

Silverdale

Fund Management

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ASIAN FUND

Silverdale Bond Fund

Communique as at 23rd February 2017

Fund Description

Silverdale Bond Fund is a diversified portfolio of primarily investment grade short duration US dollar bonds, actively managed for enhanced returns, using ring-fenced leverage.

Investor Benefits

Active management with real time response, capitalizing on opportunistic investments and employing prudent risk management systems. Embedded leverage for higher return without hassles of loan management.

Fund Information

Fund	Silverdale Bond Fund, or Silverdale Fund SP-1
Fund Type	Segregated Portfolio Company
Domicile	Cayman Islands
Inception Date [†]	9 Sep 2010
Weekly NAV Launch Date	1 Oct 2013
Cayman Launch Date	8 May 2015
NAV Computation	Weekly
Subscription	Weekly (Friday)*
Redemption	Weekly (Monday)*
Management Fee	0.50% p.a.^
Next Dividend Date	31 Mar'17 (US\$ 1.90 per share) [†]
Previous 4 Dividend Dates	30 Dec'16 (US\$ 1.90 per share) 30 Sep'16 (US\$ 1.90 per share) 24 Jun'16 (US\$ 1.75 per share) 24 Mar'16 (US\$ 1.75 per share)

Class 1A Details

ISIN	KYG8135U1076
CUSIP	G8135U 107
Swiss Valor No.	28213010
Bloomberg Code	SILY01A KY Equity
Morningstar SecID	F00000WLJR
Initial Sales Charge	1.00%
Exit Load	0.25%

Class 1B Details

ISIN	KYG8135U1159
CUSIP	G8135U 115
Bloomberg Code	SILY01B KY Equity
Morningstar SecID	F00000WLJW
Initial Sales Charge	0.00%
Contingent Load	3% / 2% / 1%
Exit Load	1.00%

Fund Management Details

THE FUND

Silverdale Bond Fund or Silverdale Fund SP-1 is a segregated portfolio of Silverdale Fund SPC, a Cayman Islands domiciled mutual fund, registered with Cayman Islands Monetary Authority

FUND MANAGER

Silverdale Capital Pte Ltd

Regulated by Monetary Authority of Singapore
UEN# 200820921K

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Silverdale Fund SP-1

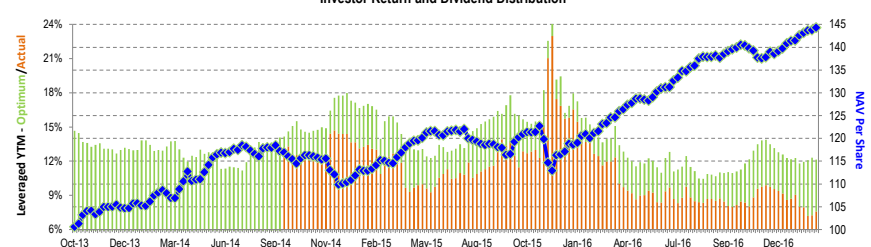
Silverdale Bond Fund (or Silverdale Fund SP-1) generates enhanced investor returns by clever use of asset-level leverage, while actively managing the portfolio duration. During the month ended 23rd February 2017, the Fund NAV appreciated by 1.29% to US\$ 132.49 (previous month: US\$ 130.80), with actual portfolio yield (post-leverage) of 7.60% per annum (previous month: 7.99% p.a.), and average duration of 2.29 years (previous month: 2.05 years).

Portfolio Dashboard Growth NAV US\$ 144.2630 Ex-Dividend NAV US\$ 132.4899

Performance*	Fund Statistics	Top Holdings	% age
Previous 1 week	0.4060 %	Portfolio Yield to Maturity	3.46 %
Trailing 1 month	1.2898 %	Leveraged YTM - Actual	7.60 %
Trailing 3 months	5.2670 %	Leveraged YTM - Optimum	12.13 %
Trailing 6 months	4.9581 %	Average Coupon	4.45 %
Trailing 12 months	19.4140 %	Average Duration*	2.29 years
Trailing 3 years	9.93% p.a.	Total Dividend Paid	US\$ 11.77
(*) after all fees, grossing up for dividends		Sharpe Ratio	1.48
		Block Financial Lic 2020	2.95 %
		Gap Inc/The 2021	2.91 %
		Chang Development 2020	2.87 %
		Prospect Capital 2019	2.83 %
		Seagate Hdd 2023	2.80 %
		Mcc Holding Hk 2017	2.64 %
		Seagate Hdd 2018	2.48 %

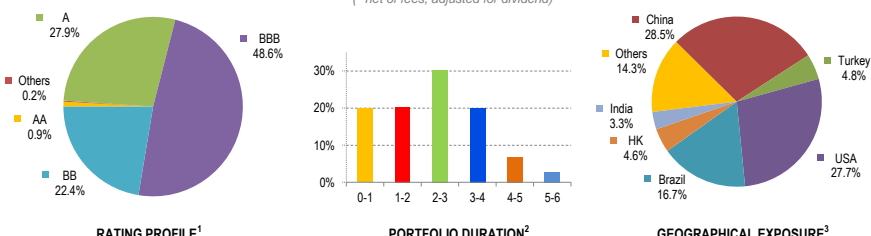
Period	Oct'13-Dec'13	2014	2015	Jan'16-Mar'16	Apr'16-Jun'16	Jul'16-Sep'16	Oct'16-Dec'16	2016
Dividend	-	-	4.4731	1.7500	1.7500	1.9000	1.9000	7.3000
Ex-Dividend Price	104.6428	110.3573	112.6058	118.3647	123.2694	129.1991	127.9435	127.9435
Return to Investor	4.06%	5.46%	6.09%	6.67%	5.62%	6.35%	0.50%	20.10%

