

Swan Bond Enhanced Sicav–SIF EUR

January 2020



Strategy

The sub-fund aims to generate significant excess return vs 3m Euribor 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

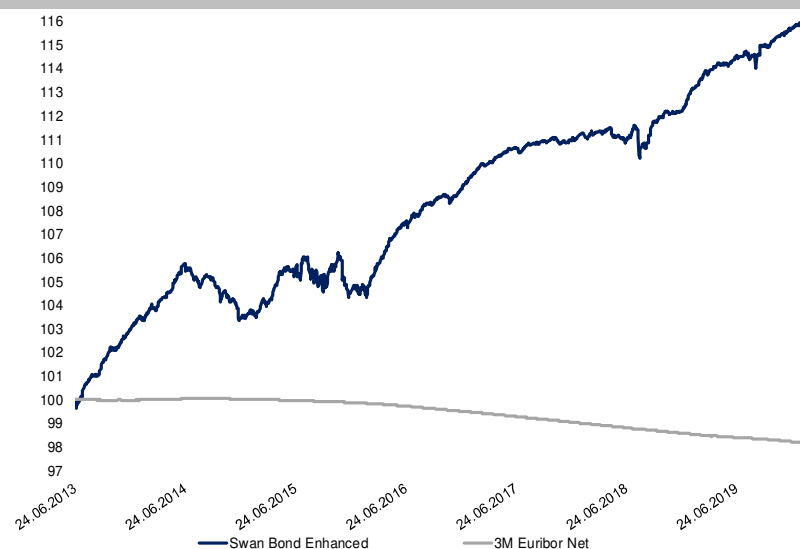
MTD :	0.18%	Fund Assets (mln) :	142.7 €
Since inception	15.86%	1 Year Std Dev :	0.86%
Last 12 Months :	2.58%	1 Year Sharpe Ratio :	3.42
NAVps :	EUR 115.86	% of positive months :	78%

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

January was a muted month for financial markets: European credit markets were flat (H9PC Index +0.02%), and equity markets were negative both in Europe (Eurostoxx 50 -2.78%) and in US (S&P 500 -0.16%). The month started with the US Manufacturing ISM below consensus estimate (47.2 vs 49), at the lowest level since June 2009, while the 4Q19 US GDP at 2.1% was higher than consensus. The FED left rates unchanged, but expectations for a possible cut increased due to low print of core PCE at 1.6% and weak personal consumption. Similarly the ECB kept its policy rates unchanged, hinting that it could change its inflation target mandate during the toolkit review taking place this year. On the data front, the Eurozone PMI composite was stable at 50.9, while strong flash manufacturing PMI in Germany (45.2 vs 44.5), confirmed by the service index, suggested that the economy could have bottomed, notwithstanding the weak 4Q GDP print at 0.4%. Data release did not take into consideration any impact from the Corona Virus that spread in China during January: the fast expanding virus generated a sell-off movement with significant effects on German 10 years Bund that closed the month at -0.43% (-25bps during the month) in tandem with 10 Years Treasury at +1.51% (-41bps during the month). Emerging markets reported a positive performance (+1.20%) with EMEA area being the best performer during the month. Oil was volatile, with an initial spike close to 70 USD per barrel after the assassination of the general Soleimani by US and Iranian retaliation, followed by a sharp correction to 55 USD, due to renewed worries on global demand caused by the diffusion of the Corona Virus.

Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, with 93% of the positions (96 out of 103) contributing positively. Positive contributions were homogeneously distributed, the only exception being IPFLN 05/21, while there were not significant negative contributions. The average life of the yield-type portfolio is very short (10 months or average spread duration of 0.81), combined with a yield of 2.17% (net of funding cost in EUR) and z-spread of 326 basis points. The fund is levered, being invested at about 132% currently.

Period	Perf.	Portfolio info	
MTD	0.18%	# of Securities	123
YTD	0.18%	% Weight	132.16%
6 months	1.02%	Int Dur	0.74
1 year	2.58%	Yield (gross)	2.17%
2019	3.12%	Spread Duration	1.07
2018	1.00%	Z-spread	326
2017	1.83%		
2016	4.13%		
2015	1.16%		
2014	0.37%		
2013	3.14%		

FX breakdown (fully hedged)

USD	54.43%
EUR	18.27%
NOK	19.38%
SEK	6.09%
CHF	0.84%
GBP	0.77%
AUD	0.23%
TOTAL	100.00%

Geographic breakdown

EU	8.64%
US	0.00%
Oth DEV	34.96%
LATAM	4.54%
EMEA	27.17%
ASIA	24.69%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	7.72%
tot IG	7.72%
BB	19.23%
B	32.30%
CCC	1.02%
tot HY	52.55%
NR	39.74%
TOTAL	100.00%

Sector breakdown - Top 10

Real Estate	24.77%
Services	21.79%
Banking	18.50%
Foreign Sovereign	6.91%
Energy	6.40%
Financial Services	4.52%
Capital Goods	3.59%
Basic Industry	3.08%
Transportation	2.59%
Media	1.77%

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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