

Swan Bond Enhanced Sicav–SIF EUR

May 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

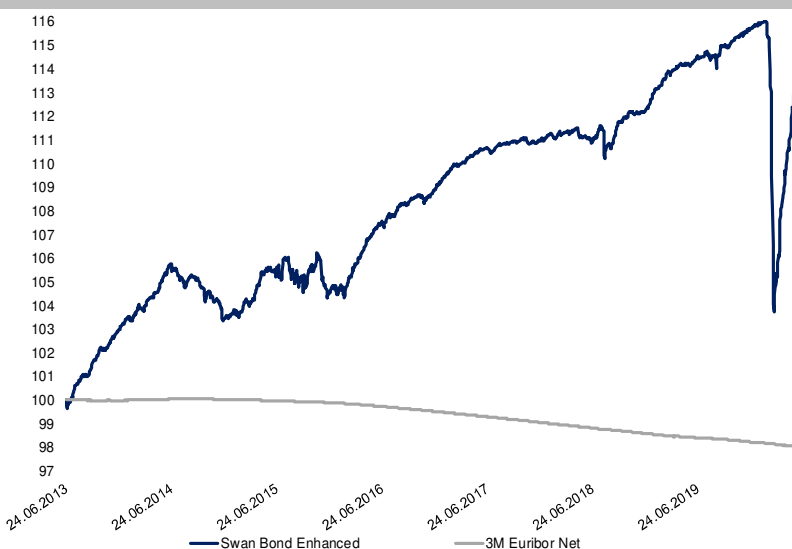
MTD :	2.99%	Fund Assets (mln) :	126.9 €
Since inception	12.39%	1 Year Std Dev :	3.90%
Last 12 Months :	-1.61%	1 Year Sharpe Ratio :	-0.3
NAVps :	EUR 112.39	% of positive months :	76%

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

During May European credit markets experienced a positive performance (H9PC Index +2.94%), in tandem with a positive movement of the Eurostoxx 50 (+4.18%) and the S&P 500 (+4.53%). In this context Swan funds continued to retrace the drawdown experienced during the 1st quarter, with a significant positive monthly performance ranging from +3.24% to 1.11%; YTD performance is between -1.81% and -3.04% while credit markets are still reporting deep negative returns YTD (EUR HY -6.89%, EM HY -5.91%, US HY -6.50% and EUR IG -2.54%). During the month, several European countries relaxed their lockdown measures with positive results: there has not been evidence of increasing infection rates, and further softening could come in the next weeks, while COVID infections are still high especially in LATAM countries. First print of Eurozone GDP for 1Q20 signaled a contraction of 3.8%, in line with estimates; to support the economy, EU commission reached an agreement for a Eur750bn recovery fund, where the so called “frugal four” countries (Netherlands, Austria, Finland and Sweden) plus France and Germany will contribute between 4% and 2% of their GDP to support the more fragile economies (Spain and Italy are the larger beneficiary, respectively 6.6% and 3.2% of their GDP). Negotiations on rules of this fund will be one of the main theme of the next months and we think the two factions will struggle to find an agreement, bringing volatility on markets. Brent strongly recovered reaching 35USD per barrel (+40% monthly performance) thanks to strict compliance to cuts agreed between OPEC+ countries. We still think that this is an interesting entry point for our strategy: attractive YTM combined with an average maturity of the bonds in portfolio around 1 year give us confidence on the capability to recover YTD losses and generate positive performance in 2020.

Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, with 96% of the positions (130 out of 135) contributing positively. During the month we further 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 (11 months or average spread duration of 0.92), combined with a yield of 12.23% (net of funding cost in EUR) and z-spread of 1351 basis points. The fund is levered, being invested at about 211.73% currently..

Period

Perf.

MTD	2.99%
YTD	-2.82%
6 months	-2.63%
1 year	-1.61%
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	165
% Weight	211.73%
Int Dur	1.53
Yield (gross)	12.23%
Spread Duration	1.94
Z-spread	1351

FX breakdown (fully hedged)

USD	47.90%
EUR	28.32%
NOK	15.12%
SEK	6.99%
CHF	1.67%
GBP	0.00%
AUD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	19.59%
US	1.00%
Oth DEV	31.80%
LATAM	7.11%
EMEA	23.23%
ASIA	17.27%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.95%
BBB	11.92%
tot IG	12.87%
BB	23.54%
B	24.40%
CCC	1.08%
tot HY	49.02%
NR	38.11%
TOTAL	100.00%

Sector breakdown - Top 10

Real Estate	20.87%
Banking	20.75%
Services	19.06%
Energy	6.97%
Basic Industry	6.14%
Financial Services	5.46%
Foreign Sovereign	4.60%
Transportation	2.68%
Healthcare	2.54%
Capital Goods	2.39%

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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