

# Swan Bond Enhanced Sicav–SIF USD

## November 2020



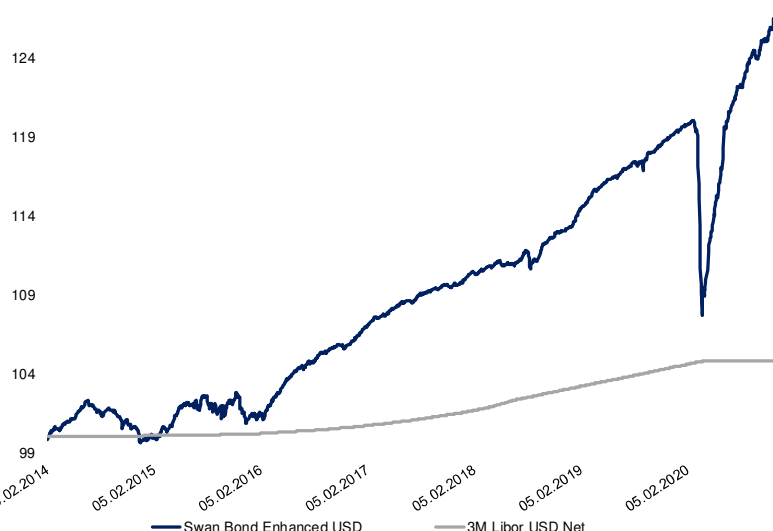
### Strategy

The sub-fund aims to generate significant excess return vs 3m Libor 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 :	<b>1.21%</b>	Fund Assets (mln) :	126.3 €
Since inception	<b>26.58%</b>	1 Year Std Dev :	4.08%
Last 12 Months :	<b>6.49%</b>	1 Year Sharpe Ratio :	1.49
NAVps :	USD 126.58	% of positive months :	82%

### Risk Profile



### Global market picture

During November European credit markets experienced an extremely positive performance (H9PC Index +4.37%), in tandem with the movement of the Eurostoxx 50 (+18.06%) and S&P 500 (10.75%). In this context Swan funds continued to move higher with a positive monthly performance ranging from +0.78% to 1.52%: our SIF funds are in positive territory (+5.65% SLSC and +5.00% for SBE) and also UCITS funds registered significant positive performance YTD (+2.2% USTB and +2.65% for STHY), while credit markets are reporting low single digit positive returns YTD (European HY +1.94%, Emerging HY +4.52%, US HY +2.51% and EUR IG +2.49%). The massive resurgence of Covid-19 infections caused new, but less severe, lockdowns in Europe: Q4 contraction is estimated at -9% (2020 should deliver a negative GDP growth of -7%), while consensus in US is for a -3.6% YoY growth in 2020. Disappointing growth data were more than compensated by the announcement that several anti-Covid vaccines have been positively tested: mass vaccinations should start in late 2020 in US and in the first quarter in 2021 in Europe. November was also the US presidential election month: Joe Biden, as expected, won, but the Senate majority is still not defined yet; Donald Trump did not immediately accept the loss, and started preparing a hard transition to his rival. In this context, the 10 years bund yield moved higher by 5 bps to -0.57% while the 10 years Treasury moved lower 3bps to 0.84%. We think that this is still an interesting entry point for our strategy: current YTM, albeit reduced, give us confidence on the capability to generate positive performance in line with targets during 2021; average maturity of the bonds in our portfolios is still around 1 year and should help reduce volatility in case of new episodes of market stress.

### Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, with 93% of the positions (107 out of 115) contributing positively. During the month we slightly decreased our invested capital even if conditions remain attractive 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 0.82), combined with a yield of 5.50% (net of funding cost in EUR) and z-spread of 689 basis points. The fund is levered, being invested at about 183% currently.

Period	Perf.	Portfolio info	
MTD	<b>1.21%</b>	# of Securities	151
YTD	<b>6.07%</b>	% Weight	182.82%
6 months	<b>8.11%</b>	Int Dur	1.09
1 year	<b>6.49%</b>	Yield (gross)	5.50%
2019	<b>5.35%</b>	Spread Duration	1.50
2018	<b>3.07%</b>	Z-spread	689
2017	<b>3.32%</b>		
2016	<b>4.99%</b>		
2015	<b>1.53%</b>		
2014	<b>-0.21%</b>		

### FX breakdown (fully hedged)

USD	53.33%
EUR	20.91%
NOK	15.92%
SEK	6.62%
CHF	2.26%
GBP	0.96%
AUD	0.00%
<b>TOTAL</b>	<b>100.00%</b>

### Geographic breakdown

EU	14.41%
US	1.46%
Oth DEV	37.61%
LATAM	5.77%
EMEA	28.74%
ASIA	12.01%
<b>TOTAL</b>	<b>100.00%</b>

### Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	11.00%
<b>tot IG</b>	<b>11.00%</b>
BB	21.04%
B	24.51%
CCC	1.61%
<b>tot HY</b>	<b>47.16%</b>
NR	41.84%
<b>TOTAL</b>	<b>100.00%</b>

### Sector breakdown - Top 10

Services	24.52%
Banking	17.42%
Real Estate	15.60%
Basic Industry	10.71%
Financial Services	4.52%
Energy	4.42%
Foreign Sovereign	3.09%
Transportation	2.77%
Gaming	2.48%
Capital Goods	2.45%

### 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: SWBENAU LX  
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