

Swan Bond Enhanced Sicav–SIF USD

September 2023



Strategy

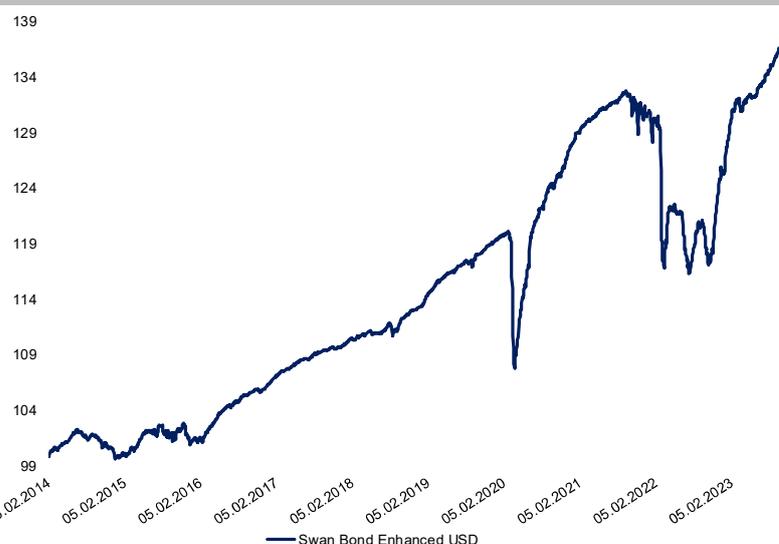
Swan Bond Enhanced SIF is the alternative version of our Fixed Income Intermediate risk profile. The strategy is focused on a highly diversified buy and hold portfolio of liquid short-term fixed income securities, in a levered format. Leverage is normally included between 50% and 150% of the NAV. Target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

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

High Yield Credit markets reported a contrasting performance in September ranging from -0.40% for EM corp HY to +0.44% of the EU HY while equity markets were negative with both the S&P500 (-4.87%) and Eurostoxx50 (-2.85%). The IG EUR market was negative by -0.86% while the short-term (1-3 year) H1WN global HY index reported a positive performance of +0.26%. The Global unconstrained (in terms of maturity) HY index was negative at -0.80%. Central banks were back on the headlines with their September meetings: the ECB opted for a "dovish" hike, delivering one more hike but indicating that this would be very likely the last one. The door is open for further increases, but next movement will be data dependent and markets seem to be more concentrated now on how long rates will remain at 4%, the highest level ever reached in the Eurozone. The FED kept rates unchanged, but the overall message and the forecasts were more hawkish than expected: Jerome Powell explained that the committee is still unsure about whether rates have been put into sufficiently restrictive territory, given how resilient the economy has been. Inflation printed downside surprise in both UK and EU, while in US the Core CPI confirmed its downward trend moving to 4.3% YoY vs the 4.7% of the previous month. Markets repriced expectations, factoring in higher for longer rates: consequently the 10 years bund yield was higher at 2.84% (+37bps in the month), in tandem with the 10 years Treasury at 4.57% (+46bps in the month). Oil moved higher to 95\$ per barrel, while US dollar recover some ground with DXY at 106.17. Our funds have a yield to maturity between 7.5% and 10.5%, combined with an average spread duration around 16 months. The combination of higher diversification, higher credit quality and higher expected yields pave 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 80% of the positions (152 out of 190) 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 (17 months or average spread duration of 1.39), combined with a yield of 10.44% (net of funding cost in EUR) and z-spread of 675 basis points. The fund is levered, being invested at about 195% currently.

Performance

MTD :	0.72%	Fund Assets (mln) :	149.7 €
Since inception	36.61%	1 Year Std Dev :	2.24%
Last 12 Months :	15.19%	1 Year Sharpe Ratio :	4.66
NAVps :	USD 136.61	% of positive months :	78%

Period	Perf.	Portfolio info	
MTD	0.72%	# of Securities	190
YTD	8.96%	% Weight	195.28%
6 months	4.01%	Int Dur	1.89
1 year	15.19%	Yield (gross) in EUR	10.44%
2022	-4.14%	Spread Duration	2.72
2021	2.14%	Z-spread	675
2020	7.31%		
2019	5.35%		
2018	3.07%		
2017	3.32%		
2016	4.99%		
2015	1.53%		
2014	-0.21%		

FX breakdown (fully hedged)

USD	25.84%
EUR	41.83%
NOK	17.70%
SEK	10.31%
CHF	1.69%
GBP	2.64%
AUD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	39.23%
US	8.20%
Oth DEV	39.16%
LATAM	1.91%
EMEA	10.49%
ASIA	1.01%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	10.94%
tot IG	10.94%
BB	27.92%
B	12.59%
CCC	0.80%
tot HY	41.30%
NR	47.76%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	9.20%
Real Estate - Mgmt Res	6.98%
Shipping - Gas	4.98%
Oil Field Equipment & Se	4.67%
Oil and gas E&P - All	4.25%
Shipping - Crude	3.70%
Air Transportation	3.38%
Finance - NPL collector	3.03%
Pharmaceuticals	2.87%
Software/Service	2.70%

* Portfolio 100%

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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