

Swan Bond Enhanced Sicav–SIF USD

June 2020



Strategy

The sub-fund aims to generate significant excess return vs 3m Libor 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

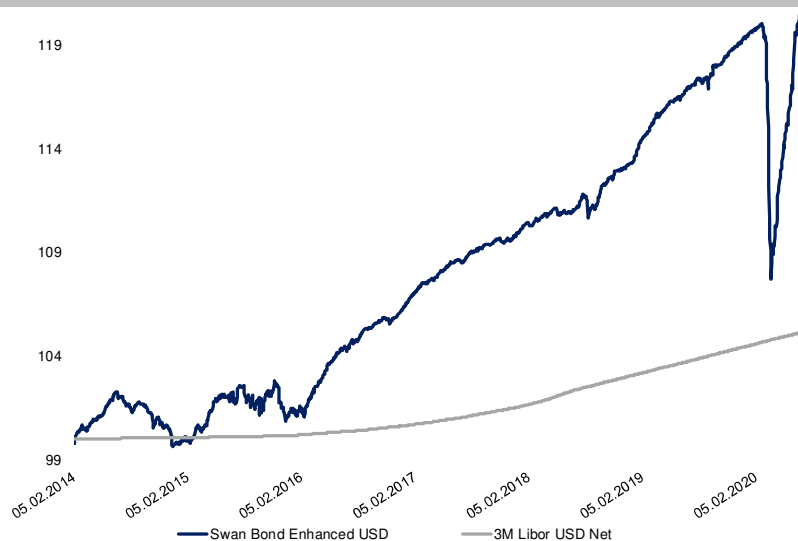
MTD :	3.03%	Fund Assets (mln) :	109.2 €
Since inception	20.63%	1 Year Std Dev :	4.03%
Last 12 Months :	3.16%	1 Year Sharpe Ratio :	0.5
NAVps :	USD 120.63	% of positive months :	81%

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

During June European credit markets experienced a positive performance (H9PC Index +1.93%), in tandem with a positive movement of the Eurostoxx 50 (+6.03%) and the S&P 500 (+1.84%). In this context Swan funds continued to retrace the drawdown experienced during the 1st quarter, with a significant positive monthly performance ranging from +3.18% to 1.66%: our SIF funds are now in positive territory and UCITS funds are just some basis points below zero, while credit markets are still reporting deep negative returns YTD (EUR HY -5.10%, EM HY -2.94%, US HY -5.66% and EUR IG -1.28%). During the month, most data releases beat expectations: flash PMIs reported, for the second month in a row, double digit gains and retail sales in US bounced by 18% in May (but still 6.1% lower than a year ago). During his speech at the Senate FED Chairman Powell took a cautious tone with regards to economy warning of “significant uncertainty” threatening the “timing and strength” of the recovery, and the still elevated COVID-19 infection rates in US poses consistent risks for the next months. The IMF outlook on global economy worsened by 1.9% to a 4.9% from last release in April: biggest downgrades were for France and Spain and deterioration was driven by the more severe lockdown measures applied in previous months and a more gradual recovery forecasted for 2H2020. In Europe negotiations are still ongoing on structure and size of the Recovery Fund and the extraordinary meeting of 17th July will possibly be the final round of the match. Brent strongly recovered reaching 40 USD per barrel (+16% monthly performance) even if strong inventories remain a major concern. We still think that this is an interesting entry point for our strategy: attractive YTM combined with an average maturity of the bonds in portfolio around 1 year give us confidence on the capability to generate positive performance in line with targets during 2020.

Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, with 91% of the positions (118 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 (12 months or average spread duration of 0.95), combined with a yield of 11.60% (net of funding cost in EUR) and z-spread of 1352 basis points. The fund is levered, being invested at about 239.21% currently.

Period	Perf.	Portfolio info	
MTD	3.03%	# of Securities	165
YTD	1.08%	% Weight	239.21%
6 months	1.08%	Int Dur	1.79
1 year	3.16%	Yield (gross)	11.60%
2019	5.35%	Spread Duration	2.26
2018	3.07%	Z-spread	1352
2017	3.32%		
2016	4.99%		
2015	1.53%		
2014	-0.21%		

FX breakdown (fully hedged)

USD	49.34%
EUR	29.56%
NOK	13.35%
SEK	5.88%
CHF	1.87%
GBP	0.00%
AUD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	20.52%
US	1.27%
Oth DEV	27.54%
LATAM	6.91%
EMEA	26.28%
ASIA	17.49%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.96%
BBB	12.61%
tot IG	13.57%
BB	25.60%
B	25.52%
CCC	1.75%
tot HY	52.87%
NR	33.57%
TOTAL	100.00%

Sector breakdown - Top 10

Real Estate	19.75%
Banking	19.32%
Services	18.01%
Basic Industry	7.07%
Financial Services	6.83%
Energy	5.97%
Foreign Sovereign	4.89%
Transportation	2.93%
Healthcare	2.62%
Capital Goods	2.47%

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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