Investor Return and Dividend Distribution



NAV and post-leverage YTM

(* net of fees, adjusted for dividend)



Portfolio Update

During the week ended 23rd February 2017, Silverdale Bond Fund sold Petrobras 2018 bond while it purchased Vale 2019 (BBB-/Ba3/BBB), Tewoo Goup 2019 (-/-/BBB-), Wuhan Metro 2019 (-/-/A), Shougang 2019 (-/-/A-), Petrobras 2021 (BB-/B2/BB), Seagate 2022 (BBB-/Baa3/BBB-), and Ahi Bank 2022 (A2/-/-).

Vale SA (Mkt Cap ~US\$ 55.8bn) is the largest global supplier of iron ore and the largest global producer of nickel. As at 30th Sep 2016, it reported debt at ~US\$ 31.5bn, against cash & equivalents of ~US\$ 5.5bn and unutilized credit line of over US\$ 3bn. It reported TTM EBITDA of ~US\$ 8.8bn, net debt/EBITDA at 2.9x with EBITDA to interest ratio of ~5x. The bonds are issued by its wholly owned subsidiary and guaranteed by it.

Tewoo Group is the largest commodities trading and metals distribution company in China by total revenue (~US\$ 60bn); with 60% of its gross profit being generated from selling iron ore, coking coal and steel products in China. The Group is headquartered in Tianjin, with operations in China, United States, Germany, Japan, Singapore, Philippines and Hong Kong. As of 30th June, 2016, it reported total assets of US\$ 34bn. It is a wholly owned subsidiary of Tianjin SASAC.

Wuhan Metro constructs and operates the metro rail system in Wuhan City, the capital of Hubei province in China. The company operates 126km of metro lines and has ~276km under construction. It is ~80% owned by Wuhan SASAC and ~12% owned by China Development Bank, with the remaining stakes held by Huaneng Guicheng (an SOE trust company) and Founder BEA (70% owned by Peking University).

Shougang Corp is the second largest iron and steel company in China in terms of total assets of ~US\$ 66bn with operations in over 24 countries. It is China's fifth largest steel producer by volume (2015: 28.6mn tons) and ranks among the top three producers in various high-value-added products, such as auto and appliance sheets. It reported total debt of US\$ 33.6bn with cash & equivalents of ~US\$ 5bn and available line of credit at ~US\$ 43bn. It is owned by Beijing SASAC.

Petroleo Brasileiro (Mkt Cap: US\$ 68.5bn), is an integrated energy company, with total assets of over ~US\$ 200bn. As at 30th Sep 2016, it reported TTM EBITDA of ~US\$ 24.3bn with Net Debt/EBITDA of ~4.1x and interest coverage ratio of ~3.2x. Brazilian Govt owns ~46% of its capital and ~60% of its voting shares. The bonds are issued by its wholly owned subsidiary and guaranteed by it.

Founded in 1983, Ahi Bank QSC (Mkt Cap: US\$ 1.9bn), is the fifth largest bank in Qatar, with ~4.2% of the total assets of the Qatari banking sector. As at 31st Dec 2016, it reported total assets of ~US\$ 10.5bn and book value of equity at US\$ 1.2bn. It reported non-performing loans at 0.82% and net interest margin at 2.07%. Further it reported Tier 1 capital adequacy ratio of 15.46% and a total capital adequacy ratio of 15.62%. Qatar Investment Authority is the largest shareholder with ~47% stake. The bonds are issued by its wholly owned subsidiary and guaranteed by it.

During the month of February 2017, Silverdale Bond Fund NAV appreciated by 1.29%, contributed almost equally by price appreciation and interest accruals. Brazilian and US credits were the primary contributor to price appreciation followed by Chinese and Turkish credits, with no significant drag to the NAV.

During the month, the Fund sold Deutsche Bank 2017, Seagate 2018, Petrobras 2018, and QIB 2019 bonds, while it purchased BRF 2017, Vale 2019, Macquarie 2019, Tewoo Goup 2019, Wuhan Metro 2019, Shougang 2019, Changchun Urban 2020, Gerda 2020, Embraer 2020, H&R Block 2020, HNA Group 2020, Macys 2021, HP 2021, Petrobras 2021, Seagate 2022, Ahi Bank 2022 and Staples 2023 bonds. It also purchased structured note based on Shriram Transport 2020 and a CLN based on Bank of China. Further it received proceeds from maturity of Petrobras 2017 bonds as well as tender of Petrobras 2019 bonds.

The Fund continues to maintain its conservative position with ~77.4% of its investments in investment grade bonds and continuing its short duration of ~2.29 years. The short duration of the portfolio could help it against any significant gyrations in interest rate.

Subscription Details

Subscription can be made only as per terms & conditions of the composite Private Placement Memorandum (including Class Supplement) which may be obtained free of cost from the Fund Administrator at spc@silverdalegroup.com