

Swan Bond Enhanced Sicav–SIF USD

October 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

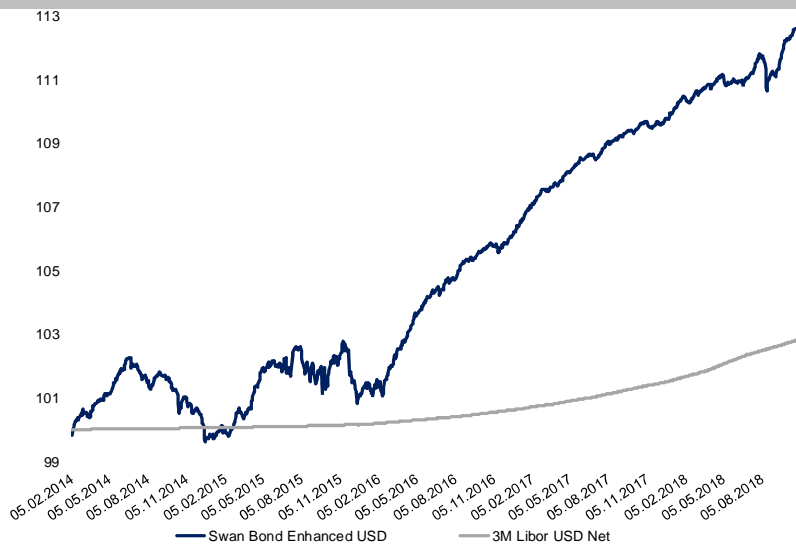
MTD :	0.26%	Fund Assets (mln) :	90.4 €
Since inception	12.52%	1 Year Std Dev :	0.93%
Last 12 Months :	2.63%	1 Year Sharpe Ratio :	0.92
NAVps :	USD 112.52	% of positive months :	77%

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

October was another volatile month for markets. European credit markets were negative (H9PC Index -0.86%), likewise equity markets, with Eurostoxx 50 and S&P 500 losing respectively 5.93% and 4.41% (first negative month for US stocks since March 2018). The minutes of the FOMC meeting disclosed that several members would raise rates to restrictive territory, with markets pricing slightly more than three hikes until December 2019; economic data showed that US exceptionalism could have reached its peak, notwithstanding Q3 GDP beat consensus at +3.5%. December rate hike is very likely (84% probability), while much more uncertain is how US and China relations will evolve: during the month president Trump reiterated his hard stance in the trade dispute, but at the same time he looked for a possible meeting with Xi at G-20 summit in late November. In the Euro area, weakness in recent data did not influence the tone used by Draghi during the last meeting: he affirmed that recent slowdown was mainly due to specific factors, with improvement in underlying factors still positive and broad based. Yield on 10 Years German Bund went under pressure (-9bps at 0.39%) due to the conflict between Italy and EU commission, with the latter asking to review financial bill proposed by the “populist” government. Emerging markets reported a negative performance, with mixed contribution: both Latam and Ceemea regions registered a slightly positive performance, thanks respectively to Bolsonaro victory in Brazil and recovery in Turkey, while Asia was negative due to continuous headlines on Trade War.

Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, with 83% of the positions (70 out of 84) 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 0.67), combined with a yield of 4.37% (net of funding cost) and z-spread of 541 basis points. The fund is levered, being invested at about 166% currently.

Period	Perf.	Portfolio info	
MTD	0.26%	# of Securities	98
YTD	2.37%	% Weight	166.30%
6 months	1.26%	Int Dur	0.64
1 year	2.63%	Yield (gross)	4.37%
2017	3.32%	Spread Duration	1.09
2016	4.99%	Z-spread	541
2015	1.53%		
2014	-0.21%		

FX breakdown (fully hedged)

USD	48.32%
EUR	17.44%
NOK	18.75%
GBP	0.00%
SEK	10.50%
SGD	0.00%
CHF	4.69%
AUD	0.31%
TOTAL	100.00%

Geographic breakdown

EU	6.93%
US	0.52%
Oth DEV	36.61%
LATAM	8.72%
EMEA	27.17%
ASIA	20.05%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	1.65%
BBB	14.60%
tot IG	16.25%
BB	18.92%
B	26.95%
CCC	0.00%
tot HY	45.88%
TOTAL	100.00%

Sector breakdown - Top 10

Services	27.09%
Banking	26.82%
Real Estate	24.66%
Financial Services	4.19%
Energy	3.83%
Basic Industry	2.60%
Foreign Sovereign	2.09%
Supranational	2.00%
Leisure	1.77%
Transportation	1.50%

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

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