

Swan Bond Enhanced Sicav–SIF EUR

December 2017



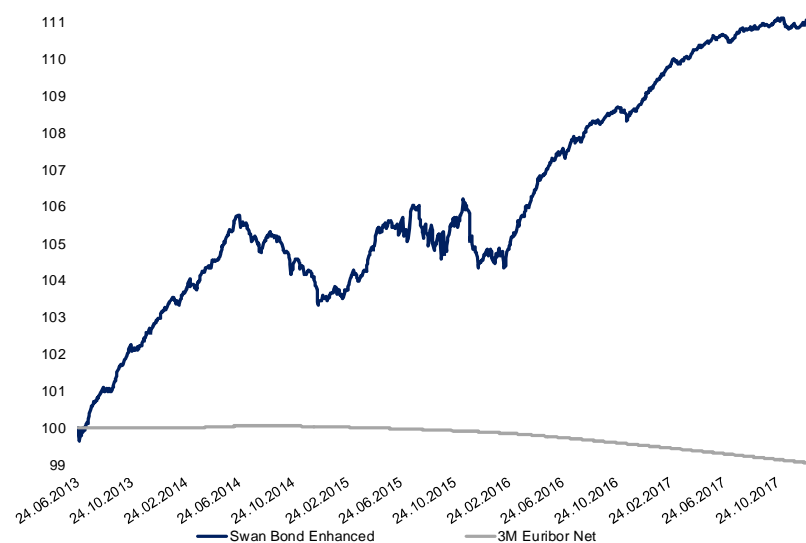
Strategy

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 : | 0.13% | Fund Assets (mln) : | 116.7 € |
| Since inception | 11.04% | 1 Year Std Dev : | 0.47% |
| Last 12 Months : | 1.83% | 1 Year Sharpe Ratio : | 4.65 |
| NAVps : | EUR 111.04 | % of positive months : | 75% |

Risk Profile



| Period | Perf. |
|----------|--------------|
| MTD | 0.13% |
| YTD | 1.83% |
| 6 months | 0.43% |
| 1 year | 1.83% |
| 2016 | 4.13% |
| 2015 | 1.16% |
| 2014 | 0.37% |
| 2013 | 3.14% |

| Portfolio info | |
|-----------------|---------|
| # of Securities | 115 |
| % Weight | 176.12% |
| Int Dur | 0.88 |
| Yield (gross) | 2.22% |
| Spread Duration | 1.24 |
| Z-spread | 327 |

FX breakdown (fully hedged)

| | |
|--------------|----------------|
| USD | 53.14% |
| EUR | 16.33% |
| NOK | 16.61% |
| GBP | 3.41% |
| SEK | 5.40% |
| SGD | 0.00% |
| CHF | 4.09% |
| AUD | 1.01% |
| TOTAL | 100.00% |

Geographic breakdown

| | |
|--------------|----------------|
| EU | 6.57% |
| US | 0.47% |
| Oth DEV | 23.28% |
| LATAM | 10.66% |
| EMEA | 44.56% |
| ASIA | 14.47% |
| TOTAL | 100.00% |

Global market picture

During December, European credit markets experienced a slightly negative performance (H9PC Index -0.04%) in tandem with a negative movement of the Eurostoxx 50 (-1.85%), while S&P500 reached new historical highs at 2'674 (+0.98% during the month). Central banks meetings were once again one of the main events during the period: the ECB did not surprise the market, being on autopilot until mid-2018 with monetary policy, but revised its growth outlook higher for both 2018 and 2019 while remained cautious on inflation. On the other side the FED continued on its policy normalization, raising FED funds target range by 25bps to 1.25%/1.5%; the dots were little changed, still signaling three hikes for 2018, while markets consider a lower movement to rates. Tax Reform in US was the other main topic of the month: on Wednesday 20th of December the House of Representatives passed the most important tax overhaul since the 1980's (1.5tn USD tax cut in 10 years), a very important topic of Trump's agenda. Rates reaction was quite muted, with 10 years Treasury flat during the month around 2.41%, while 10 years Bund was 6bps higher to 0.43%. Emerging markets credit performance was slightly positive (EMHB index +0.28%); Brent Crude price reached its highest level since April 2015 (around 67USD per barrel).

Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, thanks to 87% of the positions (91 out of 105) 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 (8 months or average spread duration of 0.70), combined with a yield of 2.22% (net of funding cost) and z-spread of 327 basis points. The fund is levered, being invested at about 176% currently.

Rating breakdown

| | |
|---------------|----------------|
| AAA | 0.00% |
| AA | 0.00% |
| A | 1.78% |
| BBB | 26.33% |
| tot IG | 28.11% |
| BB | 29.21% |
| B | 17.09% |
| CCC | 0.86% |
| tot HY | 47.17% |
| TOTAL | 100.00% |

Sector breakdown - Top 10

| | |
|--------------------|--------|
| Banking | 33.44% |
| Services | 18.57% |
| Real Estate | 15.76% |
| Energy | 7.37% |
| Basic Industry | 6.87% |
| Foreign Sovereign | 5.19% |
| Financial Services | 2.94% |
| Supranational | 2.12% |
| Consumer Goods | 1.69% |
| Transportation | 1.67% |

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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