

SILVERDALE BOND FUND

REVIEW: CY2018

Silverdäle



SILVERDALE CAPITAL PTE LTD

Fund Management

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Silverdäle Bond Fund

Performance Review, Q3 CY2018

Parameter	As at 29 Jun'18	As at 28 Sep'18		Change in Q3 2018
NAV appreciation	US\$ 123.6521	US\$ 124.7965	↑	0.93% after paying dividend
Dividend Paid	US\$ 2.00 per share	US\$ 2.00 per share	↑	6.41% p.a.
Total Return to Investor	-2.54%	2.54%	↑	For Sep'18 Quarter
Asset Quality IG Bonds	82.54%	78.14%	↓	Marginally Lower
Duration	1.79 years	1.81 years	↔	Flattish
Coupon	5.02%	5.09%	↔	Flattish
Portfolio YTM	5.39%	5.54%	↑	Marginally Higher
Lev Portfolio YTM - Actual	9.50%	10.07%	↑	Marginally Higher
Lev Portfolio YTM - Optimum	12.45%	12.92%	↑	Marginally Higher

Performance contributed by:

- Bond Price appreciation of about 0.65%
- Bond net carry of circa 2.28%

Dividend paid:

- Q3, 2018: US\$ 2.00 per share (Dividend Yield: 6.41%)
*Dividend payment reduces the NAV by the amount of dividend paid.
Dividend yield computed based on closing NAV*

Silverdäle Bond Fund

Performance Review, Q4 CY2018

Parameter	As at 28 Sep'18	As at 28 Dec'18		Change in Q4 2018
NAV appreciation	US\$ 124.7965	US\$ 120.7821	↓	-3.22% after paying dividend
Dividend Paid	US\$ 2.00 per share	US\$ 2.00 per share	↑	6.62% p.a.
Total Return to Investor	2.54%	-1.61%	↓	For Dec'18 Quarter
Asset Quality IG Bonds	78.14%	79.18%	↔	Flattish
Duration	1.81 years	1.65 years	↓	Lower
Coupon	5.09%	5.13%	↔	Flattish
Portfolio YTM	5.54%	6.24%	↑	Higher
Lev Portfolio YTM - Actual	10.07%	11.65%	↑	Higher
Lev Portfolio YTM - Optimum	12.92%	14.47%	↑	Higher

Performance contributed by:

- Primarily bond price movement of circa -3.37%
- Bond net carry of circa 2.18%

Dividend paid:

- Q4, 2018: US\$ 2.00 per share (Dividend Yield: 6.62%)
Dividend payment reduces the NAV by the amount of dividend paid.
Dividend yield computed based on closing NAV

Silverdäle Bond Fund

Performance Review, CY2018

Parameter	As at 29 Dec'17	As at 28 Dec'18		Change in 2018
NAV appreciation	US\$ 131.6822	US\$ 120.7821	↓	-8.28% after paying dividend
Dividend Paid	US\$ 7.80 per share	US\$ 8.00 per share	↑	6.62% p.a.
Total Return to Investor	9.02%	-2.20%	↓	For CY 2018
Asset Quality IG Bonds	77.71%	79.18%	↑	Marginally Higher
Duration	2.14 years	1.65 years	↓	Much Lower
Coupon	4.88%	5.13%	↑	Higher
Portfolio YTM	3.95%	6.24%	↑	Significantly Higher
Lev Portfolio YTM - Actual	6.72%	11.65%	↑	Significantly Higher
Lev Portfolio YTM - Optimum	9.80%	14.47%	↑	Much Higher

Performance contributed by:

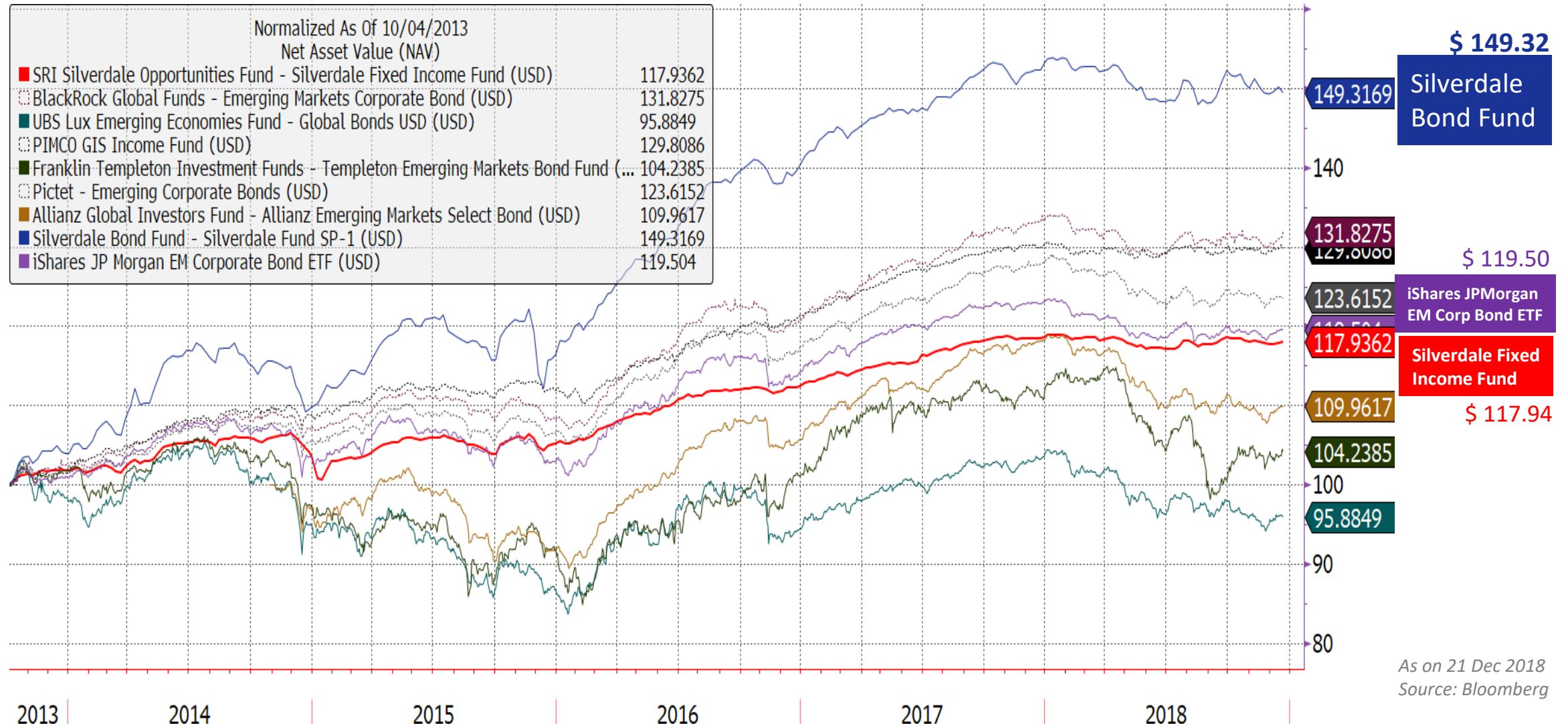
- Primarily bond price movement of circa -8.47%
- Bond net carry of circa 7.81%

