

Swan Bond Enhanced Sicav–SIF CHF

September 2017



Strategy

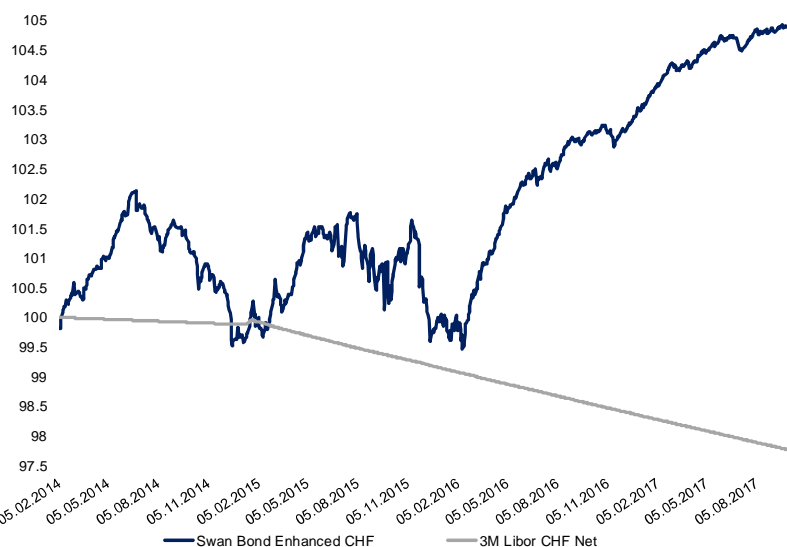
The sub-fund aims to generate significant excess return vs 3m Libor CHF in combination with extremely low volatility. The strategy is focused on the “buy and hold” levered investment in a highly diversified and granular portfolio of liquid short-term fixed income securities. Leverage is normally included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

Performance

MTD :	0.01%	Fund Assets (mIn) :	93.4 €
Since inception	4.89%	1 Year Std Dev :	0.52%
Last 12 Months :	1.72%	1 Year Sharpe Ratio :	4.7
NAVps :	CHF 104.89	% of positive months :	70%

Risk Profile

Conservative Intermediate **High Reward**



Global market picture

During September, European credit markets experienced a positive performance (H9PC Index +0.51%) in tandem with a positive movement of the Eurostoxx 50 (+5.07%), while S&P500 reached new historical highs at 2'519 (+1.93% during the month) thanks also to reduced noise from North Korea. Central banks meetings were the main topic of the month: ECB did not surprise the market, postponing any decision on tapering to October and reassuring investors that rates will remain low even after the end of central bank's purchases; due to Draghi's dovish tone, consensus is now pricing the first hike for 1Q19. On the other side both the FED and BoE launched hawkish signals: Janet Yellen clearly indicated December 2017 as the next date to continue its tightening policy (median dots now calling for 3 hikes in 2018), while the BoE gave an hint of possible rate hikes in the next months; both statements surprised the market as it was expecting a more dovish message due to absent wage pressure despite tight labor markets and generally weak inflation. EM credit market had a positive return this month, continuing the recent trend and benefiting from the continuous inflows and pursuit of attractive yield from investors.

Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, thanks to 86% of the positions (89 out of 103) 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 (9 months or average spread duration of 0.75), combined with a yield of 1.98% (net of funding cost) and z-spread of 300 basis points. The fund is levered, being invested at about 175% currently..

Period	Perf.	Portfolio info	
MTD	0.01%	# of Securities	124
YTD	1.34%	% Weight	174.74%
6 months	0.56%	Int Dur	0.95
1 year	1.72%	Yield (gross)	1.98%
2016	3.57%	Spread Duration	1.32
2015	0.27%	Z-spread	300
2014	-0.34%		

FX breakdown (fully hedged)

USD	51.26%
EUR	14.76%
NOK	17.43%
GBP	4.80%
SEK	7.39%
SGD	0.49%
CHF	3.10%
AUD	0.78%
TOTAL	100.00%

Geographic breakdown

EU	8.03%
US	0.10%
Oth DEV	26.15%
LATAM	12.00%
EMEA	39.61%
ASIA	14.11%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.37%
BBB	24.73%
	tot IG
	25.09%
BB	30.71%
B	15.60%
CCC	0.43%
	tot HY
	46.75%
NR	28.16%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	30.54%
Services	18.94%
Real Estate	15.00%
Energy	7.35%
Basic Industry	7.26%
Foreign Sovereign	5.73%
Financial Services	5.13%
Utility	2.45%
Supranational	1.99%
Consumer Goods	1.91%

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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