

Swan Bond Enhanced Sicav–SIF USD

August 2021



Strategy

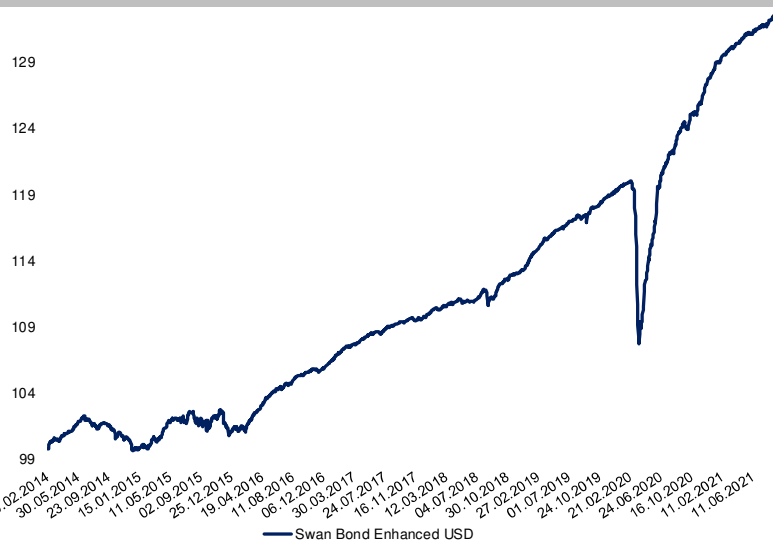
Swan Bond Enhanced SIF is the alternative version of our Fixed Income Intermediate risk profile. The strategy is focused on a highly diversified buy and hold portfolio of liquid short-term fixed income securities, in a levered format. Leverage is normally included between 50% and 150% of the NAV. Target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

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

During August, European credit markets experienced a positive performance (H9PC Index +0.37%), in tandem with the movement of the Eurostoxx 50 (+2.62%) and S&P 500 (+2.90%). US and international data releases missed forecasts, as highlighted by CESI indexes that turned negative for the first time since March 2020. Spreading of the COVID-19 Delta variant raised concerns that global recovery could slow: US consumer confidence fell sharply below estimates, followed by weaker than expected reports on retail sales, with economist revising down US growth for 2021 at 6.2%. With regards to tapering, minutes from the FED's July meeting showed disagreement among officials, though a majority believe that taper could begin later this year, with Jerome Powell confirming during his Jackson Hole speech that "if the economy evolve broadly as anticipated, it could be appropriate to start reducing the pace of asset purchase this year". Germany's inflation rose to 3.4% in August, its highest level since 2008, intensifying discussions about Eurozone's ultra-loose monetary policy and its consequences, even if the ECB expects this year surge in inflation to be only transitory. In this context, the 10 years bund yield was higher at -0.38% (+8bps in the month), in tandem with the 10 years Treasury at 1.31% (+9bps in the month). Gold was substantially flat at 1814 \$ per ounce, while oil was down at 73 USD per barrel, reflecting concerns on slowing China recovery. We think that this is still an interesting entry point for our strategy: current YTM gives 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 90% of the positions (86 out of 96) contributing positively. During the month we slightly increased 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 (11 months or average spread duration of 0.88), combined with a yield of 3.25% (net of funding cost in EUR) and z-spread of 432 basis points. The fund is levered, being invested at about 156% currently.

Performance

MTD :	0.53%	Fund Assets (mln) :	152.2 €
Since inception	32.46%	1 Year Std Dev :	0.98%
Last 12 Months :	7.08%	1 Year Sharpe Ratio :	7.2
NAVps :	USD 132.46	% of positive months :	84%

Period	Perf.	Portfolio info	
MTD	0.53%	# of Securities	137
YTD	3.44%	% Weight	156.34%
6 months	2.12%	Int Dur	0.94
1 year	7.08%	Yield (gross)	3.25%
2020	7.31%	Spread Duration	1.38
2019	5.35%	Z-spread	432
2018	3.07%		
2017	3.32%		
2016	4.99%		
2015	1.53%		
2014	-0.21%		

FX breakdown (fully hedged)

USD	56.91%
EUR	17.94%
NOK	15.18%
SEK	6.75%
CHF	2.03%
GBP	1.18%
AUD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	14.53%
US	3.41%
Oth DEV	32.56%
LATAM	1.87%
EMEA	29.86%
ASIA	17.78%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	6.19%
tot IG	6.19%
BB	22.52%
B	23.89%
CCC	1.59%
tot HY	48.00%
NR	45.81%
TOTAL	100.00%

Sector breakdown - Top 10

Services	25.70%
Real Estate	22.43%
Banking	14.02%
Basic Industry	6.39%
Financial Services	5.60%
Leisure	3.58%
Consumer Goods	3.17%
Energy	3.10%
Agency	2.38%
Transportation	2.34%

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

ISIN: LU1019165882

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