

Swan Bond Enhanced Sicav–SIF USD

June 2018



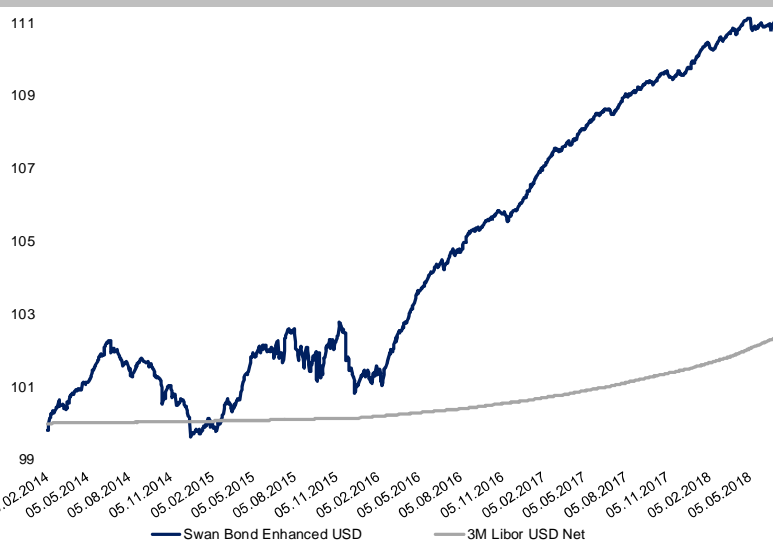
Strategy

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 :	0.07%	Fund Assets (mln) :	97.5 €
Since inception	11.02%	1 Year Std Dev :	0.60%
Last 12 Months :	2.22%	1 Year Sharpe Ratio :	1.37
NAVps :	USD 111.02	% of positive months :	77%

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 this 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 HALKBK 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.	Portfolio info	
MTD	0.07%	# of Securities	111
YTD	1.01%	% Weight	184.80%
6 months	1.01%	Int Dur	0.88
1 year	2.22%	Yield (gross)	4.57%
2017	3.32%	Spread Duration	1.34
2016	4.99%	Z-spread	564
2015	1.53%		
2014	-0.21%		

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%
TOTAL	100.00%

Geographic breakdown

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

Rating breakdown

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

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: 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
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