



**Silverdale Bond Fund**

Communique as at 25th May 2018

**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.

**KEY FEATURES**

- Investment grade (Min 75%)
- Short duration (2-3 years)
- No forex risk (US dollars only)
- Enhanced returns, using ring-fenced leverage
- Quarterly dividend distribution

**FUND INFORMATION**

Fund	Silverdale Bond Fund
Fund Type	Segregated Portfolio Company
Domicile	Cayman Islands
Inception Date <sup>†</sup>	9 Sep 2010
Weekly NAV Launch Date	1 Oct 2013
Cayman Launch Date	8 May 2015
NAV Computation	Weekly (Friday)*
Subscription / Redemption	Weekly (Monday)*
Management Fee	0.50% p.a. <sup>^^</sup>
Next Dividend Date	29 Jun'18 (US\$ 2.00 per share) <sup>¶</sup>
Previous Dividend Date	29 Mar'18 (US\$ 2.00 per share)

**FUND MANAGEMENT DETAILS**

**THE FUND**

**Silverdale Bond Fund** is the segregated portfolio-1 (SP-1) 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

**FUND ADMINISTRATOR**

**Visra (Mauritius) Limited**  
Regulated by Financial Services Commission  
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CLASS DETAILS	CLASS 1A	CLASS 1B
ISIN	KYG8135U1076	KYG8135U1159
CUSIP	G8135U 107	G8135U 115
Swiss Valer No.	28213010	TBC
Bloomberg Code	SILV01AKY Equity	SILV01B KY Equity
Morningstar SecID	F00000WLJR	F00000WLJW

CLASS DETAILS	CLASS 1C	CLASS 1D
ISIN	KYG8135U2066	KYG8135U2306
CUSIP	G8135U 206	G8135U 230
Swiss Valer No.	TBC	TBC
Bloomberg Code	SILV01C KY Equity	SILV01D KY Equity
Morningstar SecID	TBC	TBC



**2016 ALTERNATIVE INVESTMENTS AWARDS**



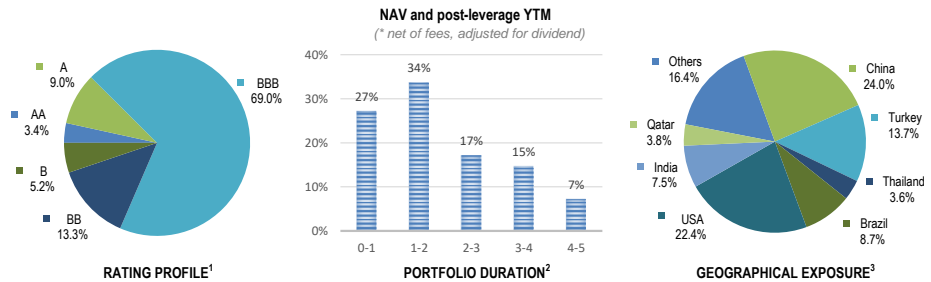
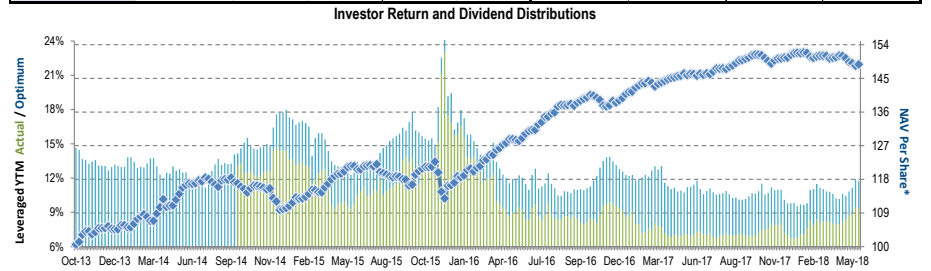
Investors' Choice Award

Silverdale Bond Fund generates enhanced investor returns by clever use of asset-level leverage, while actively managing the portfolio duration. During the week ended 25th May 2018, the Fund NAV increased by 0.32% to US\$ 127.16 (previous week: US\$ 126.76), increasing actual portfolio yield (post-leverage) of 9.39% per annum (previous week: 9.42% p.a.) with average duration of 1.81 years (previous week: 1.82 years).

<b>PORTFOLIO DASHBOARD</b>	Growth NAV US\$	148.7374	Ex-Dividend NAV US\$	127.1643
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PERFORMANCE*		FUND STATISTICS		TOP HOLDINGS	
Year to Date	-1.9121 %	Portfolio Yield to Maturity	5.03 %	Ptpep Treasury 2019	3.59 %
Trailing 1 month	-1.2852 %	Leveraged YTM - Actual	9.39 %	Qnb Finance Ltd 2021	3.16 %
Trailing 3 months	-1.6194 %	Leveraged YTM - Optimum	11.72 %	Tewoo Group 2019	2.72 %
Trailing 6 months	-0.8121 %	Average Coupon	4.98 %	Chang Development 2020	2.64 %
Trailing 12 months	1.9013 %	Average Duration	1.81 years	Vedanta Resources 2021	2.63 %
Trailing 3 years	6.96% p.a.	Total Dividend Paid	US\$ 21.57	Qnb Finansbank 2019	2.42 %
	(*) after all fees, before dividend payout	Sharpe Ratio (1 Year) <sup>††</sup>	0.21	Seagate Hdd 2022	2.23 %

