

Swan Bond Enhanced Sicav–SIF EUR

May 2023



Strategy

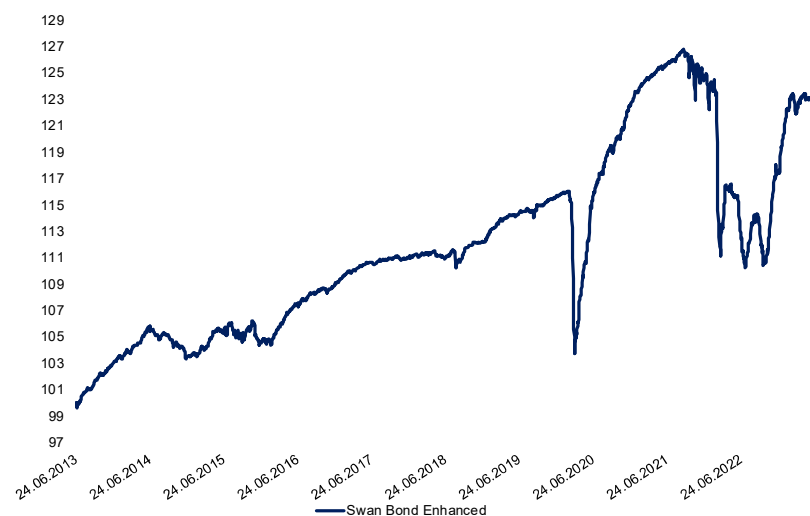
Swan Bond Enhanced SIF is the alternative version of our Fixed Income Intermediate risk profile. The strategy is focused on a highly diversified buy and hold portfolio of liquid short-term fixed income securities, in a levered format. Leverage is normally included between 50% and 150% of the NAV. Target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

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

High Yield Credit markets reported a mixed performance in May ranging from -1.30% for EM corp HY to +0.55% of the EU HY in tandem with the movement of the S&P500 (+0.25%) and Eurostoxx50 (-3.24%). The IG EUR market was positive by 0.18%. The short-term (1-3 year) H1WN global HY index also reports a negative performance of -0.29% YTD while the Global unconstrained (in terms of maturity) HY lost -0.79%. The month started with meetings of the main central banks. The FED raised rates by 25bps, signaling that it might soon pause its aggressive monetary tightening campaign. Powell said that credit crunch could act as a substitute for further rate rises by dampening economic activity, even if data from US indicated that growth is still solid and resilient (strong gains in US April good spending and employment still at tight level of 3.4%). Anyway FED officials stressed the need for "flexibility and optionality" in setting monetary policy, suggesting that after a likely pause in June, further hikes could follow in case inflation should not correct downward. ECB followed the FED and raised deposit rate by 25bps to 3.25%, clearly indicating that "we have more ground to cover and we are not pausing, that is extremely clear". Markets now expect two more hikes by European Central Bank to 3.75%, which would match its highest-ever level in 2001. Oil moved lower to 73\$ per barrel, while US dollar recovered some ground with DXY at 104.32. Thanks to the recent volatility spike we have been able to add several new credit stories at very interesting levels of credit spreads: our funds have a yield to maturity between 7.5% and 12 %, combined with an average spread duration around 16 months. The combination of higher diversification, higher credit quality and higher expected yields paves the way for extremely attractive returns in the next future.

Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, with 82% of the positions (158 out of 192) 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 (15 months or average spread duration of 1.26), combined with a yield of 10.98% (net of funding cost in EUR) and z-spread of 781 basis points. The fund is levered, being invested at about 198% 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 :	-0.11%	Fund Assets (mln) :	147.3 €
Since inception	23.12%	1 Year Std Dev :	2.98%
Last 12 Months :	6.39%	1 Year Sharpe Ratio :	1.58
NAVps :	EUR 123.12	% of positive months :	73%

Period	Perf.	Portfolio info	
MTD	-0.11%	# of Securities	192
YTD	4.87%	% Weight	198.02%
6 months	6.36%	Int Dur	1.85
1 year	6.39%	Yield (gross)	10.98%
2022	-5.91%	Spread Duration	2.50
2021	1.66%	Z-spread	781
2020	6.12%		
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	25.53%
EUR	40.12%
NOK	20.49%
SEK	10.81%
CHF	1.36%
GBP	1.70%
AUD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	35.61%
US	7.11%
Oth DEV	44.20%
LATAM	2.02%
EMEA	9.28%
ASIA	1.78%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	7.91%
tot IG	7.91%
BB	29.41%
B	12.68%
CCC	2.43%
tot HY	44.53%
NR	47.57%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	8.17%
Shipping - Gas	5.53%
Gaming - Online Gaming	4.88%
Real Estate - Mgmt Res	4.68%
Oil and gas E&P - All	4.53%
Real Estate - Mgmt Comrr	4.14%
Shipping - Chemicals	4.05%
Telecom - Wireline Integr	3.46%
Air Transportation	3.29%
Finance - NPL collector	3.00%

* Portfolio 100%

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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