Dividend paid:

- 2018: US\$ 8.00 per share (Dividend Yield: 6.62%)
Dividend payment reduces the NAV by the amount of dividend paid.
Dividend yield computed based on closing NAV

Silverdåle Bond Fund

Relative Performance ... *Consistent Outperformance!*



Silverdäle Bond Fund

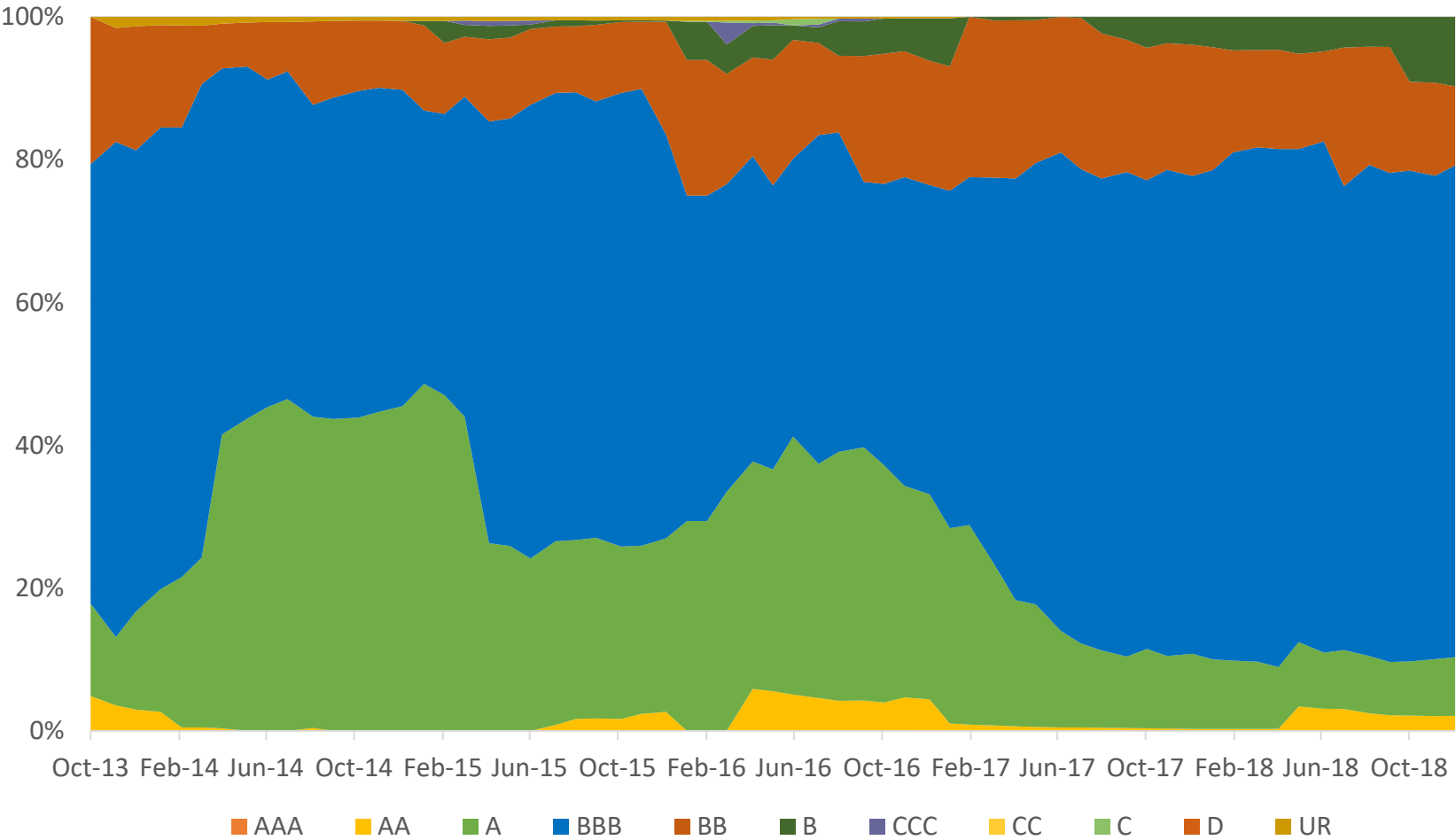
Relative Performance

Fund Name \ Annualized→	Mean Return	Standard Deviation	Sharpe Ratio	Downside Risk	Sortino Ratio	Duration
Silverdale Bond Fund	7.81%	5.30	1.31	3.80	1.23	1.65
Blackrock Emerging Markets Corp Bond Fund	5.33%	4.13	1.36	2.88	1.32	5.83
PIMCO Global Income Fund	5.30%	2.02	2.08	1.39	2.15	3.15
Pictet Emerging Corporate Bonds	4.10%	4.30	0.82	3.05	0.80	4.21
iShares JP Morgan EM Corporate Bond ETF	3.93%	5.41	0.83	2.98	1.14	4.85
Silverdale Fixed Income Fund	3.18%	1.79	1.47	1.32	1.30	2.00
Allianz Emerging Markets Select Bond Fund	2.41%	5.83	0.90	4.33	0.77	5.52
Franklin Templeton Emerging Markets Bond Fund	1.09%	9.02	0.43	6.84	0.37	0.95
UBS Emerging Economies Fund	-0.56%	7.26	0.21	5.00	0.20	6.63

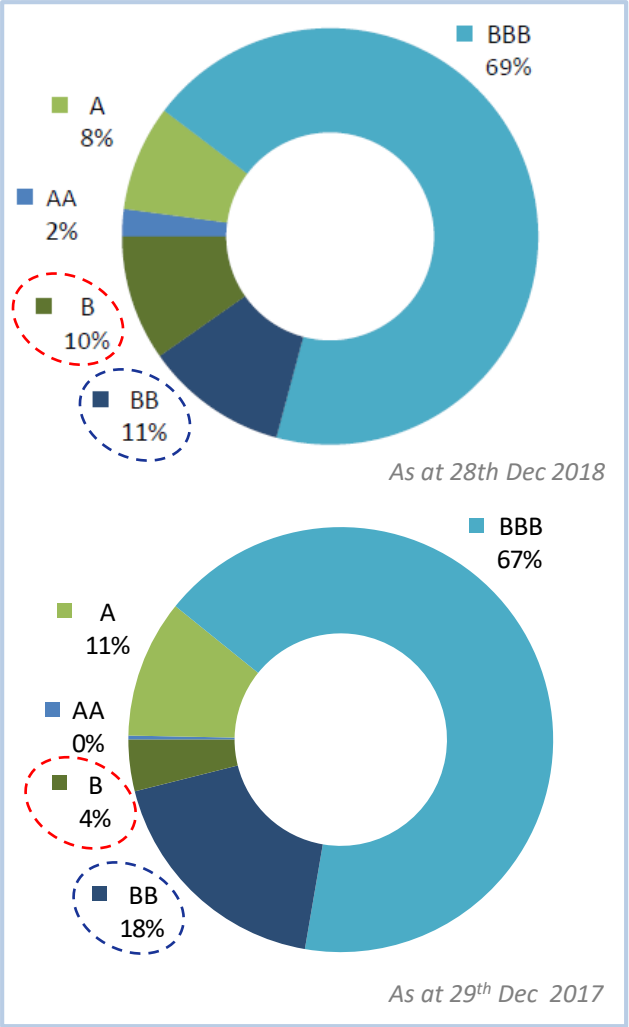
Source: Bloomberg,
Fund Factsheets

Silverdäle Bond Fund

Proactive Credit Quality Management (min: 75% IG)

