

# Swan Bond Enhanced Sicav–SIF EUR

## June 2018



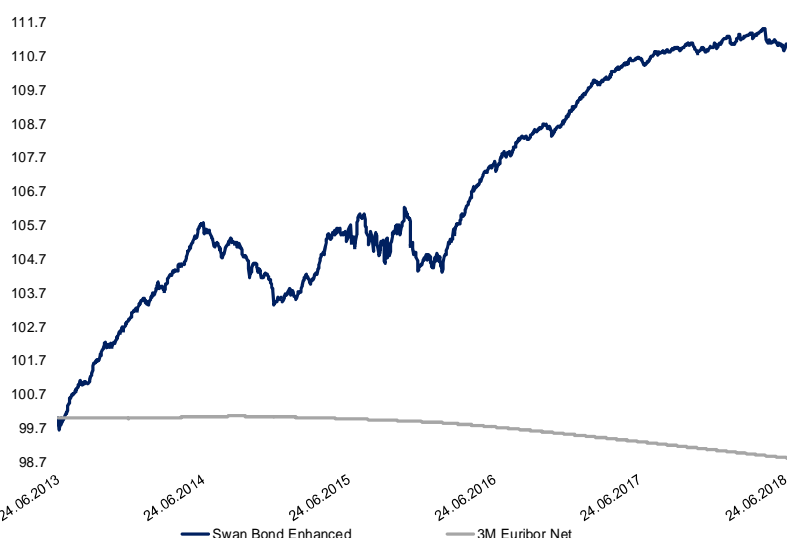
### Strategy

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 :	<b>-0.10%</b>	Fund Assets (mln) :	97.5 €
Since inception	<b>11.02%</b>	1 Year Std Dev :	0.57%
Last 12 Months :	<b>0.42%</b>	1 Year Sharpe Ratio :	1.3
NAVps :	EUR 111.02	% of positive months :	74%

### Risk Profile



### Global market picture

European credit markets experienced a negative performance (H9PC Index -0.45%), in tandem with a negative movement of the Eurostoxx 50 (-0.32%), while S&P500 realized a positive performance (+0.48%). Main themes of the period were central bank meetings and economic data. After hawkish comments by ECB's speakers at the beginning of the month hinting at a possible QE tapering, the actual statement made by Mario Draghi sounded very dovish: on one side he announced that purchases will be reduced to EUR 15bn per month in 4Q18 until the end of the year, but on the other side he emphasized also that rates will remain on hold at least until September 2019. This dovish stance influenced Interest Rates market, with 10 years Bund yield reaching new lows of the year at 0.30%. The FOMC rate hike (25bps) was expected by the market, but the FED was more hawkish in its dot projections, signaling two more rate hikes as base case for 2018. The FED monetary policy is supported by strong economic data, with 2Q18 growth forecasted at 4%, while recovery in Europe seems to soften. President Donald Trump aggressive rhetoric against China combined with raising US rates put pressure on EM FX: ARS, TRY, BRL and ZAR were the worst performer against USD during 1H18, while PBoC cut reserve requirements in an indirect attempt to weaken the CNY. Emerging markets credit performance was influenced negatively by these movements (EMHB index -3.68% during 1H18), with spread to worst 44bps wider at 488bps during the month. On the positive side oil reached new highs, with Brent approaching 80USD per barrel, after OPEC meeting and expectation that US allies will reduce Iranian oil purchases to zero.

### Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, thanks to 79% of the positions (74 out of 94) contributing positively. Positive contributions were homogeneously distributed, while significant negative contributions were generated by PKSTAN 04/19 and HALKKBK 06/19 due to pressure on emerging markets debt. The average life of the yield-type portfolio is very short (9 months) or average spread duration of 0.74), combined with a yield of 4.57% (net of funding cost) and z-spread of 564 basis points. The fund is levered, being invested at about 185% currently.

Period	Perf.
MTD	<b>-0.10%</b>
YTD	<b>-0.02%</b>
6 months	
1 year	<b>0.42%</b>
2017	<b>1.83%</b>
2016	<b>4.13%</b>
2015	<b>1.16%</b>
2014	<b>0.37%</b>
2013	<b>3.14%</b>

Portfolio info	
# of Securities	111
% Weight	184.80%
Int Dur	0.88
Yield (gross)	4.57%
Spread Duration	1.34
Z-spread	564

### FX breakdown (fully hedged)

USD	43.99%
EUR	19.65%
NOK	20.10%
GBP	1.81%
SEK	9.31%
SGD	0.00%
CHF	4.90%
AUD	0.25%
<b>TOTAL</b>	<b>100.00%</b>

### Geographic breakdown

EU	8.87%
US	0.43%
Oth DEV	32.89%
LATAM	10.59%
EMEA	30.65%
ASIA	16.57%
<b>TOTAL</b>	<b>100.00%</b>

### Rating breakdown

AAA	0.00%
AA	0.00%
A	1.01%
BBB	16.22%
<b>tot IG</b>	<b>17.23%</b>
BB	28.91%
B	18.97%
CCC	0.43%
<b>tot HY</b>	<b>48.31%</b>
<b>TOTAL</b>	<b>100.00%</b>

### Sector breakdown - Top 10

Banking	26.84%
Services	26.31%
Real Estate	21.05%
Financial Services	5.02%
Energy	4.14%
Foreign Sovereign	3.84%
Basic Industry	3.68%
Supranational	1.61%
Agency	1.53%
Transportation	1.23%

### 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  
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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, 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.*