Swan Bond Enhanced Sicav–SIF CHF
March 2020

SWAN
Managers of your future

Strategy

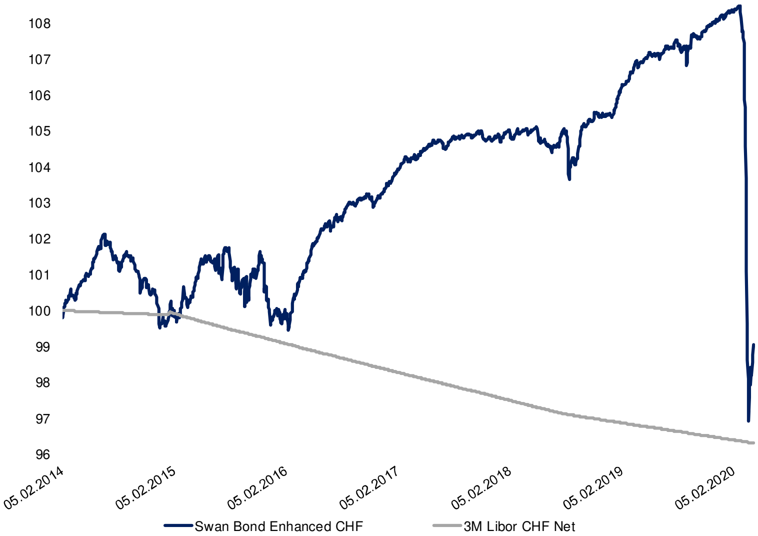
The sub-fund aims to generate significant excess return vs 3m Libor CHF in combination with extremely low volatility. The strategy is focused on the "buy and hold" levered investment in a highly diversified and granular portfolio of liquid short-term fixed income securities. Leverage is normally included between 100% and 200% of the NAV with invested capital between 2x and 3x the NAV.

Performance

MTD :	-9.43%	Fund Assets (mln) :	110.1 €
Since inception :	-2.06%	1 Year Std Dev :	3.48%
Last 12 Months :	-8.27%	1 Year Sharpe Ratio :	-2.14
NAVps :	CHF 97.94	% of positive months :	73%

Risk Profile

Conservative | **Intermediate** | High Reward



Period	Perf.
MTD	-9.43%
YTD	-9.50%
6 months	-9.04%
1 year	-8.27%
2019	2.65%
2018	0.52%
2017	1.33%
2016	3.57%
2015	0.27%
2014	-0.34%

Portfolio info	
# of Securities	138
% Weight	188.95%
Int Dur	1.15
Yield (gross)	25.64%
Spread Duration	1.49
Z-spread	2661

FX breakdown (fully hedged)	
USD	51.63%
EUR	24.30%
NOK	16.55%
SEK	6.61%
CHF	0.73%
GBP	0.00%
AUD	0.19%
TOTAL	100.00%

Geographic breakdown	
EU	13.93%
US	0.00%
Oth DEV	33.02%
LATAM	4.43%
EMEA	29.79%
ASIA	18.83%
TOTAL	100.00%

Global market picture

During March European credit markets experienced a negative performance (H9PC Index -13.10%), in tandem with a negative movement of the Eurostoxx 50 (-16.30%) and the S&P 500 (-12.51%). In this context Swan Bond Enhanced contained the loss at -9.43%, thanks to its ultra-low duration: bond price movement was too fast and the carry generated did not compensate it. The catalysts were the Covid-19 global diffusion and the Oil price shock, that changed the global growth outlook to a possible recession in only two weeks, influencing investor sentiment and global financial conditions. On top of the macro considerations, a very bad technical picture hurt credit markets, due to strong outflows from credit funds and ETFs: market participants sold bonds to generate liquidity. The price action was indiscriminate, penalizing also short-term bonds and quality credits; apparently, company fundamentals were not considered by investors, who sold quality bonds only because they had a lower drawdown. Conditions are extremely attractive now in the short-term part of the credit curve because of this huge movement and markets could rebound quickly, as happened during GFC, when it took just 9 months for credit markets to recover from the bottom to the previous peak. Portfolio is mainly composed by good credit stories: some companies are buying back bonds at discounted prices, while others have already refinanced their near-term maturities. At the moment none of the credits in our portfolio is in default; in the next months credit selection will be one of the key drivers of performance that in connection with the low duration will help to get back quickly the YTD losses. This is an extremely attractive entry point also considering the strongest ever measures delivered by central banks to support credit markets.

Yield-type strategy

The bucket generated a negative gross contribution to the monthly performance, with 19% of the positions (23 out of 119) contributing positively. During the month we significantly increased our invested capital: conditions are much more attractive now in the short-term part of the credit curve. The average life of the yield-type portfolio is very short (10 months or average spread duration of 0.79), combined with a yield of 25.64% (net of funding cost in EUR) and z-spread of 2661 basis points. The fund is levered, being invested at about 189% currently.

Rating breakdown		
AAA		0.00%
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A		1.19%
BBB		8.04%
	tot IG	9.23%
BB		18.29%
B		33.74%
CCC		0.80%
	tot HY	52.83%
NR		37.94%
TOTAL		100.00%

Sector breakdown - Top 10	
Banking	21.73%
Real Estate	20.53%
Services	19.28%
Energy	6.38%
Foreign Sovereign	5.41%
Capital Goods	5.01%
Basic Industry	4.47%
Financial Services	4.07%
Telecommunications	2.74%
Transportation	1.73%

Fund Structure – Terms & Conditions

Domicile: Luxembourg
Inception Date: 5 February 2014
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: SWBENAF LX
ISIN: LU1019165965

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