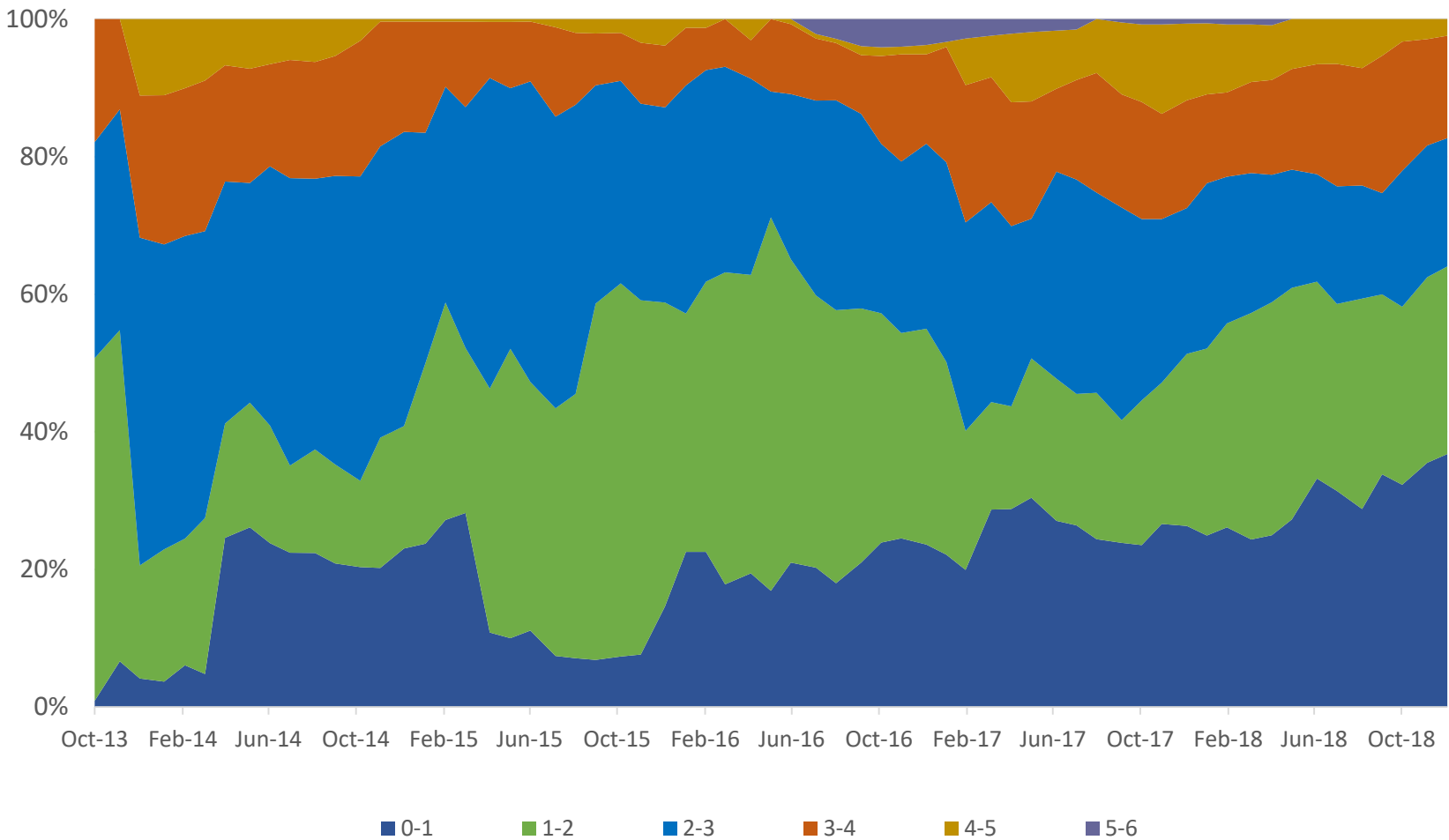


Investment Grade bonds increased marginally from 78.1% to 79.2%

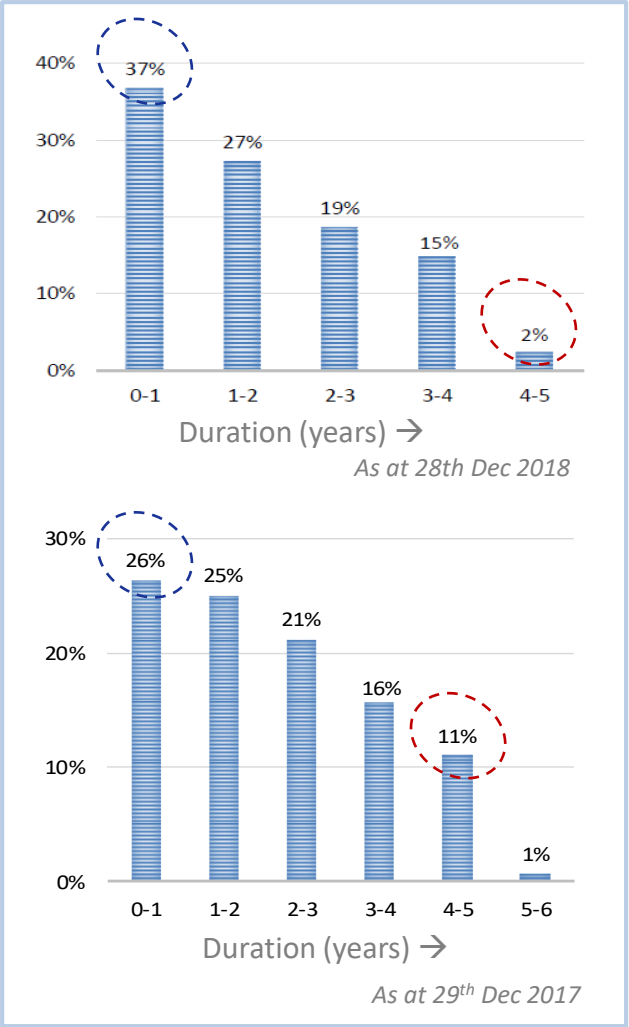


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Active Duration Management (2-3 years)

