

Swan Bond Enhanced Sicav–SIF EUR

July 2022



Strategy

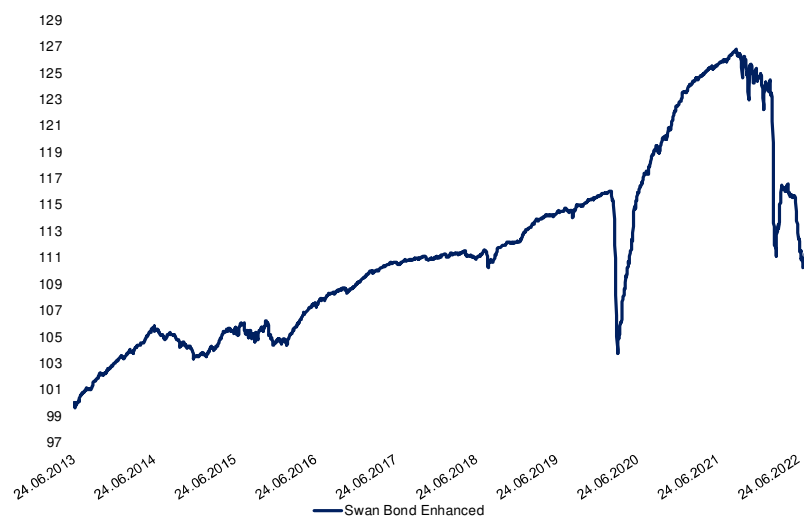
Swan Bond Enhanced SIF is the alternative version of our Fixed Income Intermediate risk profile. The strategy is focused on a highly diversified buy and hold portfolio of liquid short-term fixed income securities, in a levered format. Leverage is normally included between 50% and 150% of the NAV. Target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

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

Credit markets remained extremely negative with year to date performances ranging from -18.96% for EM corp HY to -10.45% of the EU HY component in tandem with the movement of the Eurostoxx 50 (-13.73% YTD) and S&P 500 (-13.34% YTD). The IG EUR market is also negative by -8.10% YTD, mainly due to the rates component. The short-term (1-3 year) H1WN global HY index also reports a performance of -10.44% YTD while the Global unconstrained (in terms of maturity) HY lost -11.68%. US entered technical recession, with growth of -0.9% in 2nd quarter following a contraction of 1.6% in first three months of 2022. During its meeting the FED raised benchmark policy rate by 75bps for the second month in a row, maintaining aggressive stance against inflation, but at the same time signaling that current range is close to what most of the officials see as "neutral rate". FED will be data dependent in its forthcoming decisions, with consequently strong attention reserved to next inflation and labour data. Also the ECB followed other central banks, increasing rates by 50bps (25bps more of what suggested) in its first rise in the last decade. In addition the ECB announced a new program in order to prevent a surge in yield for most vulnerable European countries. In this context, the 10 years bund yield was lower at +0.82% (-52bps in the month) while the 10 years Treasury closed the month at 2.65% (-36bps). Oil price corrected lower, with Brent now at 110\$ per barrel. Thanks to recent volatility spike we have been able to add several new credit stories at very interesting level of credit spreads. The new entries are companies with good credit metrics that were too tight before the sell-off. The combination of higher diversification, higher credit quality and higher expected yields paves the way for attractive returns in the next future.

Yield-type strategy

The bucket generated a negative gross contribution to the monthly performance, with 74% of the positions (116 out of 156) contributing positively. During the month we slightly increased our invested capital: conditions remain attractive in the short-term part of the credit curve. The average life of the yield-type portfolio is very short (15 months) or average spread duration of 1.22, combined with a yield of 13.90% (net of funding cost in EUR) and z-spread of 1350 basis points. The fund is levered, being invested at about 210% currently.

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)

Performance

MTD :	-0.12%	Fund Assets (mln) :	127.6 €
Since inception	11.70%	1 Year Std Dev :	5.02%
Last 12 Months :	-11.29%	1 Year Sharpe Ratio :	-2.14
NAVps :	EUR 111.70	% of positive months :	74%

Period	Perf.	Portfolio info	
MTD	-0.12%	# of Securities	156
YTD	-10.48%	% Weight	209.66%
6 months	-9.81%	Int Dur	1.39
1 year	-11.29%	Yield (gross)	13.90%
2021	1.66%	Spread Duration	2.57
2020	6.12%	Z-spread	1350
2019	3.12%		
2018	1.00%		
2017	1.83%		
2016	4.13%		
2015	1.16%		
2014	0.37%		
2013	3.14%		

FX breakdown (fully hedged)

USD	31.96%
EUR	27.95%
NOK	22.66%
SEK	13.47%
CHF	1.42%
GBP	2.55%
AUD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	20.98%
US	8.42%
Oth DEV	45.20%
LATAM	2.63%
EMEA	18.19%
ASIA	4.59%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	4.27%
tot IG	4.27%
BB	26.92%
B	16.59%
CCC	3.67%
tot HY	47.18%
NR	48.55%
TOTAL	100.00%

Sector breakdown - Top 10

Services	24.45%
Real Estate	19.33%
Basic Industry	9.75%
Financial Services	5.70%
Leisure	5.53%
Telecommunications	5.16%
Banking	4.64%
Transportation	4.62%
Energy	4.22%
Consumer Goods	3.12%

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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