

Swan Bond Enhanced Sicav–SIF EUR

July 2023



Strategy

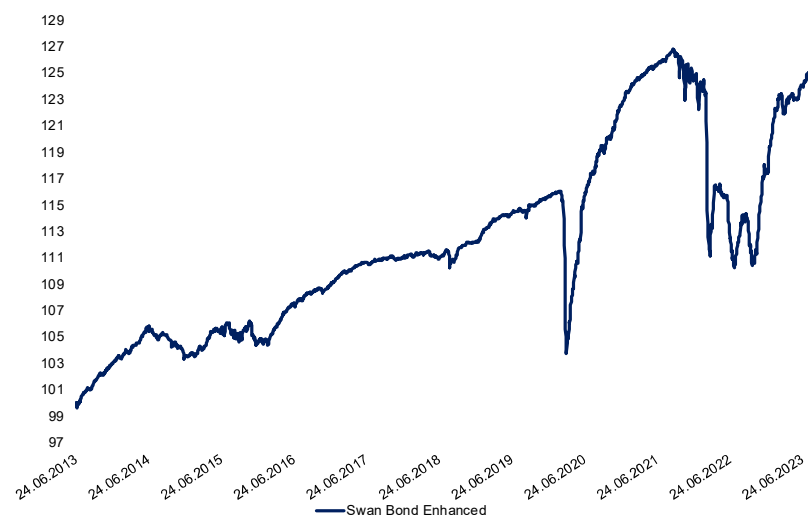
Swan Bond Enhanced SIF is the alternative version of our Fixed Income Intermediate risk profile. The strategy is focused on a highly diversified buy and hold portfolio of liquid short-term fixed income securities, in a levered format. Leverage is normally included between 50% and 150% of the NAV. Target Return is 3 months LIBOR + 350 bps.

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

High Yield Credit markets reported a positive performance in July ranging from +1.22% for EM corp HY to +1.09% of the EU HY in tandem with the movement of the S&P500 (+3.11%) and Eurostoxx50 (+1.64%). The IG EUR market was positive by +1.00% and the short-term (1-3 year) H1WN global HY index reports a positive performance of +0.67%. The Global unconstrained (in terms of maturity) HY gained +1.23%. Data from US confirmed the resilience of economy: strong ADP numbers were followed by softening inflation, increasing the possibilities of a soft landing; this scenario was reinforced by a strong 2Q GDP print @ 2.4% YoY vs estimates of just +1.8%. In this environment the FED raised its benchmark interest rate by 0.25%, to the highest level in 22 years, adding they would take a more gradual approach in next meetings. The FED is now closer to a "sufficiently restrictive" monetary policy that should bring inflation under control in next months. The ECB raised all policy rates by 25bps, not giving any guidance about the future path for rates and keeping all options open: the September meeting will be "live" and the decision will depend on incoming data. Also the BOJ decided to introduce greater flexibility to its operation with a 100bps cap on the 10yrs yield, a step toward a future removal of YCC. Oil moved higher to 75\$ per barrel, while US dollar lost some ground with DXY at 102.91. Thanks to the recent volatility spike we have been able to add several new credit stories at very interesting levels of credit spreads: our funds have a yield to maturity between 7.8% and 11%, combined with an average spread duration around 16 months. The combination of higher diversification, higher credit quality and higher expected yields paves the way for extremely attractive returns in the next future.

Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, with 81% of the positions (152 out of 187) contributing positively. During the month we slightly decreased our invested capital and conditions remain attractive in the short-term part of the credit curve. The average life of the yield-type portfolio is very short (15 months) and average spread duration of 1.22, combined with a yield of 10.59% (net of funding cost in EUR) and z-spread of 697 basis points. The fund is levered, being invested at about 190% currently.

Performance

| | | | |
|------------------|---------------|------------------------|---------|
| MTD : | 0.86% | Fund Assets (mln) : | 147.2 € |
| Since inception | 25.21% | 1 Year Std Dev : | 2.63% |
| Last 12 Months : | 12.09% | 1 Year Sharpe Ratio : | 3.71 |
| NAVps : | EUR 125.21 | % of positive months : | 73% |

| Period | Perf. |
|----------|---------------|
| MTD | 0.86% |
| YTD | 6.65% |
| 6 months | 3.16% |
| 1 year | 12.09% |
| 2022 | -5.91% |
| 2021 | 1.66% |
| 2020 | 6.12% |
| 2019 | 3.12% |
| 2018 | 1.00% |
| 2017 | 1.83% |
| 2016 | 4.13% |
| 2015 | 1.16% |
| 2014 | 0.37% |
| 2013 | 3.14% |

| Portfolio info | |
|----------------------|---------|
| # of Securities | 187 |
| % Weight | 189.52% |
| Int Dur | 1.59 |
| Yield (gross) in EUR | 10.59% |
| Spread Duration | 2.31 |
| Z-spread | 697 |

FX breakdown (fully hedged)

| | |
|--------------|----------------|
| USD | 26.05% |
| EUR | 39.36% |
| NOK | 21.17% |
| SEK | 10.61% |
| CHF | 1.57% |
| GBP | 1.23% |
| AUD | 0.00% |
| TOTAL | 100.00% |

Geographic breakdown

| | |
|--------------|----------------|
| EU | 35.58% |
| US | 7.14% |
| Oth DEV | 44.68% |
| LATAM | 0.82% |
| EMEA | 10.20% |
| ASIA | 1.59% |
| TOTAL | 100.00% |

Rating breakdown

| | |
|---------------|----------------|
| AAA | 0.00% |
| AA | 0.00% |
| A | 0.00% |
| BBB | 9.18% |
| tot IG | 9.18% |
| BB | 26.05% |
| B | 11.81% |
| CCC | 2.58% |
| tot HY | 40.44% |
| NR | 50.38% |
| TOTAL | 100.00% |

Sector breakdown - Top 10

| | |
|--------------------------|-------|
| Banking | 8.63% |
| Shipping - Gas | 6.94% |
| Oil and gas E&P - All | 5.09% |
| Real Estate - Mgmt Res | 4.95% |
| Gaming - Online Gaming | 3.73% |
| Oil Field Equipment & Se | 3.51% |
| Air Transportation | 3.39% |
| Finance - NPL collector | 3.18% |
| Shipping - Crude | 3.12% |
| Specialty Retail | 2.98% |
| * Portfolio 100% | |

Fund Structure – Terms & Conditions

Domicile: Luxembourg

Inception Date: 24 June 2013

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: SWBDENA LX

ISIN: LU0849750368

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