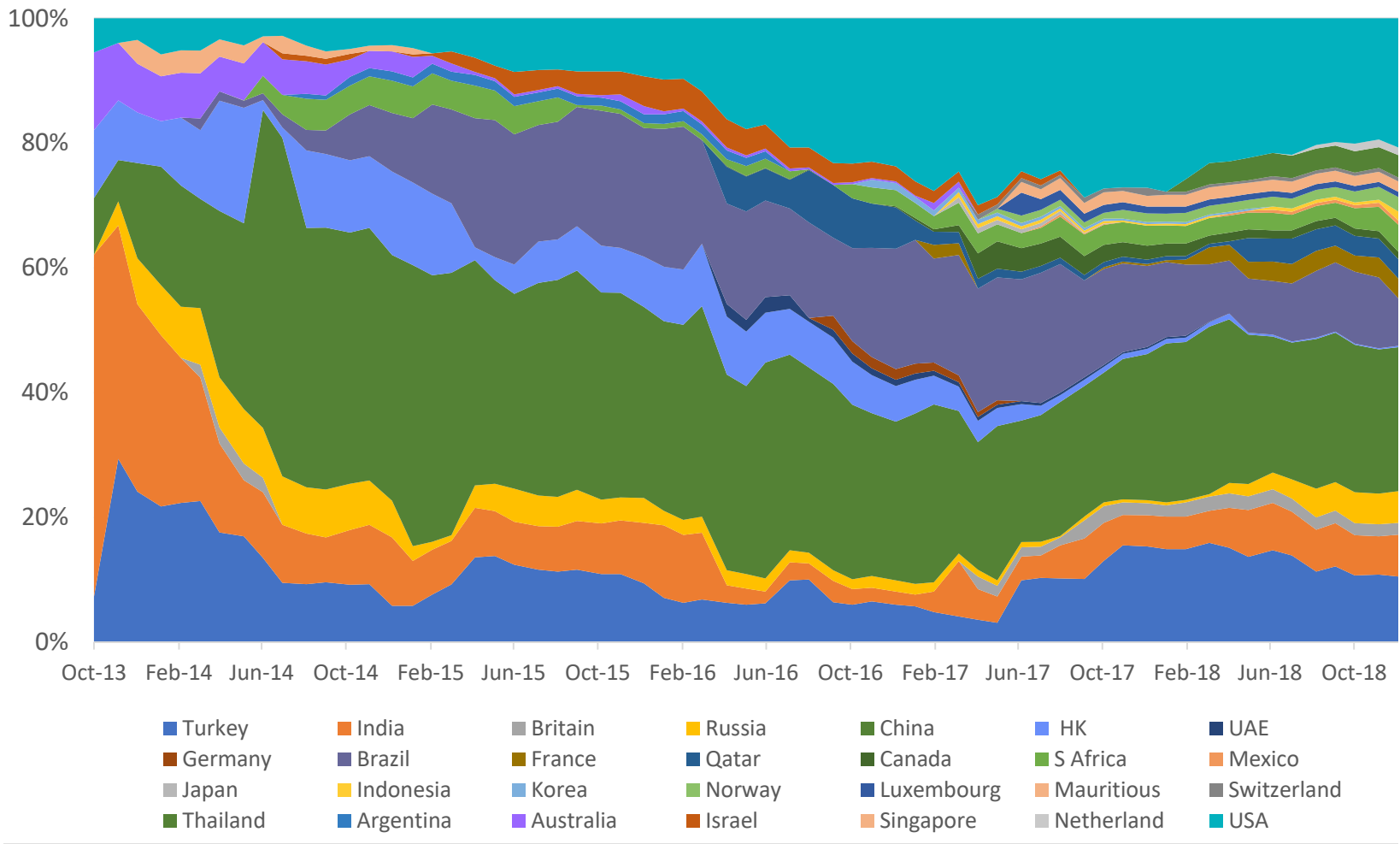


Duration reduced from 2.14 years to 1.65 years

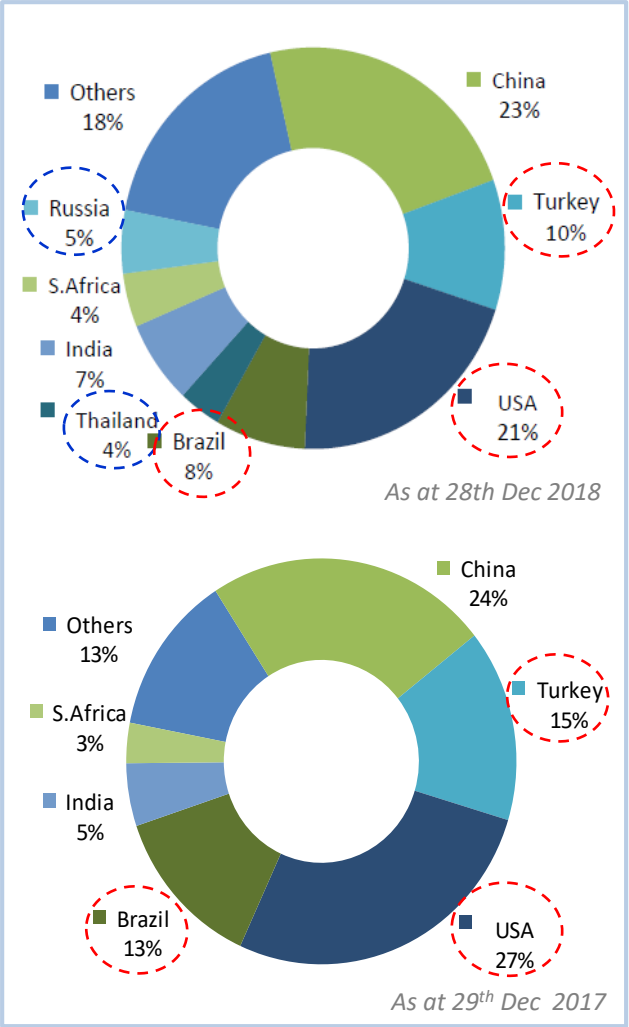