Period	Oct'13-Dec'13	2014	2015	2016	2017	Apr'17-Jun'17	Jul'17-Sep'17	Oct'17-Dec'17	Jan'18-Mar'18
Dividend	-	-	4,4731	7,3000	7,8000	1,9000	2,0000	2,0000	2,0000
Ex-Dividend Price	104.6428	110.3573	112.6058	127.9435	131.6822	130.7470	133.0544	131.6822	128.9304
Return to Investor	4.06%	5.46%	6.09%	20.10%	9.02%	1.52%	3.29%	0.47%	-0.57%



**PORTFOLIO UPDATE**

During the week ended 25th May 2018, we sold Lukoil 2019 (BBB/Baa3/BBB+), Symantec 2020 (BB+/Baa3/BB+), and QNB Finance 2021 (-/Aa3/-) bonds, while we purchased Vedanta 2019 (B+/B2/-), Gerdau 2020 (BBB-/BBB-), Seagate 2022 (BB+/Baa3/BBB-), and Credit Agricole 2022 (BB+/Ba1/BBB-, First call 2019) bonds.

Vedanta Resources plc (Mkt Cap: US\$ 2.6bn) is a LSE listed, natural resources company with interests in zinc, lead, silver, copper, iron ore, aluminium, power and oil & gas. Zinc is its largest segment contributing almost half of the EBITDA; geographically 63% of revenue comes from India. As of March 2018, it reported net debt of US\$ 9.6bn, EBITDA of US\$ 4.1bn with Net Debt/EBITDA of 2.4x and interest coverage ratio of 4.5x.

Gerdau SA (Market Cap: US\$ 7bn) is the second largest producer of long-steel in the world with aggregate capacity of ~26 MMTPA across 14 countries. It is a low cost producer with vertical integration to iron ore extraction and scrap recycling. As of March 2018, it reported EBITDA of ~US\$ 1.5bn, total debt of ~US\$ 5bn against cash & equivalent of ~US\$ 1bn which resulted in Net Debt/EBITDA at 2.7x and EBITDA/Interest at 4.4x.

Seagate (Mkt Cap: US\$ 16.5bn) is a worldwide leader in the design, manufacture and marketing of hard disk drive products in a duopolist market with over 40% market share. As at 31 Mar 2018, it reported total debt at ~US\$ 4.8bn, against cash of ~US\$ 2.9bn and unutilized credit line of ~US\$ 700mn. It reported EBITDA of ~US\$ 1.9bn, net debt/EBITDA at 0.9x with EBITDA to interest of ~8.7x.

Credit Agricole S.A. (Mkt Cap: US\$ 42bn) is the largest lender in France with total assets of US\$ 1.9tn. It offers retail and business banking, lending, and deposit services from over 9,000 branches across France. It also offers asset management, investment banking, capital markets services, insurance, leasing, private banking, and specialized financial services. As of Mar 2018, it reported impaired loans ratio at 3.4% with coverage ratio at 73.3%. It reported capital adequacy ratio at 17.3%, Tier-1 ratio at 13.0%, and CET1 ratio at 11.4%. Credit Agricole Group owns 56.6% stake of Credit Agricole S.A. through SAS Rue La Boétie.

During the month of May 2018, our Fund NAV declined by 1.29%, pushing up leveraged yield (actual) by circa 98bps (from 8.41% to 9.39%). The decrease in NAV was primarily owing to fall in bond prices of Chinese and Turkish credit offset by positive contribution from Russian and Indian credit. Energy sector was the key positive contributor; offset by drop in Consumer Cyclical, Financial, and Technology sectors.

During May 2018, we sold Caixa Economica 2018 (BB-/Ba2/BB-), Lukoil 2019 (BBB/Baa3/BBB+), Nordstrom 2020 (BBB+/Baa1/BBB+), Symantec 2020 (BB+/Baa3/BB+), Pitney Bowes 2021 (BB+/Ba1/BBB-), and QNB Finance 2021 (-/Aa3/-) bonds, while we purchased Vedanta 2019 (B+/B2/-), Lukoil 2019 (BBB/Baa3/BBB+), Gerdau 2020 (BBB-/BBB-), Pitney Bowes 2020 (BB+/Ba1/BBB-), AVIC International 2021 (-/A/-), QNB Finance 2021 (-/Aa3/-), Seagate 2022 (BB+/Baa3/BBB-), China Vanke 2023 (BBB/Baa2/BBB+), PTT Exploration & Production (BB+/Baa3/-, First call 2019), and Credit Agricole 2022 (BB+/Ba1/BBB-, First call 2019) bonds. We also purchased 5 year floating rate Credit Linked Notes on Lukoil PJSC (BBB/Baa3/BBB+) and Reliance Industries (BBB+/Baa2/BBB-). We also received proceeds from maturity of Binhai 2018 (-/Ba1/BBB-), and Yuxiu Reit 2018 (BBB-/Baa3/-) bonds.

We continue to maintain a conservative position with circa 81.5% of our investments in Investment Grade bonds with a short duration of just 1.82 years.

**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

**DISCLAIMER**

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