

Swan Bond Enhanced Sicav–SIF USD

December 2017



Strategy

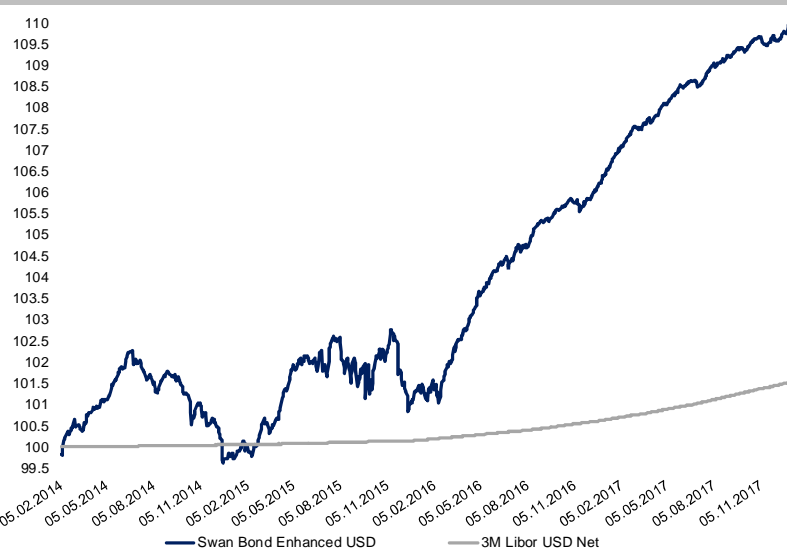
The sub-fund aims to generate significant excess return vs 3m Libor in combination with extremely low volatility. The strategy is focused on the “buy and hold” levered investment in a highly diversified and granular portfolio of liquid short-term fixed income securities. Leverage is normally included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

Performance

MTD :	0.29%	Fund Assets (mln) :	116.7 €
Since inception	9.91%	1 Year Std Dev :	0.52%
Last 12 Months :	3.32%	1 Year Sharpe Ratio :	4.58
NAVps :	USD 109.91	% of positive months :	77%

Risk Profile

Conservative Intermediate **High Reward**



Period	Perf.	Portfolio info	
MTD	0.29%	# of Securities	115
YTD	3.32%	% Weight	176.12%
6 months	1.20%	Int Dur	0.88
1 year	3.32%	Yield (gross)	2.22%
2016	4.99%	Spread Duration	1.24
2015	1.53%	Z-spread	327
2014	-0.21%		

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: 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

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, Affolternstrasse 56, 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.