Silverdåle Bond Fund

Dynamic Geographical Allocation

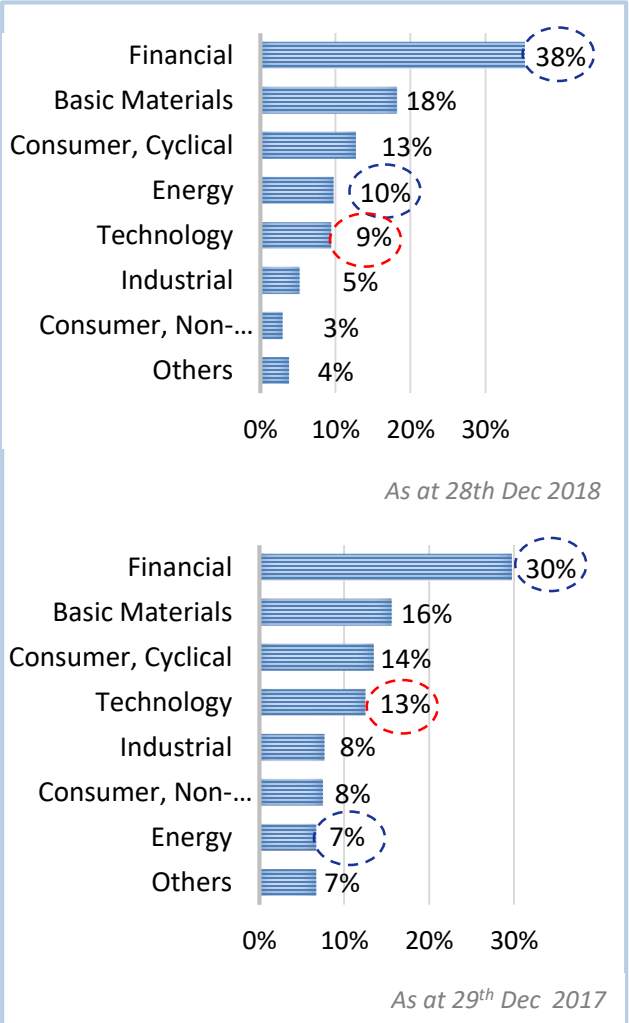
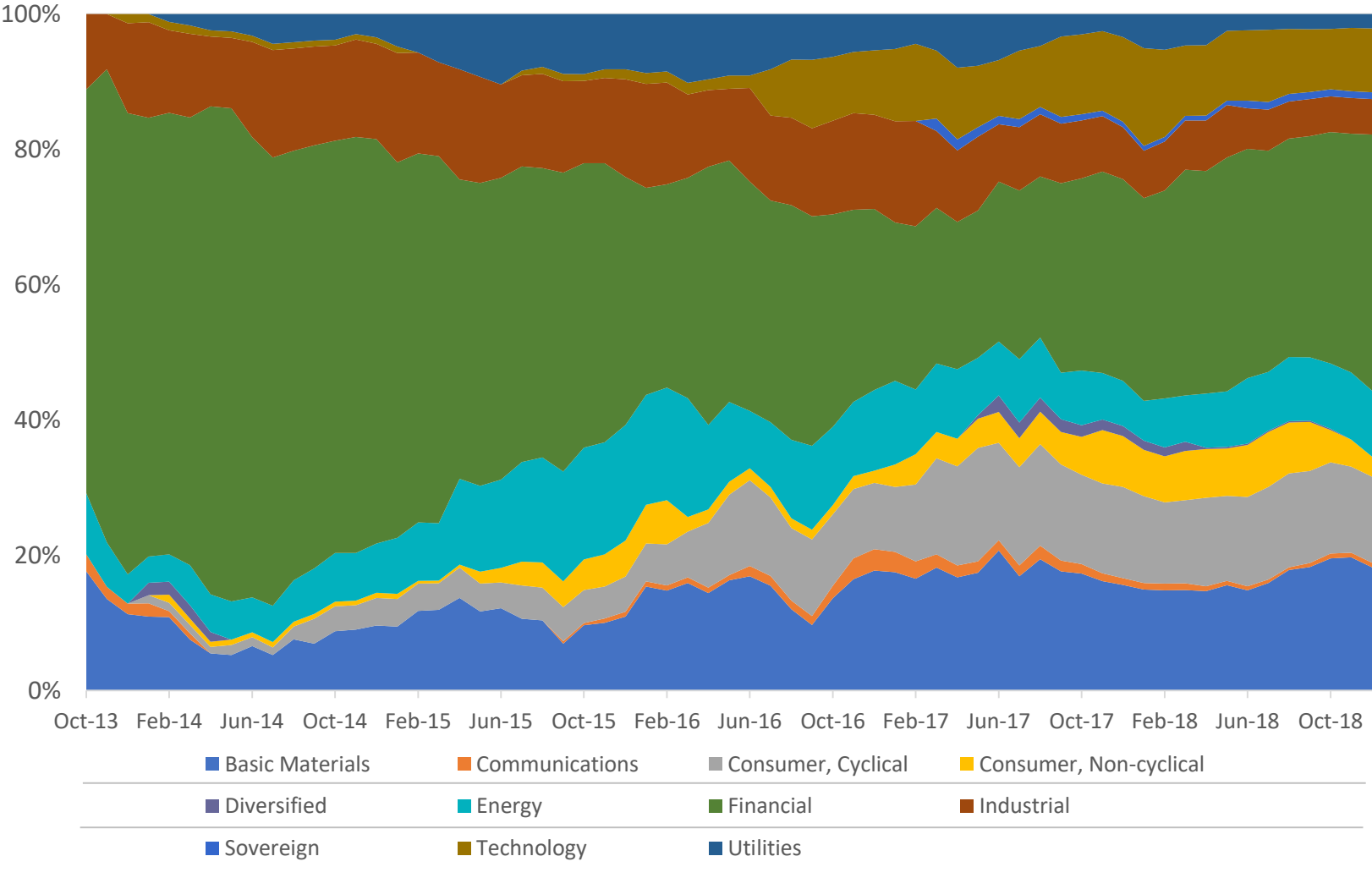


