | 1 Year Sharpe Ratio : | 3.64 |
| NAVps : | CHF 107.67 | % of positive months : | 74% |

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

September was a mixed month for financial markets: European credit markets were negative (H9PC Index -0.22%), while equity markets were positive both in Europe (Eurostoxx 50 +4.16%) and in US (S&P 500 +1.72%). The month started with a weak US Manufacturing ISM (first time below 50 since August 2016) while a slowing German economy was confirmed by PMI data slightly above 40. The central banks' dovish tone used during the summer was confirmed in September: the ECB launched a new open-ended QE program (purchase of €20billion per month), cut rates on deposit to -0.50% in connection with a tiering system and announced a more generous term for TLTRO III operation, while the FED cut rates by 25bps leaving space for an additional reduction in FED funds before year end. Notwithstanding the continuous dovish statement and movement from central bank around the world, German 10 years Bund closed the month at -0.58% (+12bps during the month) while 10 Years Treasury rebounded to 1.66% (+17bps during the month), both recovering from the ultra-low levels of August. On the political side, the main news was the impeachment inquiry for Donald Trump proposed by Nancy Pelosi, after a whistleblower revealed a conversation between the US president and the Ukrainian leader Zelensky during which Trump asked for an investigation on his rival Joe Biden. Emerging markets reported a positive performance (+1.36%) with LATAM being the best performer during the month: Argentina was the main driver of this movement after the huge sell-off experienced in August following the proposal of debt extension. Oil prices bounced on the 16th of September immediately after the main Saudi refinery was attacked: Brent jumped by 15% to 69USD per barrel, but after clarification that global supply would have only been partially impacted, it closed the month at 60USD (flat during the month).

Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, with 94% of the positions (83 out of 88) contributing positively. Positive contributions were homogeneously distributed, while a negative contribution was generated by DOFSUB 05/20. 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 3.24% (net of funding cost in EUR) and z-spread of 452 basis points. The fund is levered, being invested at about 142% currently.

| Period | Perf. |
|----------|---------------|
| MTD | 0.35% |
| YTD | 2.12% |
| 6 months | 0.84% |
| 1 year | 2.42% |
| 2018 | 0.52% |
| 2017 | 1.33% |
| 2016 | 3.57% |
| 2015 | 0.27% |
| 2014 | -0.34% |

| Portfolio info | |
|-----------------|---------|
| # of Securities | 119 |
| % Weight | 141.56% |
| Int Dur | 0.83 |
| Yield (gross) | 3.24% |
| Spread Duration | 1.23 |
| Z-spread | 452 |

FX breakdown (fully hedged)

| | |
|--------------|----------------|
| USD | 48.66% |
| EUR | 20.04% |
| NOK | 20.91% |
| SEK | 8.55% |
| CHF | 0.85% |
| GBP | 0.74% |
| AUD | 0.24% |
| TOTAL | 100.00% |

Geographic breakdown

| | |
|--------------|----------------|
| EU | 8.42% |
| US | 0.00% |
| Oth DEV | 36.65% |
| LATAM | 5.17% |
| EMEA | 24.77% |
| ASIA | 25.00% |
| TOTAL | 100.00% |

Rating breakdown

| | |
|--------------|----------------------|
| AAA | 0.00% |
| AA | 0.00% |
| A | 1.04% |
| BBB | 7.89% |
| | tot IG 8.94% |
| BB | 19.71% |
| B | 28.89% |
| CCC | 0.71% |
| | tot HY 49.31% |
| NR | 41.75% |
| TOTAL | 100.00% |

Sector breakdown - Top 10

| | |
|--------------------------|--------|
| Services | 24.48% |
| Real Estate | 24.74% |
| Banking | 17.98% |
| Foreign Sovereign | 6.99% |
| Energy | 5.05% |
| Financial Services | 4.57% |
| Capital Goods | 3.72% |
| Basic Industry | 1.94% |
| Consumer Goods | 1.42% |
| Technology & Electronics | 1.58% |

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, Leutschenbachstrasse 50, 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.