

Swan Bond Enhanced Sicav–SIF EUR

April 2020



Strategy

The sub-fund aims to generate significant excess return vs 3m Euribor in combination with extremely low volatility. The strategy is focused on the “buy and hold” levered investment in a highly diversified and granular portfolio of liquid short-term fixed income securities. Leverage is normally included between 100% and 200% of the NAV with invested capital between 2x and 3x the NAV.

Performance

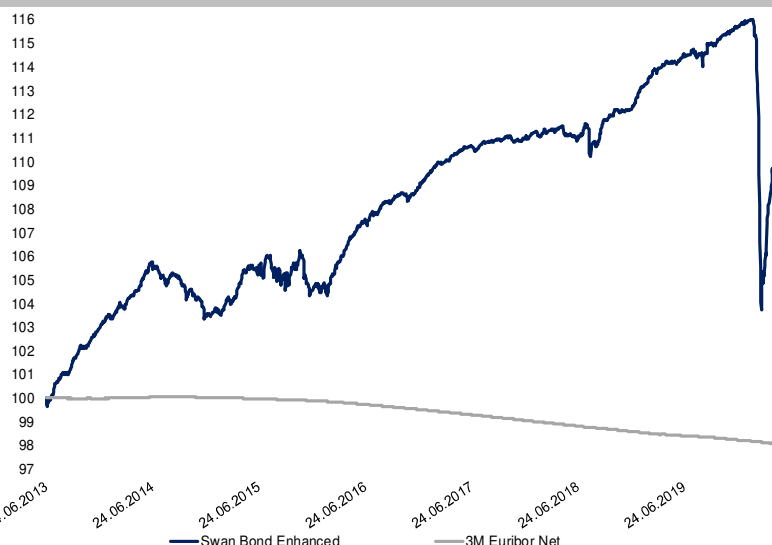
MTD :	4.08%	Fund Assets (mln) :	124.4 €
Since inception	9.13%	1 Year Std Dev :	3.76%
Last 12 Months :	-4.36%	1 Year Sharpe Ratio :	-1.04
NAVps :	EUR 109.13	% of positive months :	76%

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

During April European credit markets experienced a positive performance (H9PC Index +6.08%), in tandem with a positive movement of the Eurostoxx 50 (+5.06%) and the S&P 500 (+12.68%). In this context Swan Bond Enhanced partially recovered the loss realized in the 1st quarter, with a significantly positive monthly performance of +4.88%; YTD performance is -5.64% while credit markets registered close to double digit negative returns YTD (EUR HY -9.54%, EM HY -10.75%, US HY -10.48% and EUR IG -2.71%). Economic data signaled a significant negative growth in 1Q20, with Eurozone at -3.4% and US at -4.8%, while estimates are for a contraction on the full year of -3.9% in US and -5.3% in Europe. Oil collapse had its peak during the last trading days of the WTI Future contract with expiration in May: price for that maturity went in negative territory with oil producers paying buyers to take the commodity off their hands over fears that storage capacity could run out. On the central banks side, ECB reiterated that it is willing to use all available flexibilities to support the economy, but rates remained unchanged and there was no upsize in its asset purchase programs, while more generous conditions will be applied in upcoming TLTRO operations. The FED did not change its monetary policy during last meeting, but pledged readiness for further action in case of need; Jerome Powell already took quick and significant actions in late March to stabilize financial markets and seems to be in a wait and see mode now, stimulating US administration to use “the great fiscal power of the United States”. We still think that this is an extremely attractive entry point for our strategy: a duration adjusted YTM close to combined with an average maturity of the bonds in portfolio below 1 year (10 months) give us confidence on the capability to recover YTD losses and generate positive performance in 2020.

Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, with 88% of the positions (114 out of 129) contributing positively. During the month we further increased our invested capital: conditions are much more attractive now in the short-term part of the credit curve. The average life of the yield-type portfolio is very short (10 months or average spread duration of 0.86), combined with a yield of 16.42% (net of funding cost in EUR) and z-spread of 1749 basis points. The fund is levered, being invested at about 205.83% currently.

Period	Perf.	Portfolio info	
MTD	4.08%	# of Securities	156
YTD	-5.64%	% Weight	205.83%
6 months	-5.22%	Int Dur	1.38
1 year	-4.36%	Yield (gross)	16.42%
2019	3.12%	Spread Duration	1.77
2018	1.00%	Z-spread	1749
2017	1.83%		
2016	4.13%		
2015	1.16%		
2014	0.37%		
2013	3.14%		

FX breakdown (fully hedged)

USD	48.50%
EUR	28.79%
NOK	16.06%
SEK	6.05%
CHF	0.60%
GBP	0.00%
AUD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	19.67%
US	1.01%
Oth DEV	31.29%
LATAM	5.46%
EMEA	22.59%
ASIA	19.98%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	1.02%
BBB	10.15%
	tot IG 11.16%
BB	24.21%
B	26.79%
CCC	1.13%
	tot HY 52.13%
NR	36.71%
TOTAL	100.00%

Sector breakdown - Top 10

Real Estate	21.46%
Banking	21.22%
Services	19.36%
Energy	6.52%
Basic Industry	5.42%
Financial Services	5.04%
Foreign Sovereign	4.60%
Telecommunications	3.08%
Capital Goods	2.51%
Healthcare	2.44%

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)

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

Contacts at Swan Asset Management SA:

E-mail: info@swan-am.ch - Tel: +41 91 986 31 90

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