Geographically well-diversified



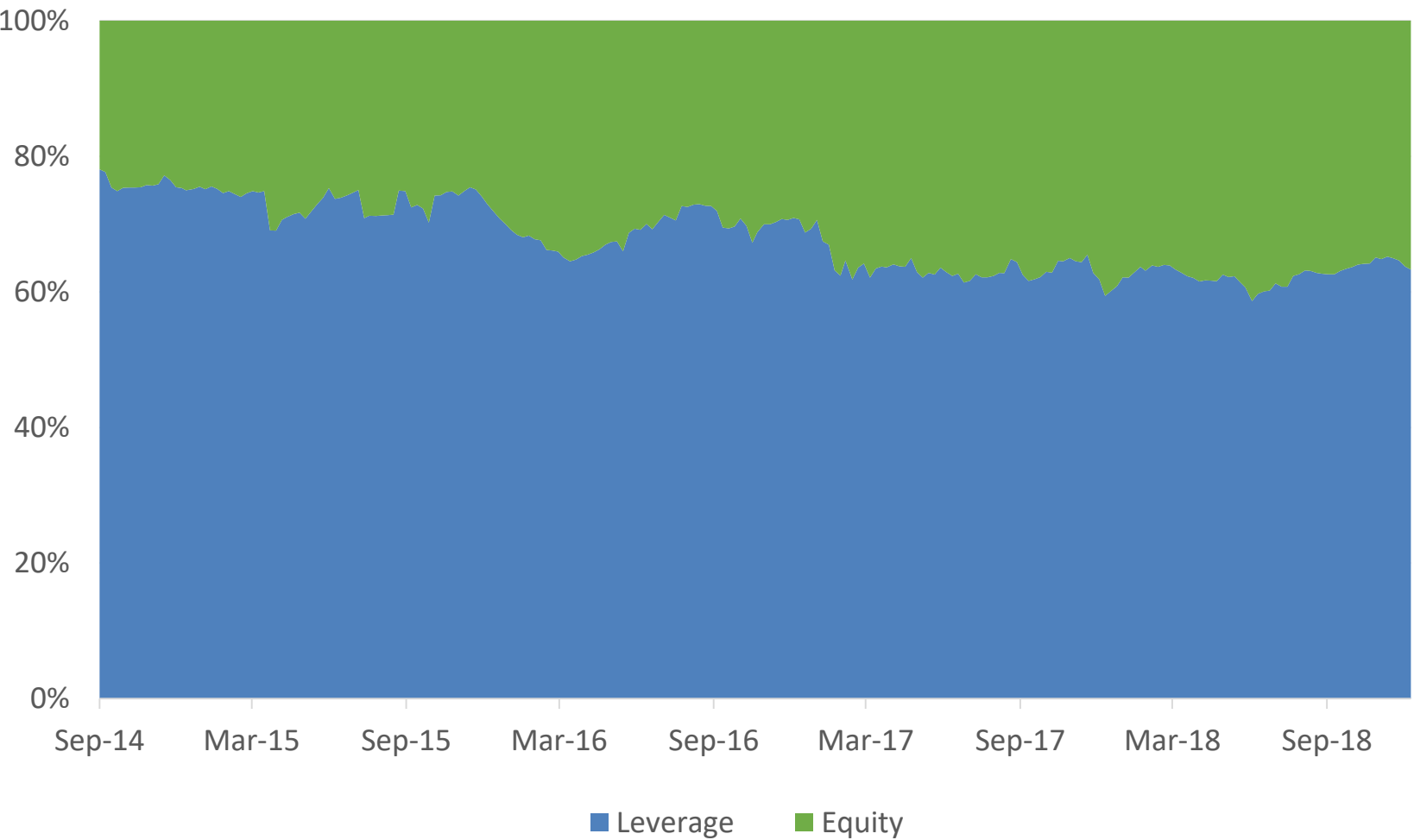
Silverdåle Bond Fund

Dynamic Sectorial Allocation

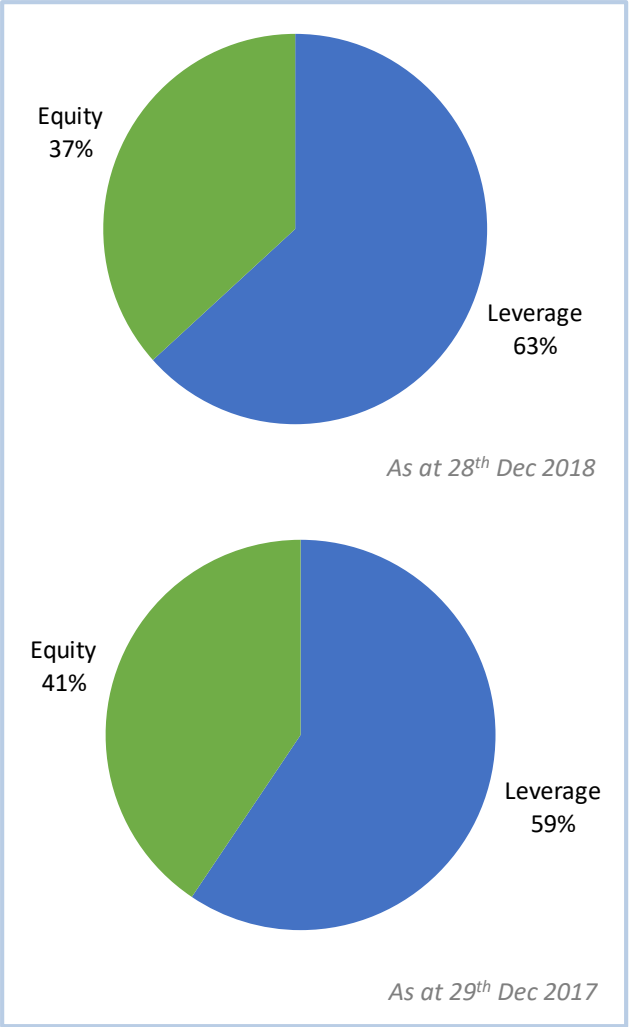


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Dynamic Leverage Management

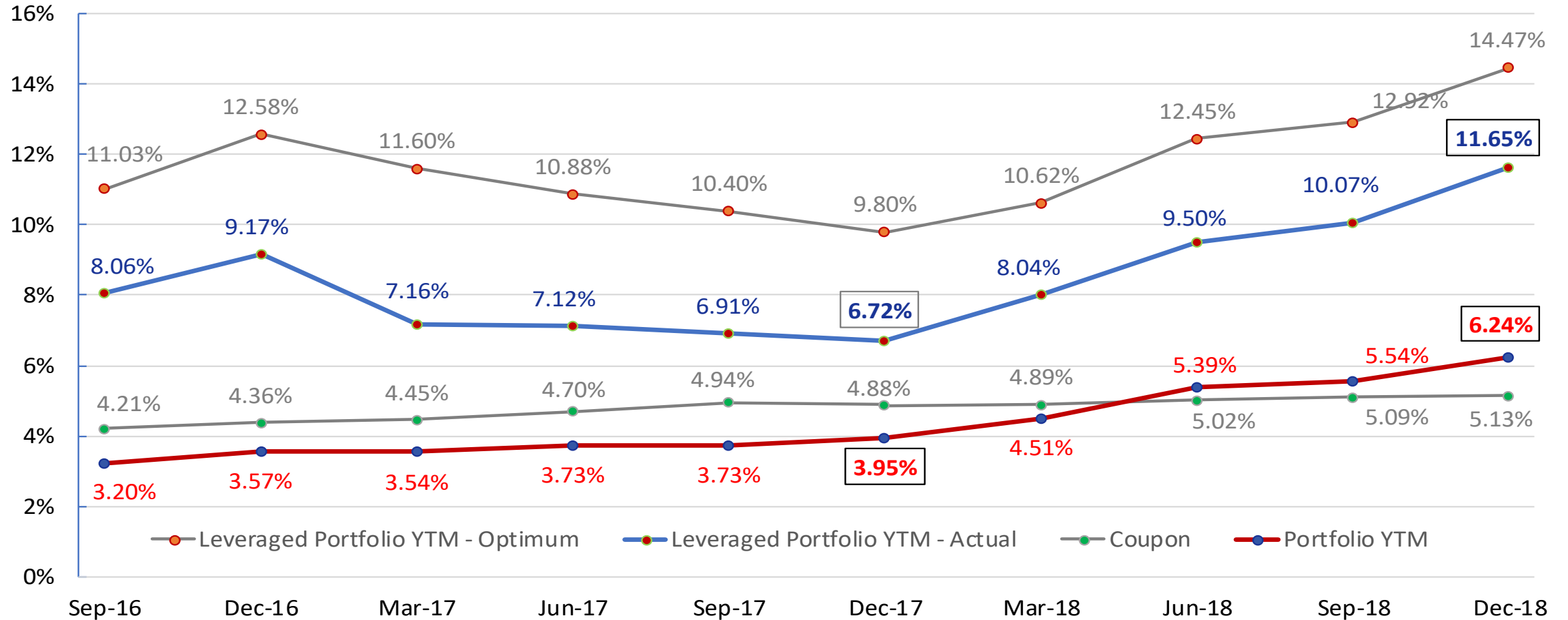


Leverage marginally up from 59% to 63%



Silverdåle Bond Fund

Performance Review, 2016-18

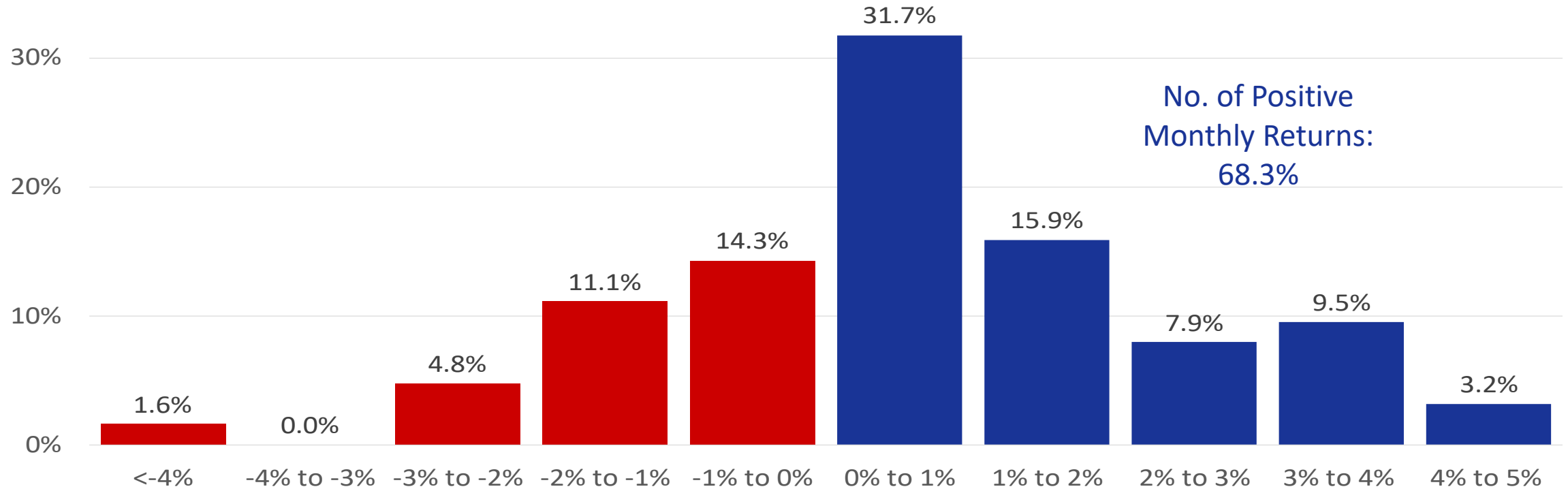


Portfolio yield capturing much higher returns than Fed rate hikes:

1% increase in Fed rate resulted in 2.29% increase in portfolio YTM and 4.93% increase in leveraged YTM

Silverdäle Bond Fund

Monthly Returns Heat Map, 2013-18



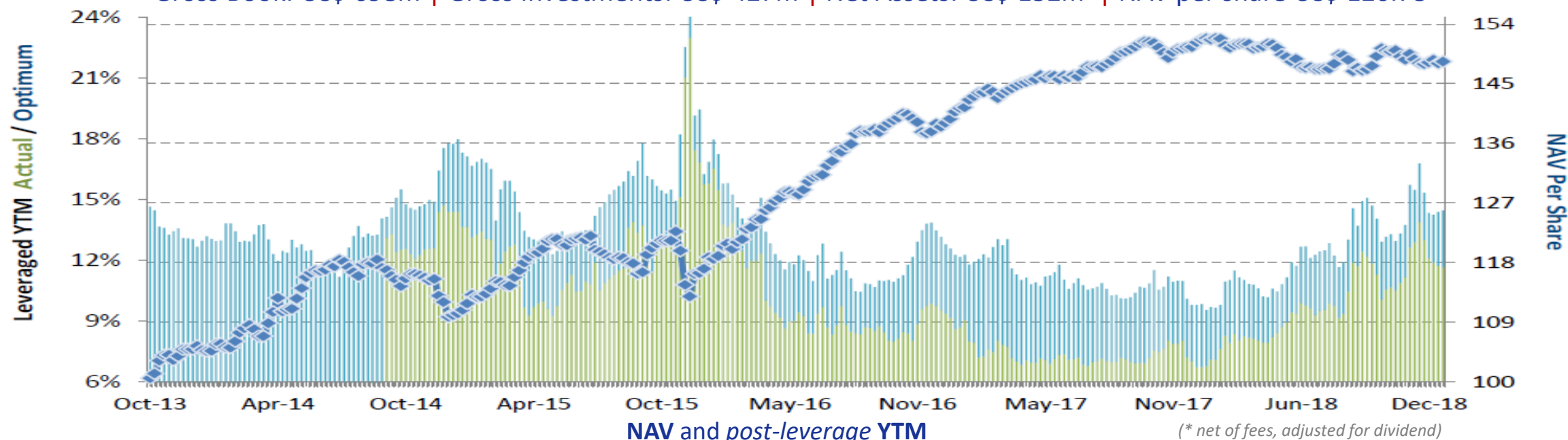
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2013										3.46	0.86	(0.28)	4.06
