

# Swan Bond Enhanced Sicav–SIF CHF

## September 2018



### 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

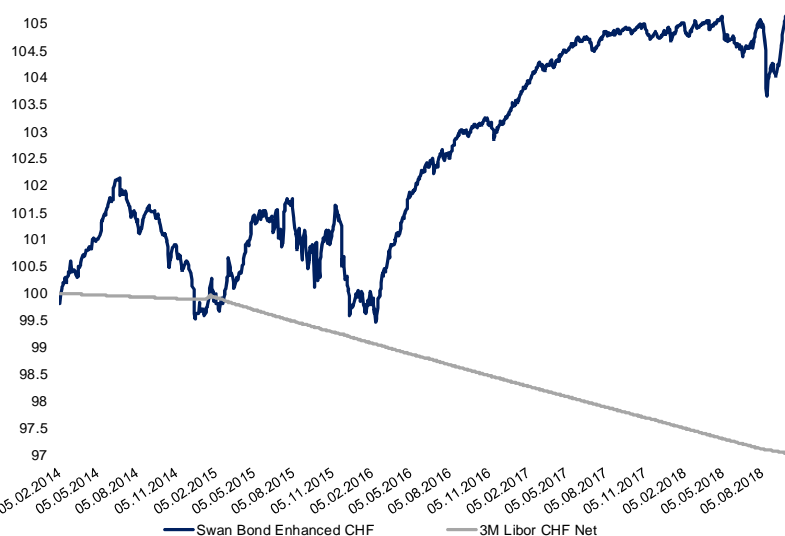
MTD :	<b>0.97%</b>	Fund Assets (mln) :	86.3 €
Since inception	<b>5.13%</b>	1 Year Std Dev :	1.08%
Last 12 Months :	<b>0.23%</b>	1 Year Sharpe Ratio :	0.9
NAVps :	CHF 105.13	% of positive months :	70%

### Risk Profile

Conservative

Intermediate

**High Reward**



### Global market picture

September was another volatile month for markets. European credit markets were slightly positive (H9PC Index +0.11%), likewise equity markets, with Eurostoxx 50 and S&P 500 gaining respectively 0.35% and 0.43%. The FOMC meeting did not surprise, with FED funds raised by 25bps, dots largely unchanged and the removal of the “accommodative” stance: strong projections of economic growth (3Q18 forecasted at 3%) support the FED hiking path (four hikes expected by end 2019), with steepness in the 2/10years space further reduced to just 24bps. The ECB meeting reaffirmed the halving of QE from October and the stop of net purchase in December; close to the end of the month, Draghi statement about “a vigorous pick-up in underlying inflation” caused a spike in the 10 years Bund yield to 0.53%, immediately reversed due to tensions between Italian populist government and European partners on deficit targets. Emerging markets were still on the spotlight: central bank of Turkey sent a strong signal of independence, raising rates to 24%, that combined with the new fiscal plan announced by Finance Minister Albayrak, eased pressure on TRY and corporate/banks bonds, while Argentina reached an agreement on a set of strengthened economic policies with IMF. US/China trade dispute reached a new level, with 10% tariffs (lower than the 25% expected) imposed on \$200bn of goods that will increase to 25% in 1Q19 if an agreement is not reached; China retaliated with 10% tariffs on \$60bn of US goods. Emerging markets credit performance was positive (EMHB Index +2.04%) after August negative movement, bolstered by Turkey rebound and cheaper valuations.

### Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, with 91% of the positions (81 out of 89) contributing positively. Positive contributions were concentrated mostly on Turkish banks (senior) exposure, 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 0.67), combined with a yield of 4.89% (net of funding cost) and z-spread of 598 basis points. The fund is levered, being invested at about 188% currently.

Period	Perf.	Portfolio info	
MTD	<b>0.97%</b>	# of Securities	105
YTD	<b>0.24%</b>	% Weight	188.16%
6 months	<b>0.08%</b>	Int Dur	0.75
1 year	<b>0.23%</b>	Yield (gross)	4.89%
2017	<b>1.33%</b>	Spread Duration	1.22
2016	<b>3.57%</b>	Z-spread	598
2015	<b>0.27%</b>		
2014	<b>-0.34%</b>		

### FX breakdown (fully hedged)

USD	46.26%
EUR	18.81%
NOK	19.37%
GBP	0.10%
SEK	9.70%
SGD	0.00%
CHF	5.48%
AUD	0.28%
<b>TOTAL</b>	<b>100.00%</b>

### Geographic breakdown

EU	8.27%
US	0.48%
Oth DEV	33.47%
LATAM	7.96%
EMEA	31.43%
ASIA	18.39%
<b>TOTAL</b>	<b>100.00%</b>

### Rating breakdown

AAA	0.00%	
AA	0.00%	
A	1.48%	
BBB	12.15%	
	<b>tot IG</b>	<b>13.62%</b>
BB	23.39%	
B	25.54%	
CCC	0.48%	
	<b>tot HY</b>	<b>49.41%</b>
<b>TOTAL</b>	<b>100.00%</b>	

### Sector breakdown - Top 10

Banking	28.26%
Services	27.05%
Real Estate	23.18%
Financial Services	3.85%
Energy	3.44%
Basic Industry	2.39%
Foreign Sovereign	1.92%
Supranational	1.79%
Leisure	1.65%
Transportation	1.38%

### 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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