

Swan Bond Enhanced Sicav–SIF USD

December 2023



Strategy

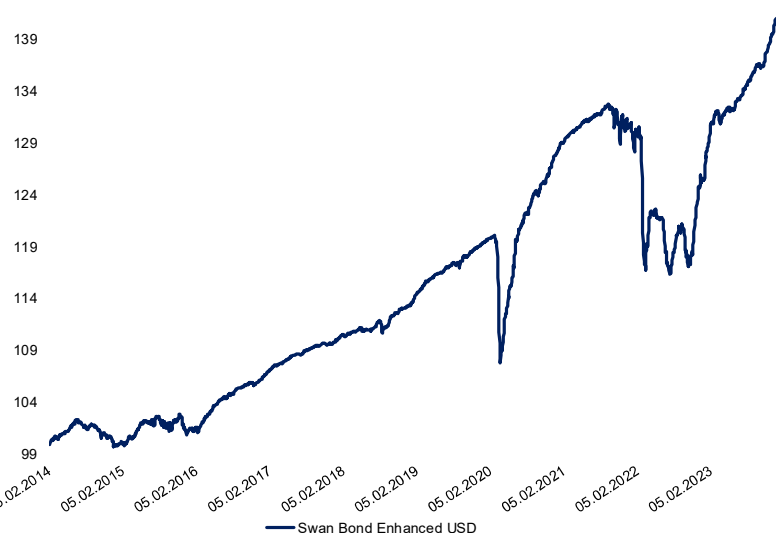
Swan Bond Enhanced SIF is the alternative version of our Fixed Income Intermediate risk profile. The strategy is focused on a highly diversified buy and hold portfolio of liquid short-term fixed income securities, in a levered format. Leverage is normally included between 50% and 150% of the NAV. Target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

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

High Yield Credit markets reported a positive performance in December ranging from +3.20% for EM corp HY to +2.79% of the EU HY in tandem with positive equity markets, S&P500 (+4.42%) and Eurostoxx50 (+3.18%). The IG EUR market was positive by +2.98% while the short-term (1-3 year) H1WN global HY index reported a positive performance of 1.80%. The Global unconstrained (in terms of maturity) HY index was positive at +3.30%. The FED had its policy decision meeting on the 13th of December: interest rates remained at 22 years highs but forecasts showed that US officials believe rates will end next year at 4.5% / 4.75%, implying three quarter point rate cuts. In addition, the unexpected dovish stance by Jerome Powell during the press conference, further boosted market optimism about lower rates for 2024. The day after the FED decision, both the ECB and the BOE held interest rates steady at 4% and 5.25% respectively, with Christine Lagarde and Andrew Bailey affirming that there is still some work to do before inflation falls back to their target. Markets responded to this news continuing the bond rally started in November even if inflation data did not further surprise on the downside: November core CPI YoY was stable at 4% in US, while in Europe November core inflation was stable at 3.6% YoY. Rates market incorporated a relatively high probability of easing by both the FED and ECB during the next quarters, even if we believe central banks will act only when they will be convinced that inflation will remain below 3% on a sustained basis. The 10 years bund yield was lower at 2.02% (-43bps in the month), in tandem with the 10 years Treasury at 3.88% (-45bps in the month). Oil moved lower to 77\$ per barrel, while US dollar lost some ground with DXY at 101.33. Our funds have a yield to maturity between 7% and 9%, combined with an average spread duration around 17 months. The combination of diversification, good credit quality and high 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 89% of the positions (176 out of 198) contributing positively. During the month we 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 (16 months or average spread duration of 1.36), combined with a yield of 9.35% (net of funding cost in EUR) and z-spread of 609 basis points. The fund is levered, being invested at about 194% currently.

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)

Performance

MTD :	1.39%	Fund Assets (mln) :	160.1 €
Since inception	41.06%	1 Year Std Dev :	1.56%
Last 12 Months :	12.51%	1 Year Sharpe Ratio :	4.73
NAVps :	USD 141.06	% of positive months :	78%

Period	Perf.	Portfolio info	
MTD	1.39%	# of Securities	198
YTD	12.51%	% Weight	194.33%
6 months	5.76%	Int Dur	1.86
1 year	12.51%	Yield (gross) in EUR	9.35%
2022	-4.14%	Spread Duration	2.65
2021	2.14%	Z-spread	609
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	21.58%
EUR	47.23%
NOK	17.46%
SEK	8.63%
CHF	2.16%
GBP	2.95%
AUD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	41.34%
US	7.52%
Oth DEV	37.08%
LATAM	1.99%
EMEA	11.71%
ASIA	0.37%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	9.29%
tot IG	9.29%
BB	31.22%
B	14.56%
CCC	0.50%
tot HY	46.29%
NR	44.43%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	8.93%
Shipping - Gas	5.62%
Real Estate - Mgmt Res	5.36%
Oil Field Equipment & Se	4.29%
Finance - NPL collector	4.07%
Telecom - Wireline Integr	4.01%
Oil and gas E&P - All	3.84%
Air Transportation	3.56%
Software/Service	2.70%
Specialty Retail	2.62%

* 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: SWBENAU LX

ISIN: LU1019165882

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