2014	0.50	3.27	0.24	1.91	4.98	1.04	(0.32)	0.51	(1.61)	0.23	(0.62)	(4.49)	5.46
2015	2.26	2.06	0.57	3.20	1.67	0.07	(1.66)	(0.71)	(2.08)	4.42	(1.31)	(2.34)	6.09
2016	3.06	0.87	2.61	3.47	0.28	1.79	3.55	1.73	0.96	0.99	(2.16)	1.71	20.10
2017	2.23	1.29	0.05	0.95	0.49	0.08	0.97	0.65	1.64	0.41	(1.02)	1.09	9.02
2018	0.48	(0.77)	(0.27)	(0.09)	(1.29)	(1.19)	1.76	(1.90)	2.72	(0.98)	(0.93)	0.30	(2.20)

NOTE: PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS

Silverdåle Bond Fund

Performance Dashboard

Gross Book: US\$ 698m | Gross Investments: US\$ 427m | Net Assets: US\$ 152m | NAV per share US\$ 120.78



INVESTOR RETURNS

Year to Date	-2.2023 %
Trailing 1 month	0.2961 %
Trailing 3 months	-1.6141 %
Trailing 12 months	-2.2023 %
Trailing 3 years	8.51% p.a.
Trailing 5 years	7.23% p.a.
Since 4 Oct 2013	7.71% p.a.

As at 28th Dec 2018

FUND STATISTICS

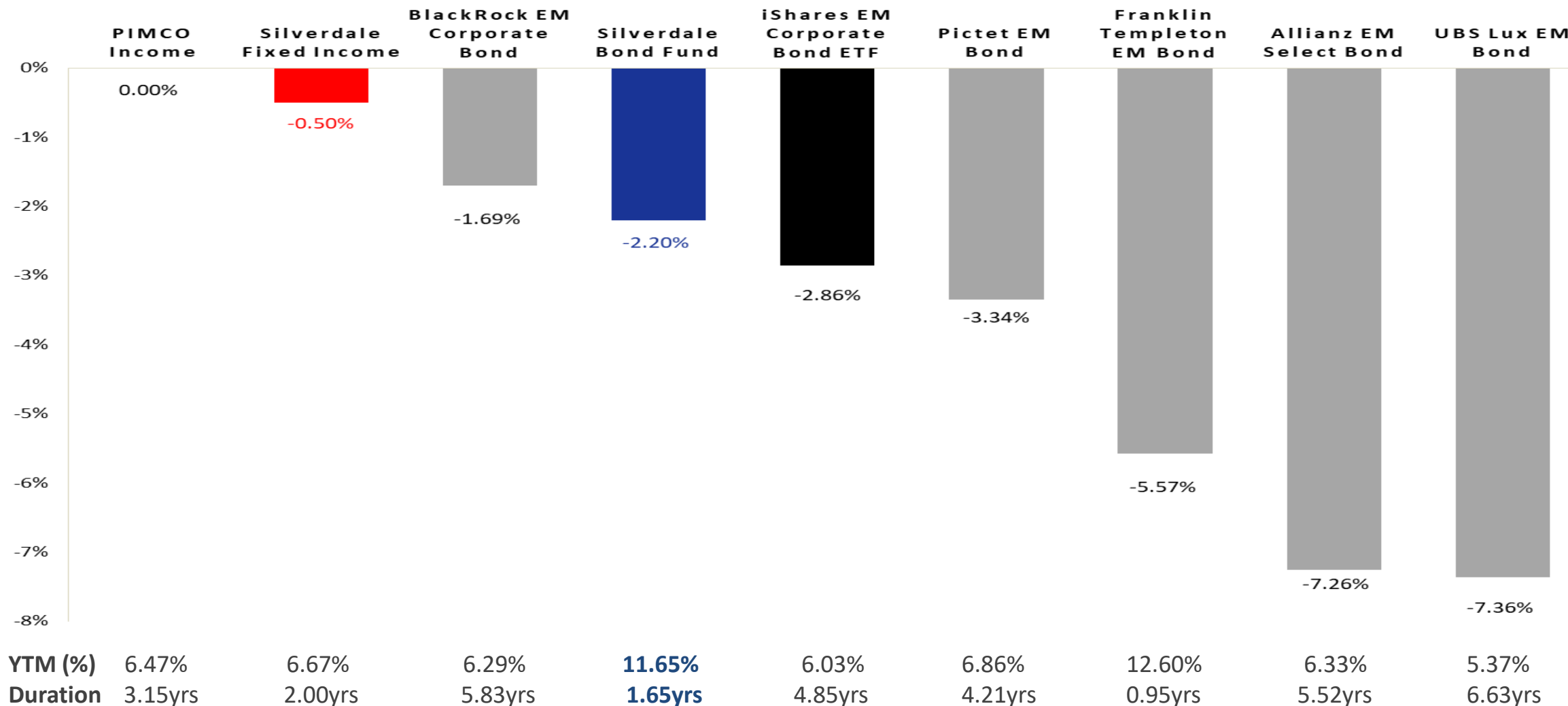
Portfolio Yield to Maturity	6.24 %
Leveraged YTM - Actual	11.65 %
Leveraged YTM - Optimum	14.47 %
Average Coupon	5.13 %
Average Duration	1.65 years
Total Dividend Paid	US\$ 27.57
Sharpe Ratio (3 year) ^{††}	2.17

TOP HOLDINGS

Pttep Treasury 2019	3.59 %
Credit Agricole 2019	3.17 %
Citadel Lp 2023	2.84 %
Seagate Hdd 2022	2.70 %
Braskem Finance 2022	2.53 %
Tc Ziraat Bankasi 2019	2.20 %
Tewoo Group 2019	2.17 %
Qnb Finance Ltd 2021	2.12 %
Vedanta Resources 2021	2.12 %
Dnb Bank Asa 2020	2.08 %

Silverdäle Bond Fund

Performance Comparison (29 Dec'17 – 28 Dec'18)



- Silverdale Bond Fund **out-performed** both indices as well as peer group
CY2018: Return to Investor of -2.20% as against -2.86% of EM Corp Bond (CEMBI) ETF, and 0% to -7% by other funds
- The Fund paid Fifteenth Quarterly Dividend of US\$ 2.00 per share on 31st December 2018 (Dividend Yield: 6.62%);
CY2018: **Dividend** paid to Investor **US\$ 8 per share**
The bond's portfolio coupon is circa 5.1% pa (approx. 14.13% on client equity)
- No change in strategy with continued focus on Investment Grade Bonds (79%), short duration (1.65 years) US dollar bonds.
Economies of scale: leverage, brokerage, custody, etc. and robust risk management
- Low portfolio duration and high headroom would enable the Fund to benefit when the term premium starts kicking in, and any interim mark-to-market losses would increase effective fund returns
- CY2018 Fed rate hike of 1.00%:
increased the Fund **YTM** by 2.29% from 3.95% to **6.24%**, and
the Fund **Leveraged YTM** (actual) increased by 4.93% from 6.72% to **11.65%**

- **High Un-utilized Credit Limit** : 5%-10% headroom was maintained
- **High Quality Bonds** : Typically, IG Funds have 65% IG bonds, our mandate is minimum: 75% IG bonds
- **Low Duration** : Historically it was around 2.5 years; now, below 2 years
- **Well Diversified** : Historically, around 100 securities (currently, 118 securities)
- **Fungible Cashflow Modeling**
 - Upgrades (9) : Arcelor Mittal, Lukoil, Western Digital, Petrobras, UBS, Banco Pactual, Gerdau, Health & Happiness, and Credit Agricole
 - Buybacks (11) : Western Digital, Vale, Health & Happiness, Petrobras, Braskem, Gerdau, TransAlta, AT&T, Prospect Capital, Macys, and Pitney Bowes.
- **Portfolio Returns** : CY2018 Fed rate hike of 1.00%, increased Fund YTM by 2.29% and Leveraged YTM by 4.93%

*Portfolio YTM: 6.24% and Portfolio Leveraged YTM (actual): **11.65%**
with **79%** IG and duration of just **1.65 years***

Silverdäle Bond Fund

How To Invest

■ Through your private bank



... and others

■ Through platforms



... and others

■ For Fund Analytics



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For any support, please contact us: Tel.: +230 2607 275 or email spc@silverdalegroup.com and we will be happy to assist you.

Silverdale Bond Fund

Segregated Portfolio-1 of Silverdale Fund SPC

authorised & regulated by Cayman Islands Monetary Authority

registered with MAS (Singapore), FCA (UK), FCA (Taiwan), SCA (UAE)

FUND ADMINISTRATOR



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AUDITORS



RISK FACTORS: **Interest Rate Risk:** The increase (fall) in value of fixed income securities with fall (increase) in interest rate. **Credit Risk:** The ability of the issuer to redeem the bonds (or other fixed income securities) on maturity. **Liquidity Risk:** The ability to sell a bond before its redemption. **Counterparty Risk:** The risk due to failure of the counterparty dealt with **Country Risk:** The investment strategy is subject to the risks relating to the geographical, political, economic and social issues of the country of the Issuer, and to a lesser extent that of United States.

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