

# Swan Bond Enhanced Sicav–SIF USD

## July 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

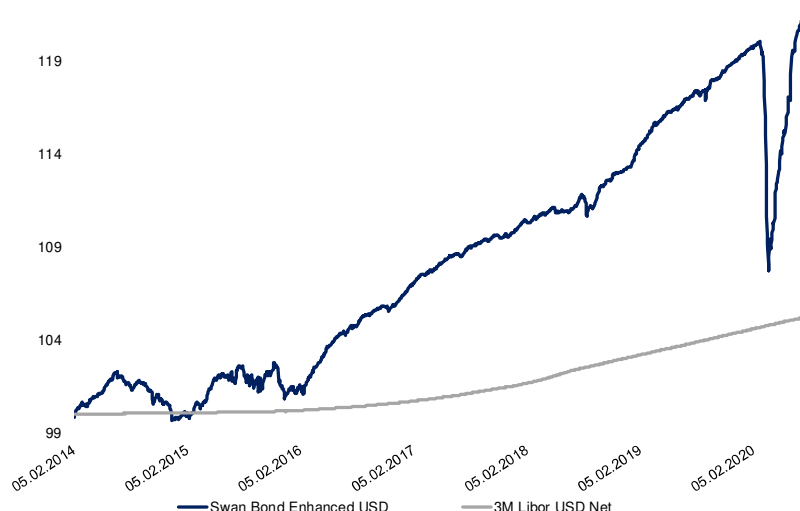
MTD :	<b>1.23%</b>	Fund Assets (mln) :	109.5 €
Since inception	<b>22.11%</b>	1 Year Std Dev :	4.05%
Last 12 Months :	<b>4.05%</b>	1 Year Sharpe Ratio :	0.76
NAVps :	USD 122.11	% of positive months :	81%

### Risk Profile

Conservative

**Intermediate**

High Reward



### Global market picture

During July European credit markets experienced a positive performance (H9PC Index +1.69%), in contrast with the negative movement of the Eurostoxx 50 (-1.85%), while S&P 500 closed higher (+5.51%). In this context Swan funds continued to retrace the drawdown experienced during the 1st quarter, with a significant positive monthly performance ranging from +1.17% to 0.53%: our SIF funds are in positive territory (+1.97% SLSC and +1.44% for SBE) and also UCITS funds registered positive performance YTD (+0.35% USTB and +0.14% for STHY), while credit markets are still reporting negative returns YTD (European HY -3.50%, Emerging HY -0.39%, US HY -1.44% and EUR IG +0.20%). GDP releases confirmed the COVID-19 related disruption of the economy: during 2Q GDP contracted by 9.5% in US and 12.1% in Europe, with recovery expected to be long and painful as coronavirus cases continued to increase and US-China relations came back on the stage. Central banks and European Union confirmed their role in supporting ailing economies: EU leaders reached a deal on a €750bn plan (€390bn in the form of grants and the balance in loans) but the main result obtained was that for the first time EU will be able to run a federal deficit to respond to an economic shock, while the FED maintained its dovish tone, hoping that congress will renew fiscal stimulus. Government bond yields continued their downward movements (10yrs Bund @ -0.56% and 10yrs Treasury @ 0.53%) increasing the search for spread products, while gold reached \$1983 a troy ounce, a nominal record. 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 94% of the positions (114 out of 121) contributing positively. During the month we slightly reduced our invested capital but conditions remain attractive in the short-term part of the credit curve. The average life of the yield-type portfolio is very short (11 months) or average spread duration of (0.91), combined with a yield of 9.98% (net of funding cost in EUR) and z-spread of 1221 basis points. The fund is levered, being invested at about 216.80% currently.

Period	Perf.
MTD	<b>1.23%</b>
YTD	<b>2.32%</b>
6 months	<b>1.99%</b>
1 year	<b>4.05%</b>
2019	<b>5.35%</b>
2018	<b>3.07%</b>
2017	<b>3.32%</b>
2016	<b>4.99%</b>
2015	<b>1.53%</b>
2014	<b>-0.21%</b>

### Portfolio info

# of Securities	155
% Weight	216.80%
Int Dur	1.54
Yield (gross)	9.98%
Spread Duration	1.96
Z-spread	1221

### FX breakdown (fully hedged)

USD	46.51%
EUR	31.13%
NOK	13.88%
SEK	6.42%
CHF	2.06%
GBP	0.00%
AUD	0.00%
<b>TOTAL</b>	<b>100.00%</b>

### Geographic breakdown

EU	22.55%
US	1.41%
Oth DEV	29.55%
LATAM	6.50%
EMEA	24.84%
ASIA	15.15%
<b>TOTAL</b>	<b>100.00%</b>

### Rating breakdown

AAA	0.00%
AA	0.00%
A	1.01%
BBB	13.18%
<b>tot IG</b>	<b>14.19%</b>
BB	24.59%
B	23.81%
CCC	1.43%
<b>tot HY</b>	<b>49.83%</b>
NR	35.98%
<b>TOTAL</b>	<b>100.00%</b>

### Sector breakdown - Top 10

Banking	20.55%
Services	19.14%
Real Estate	16.51%
Basic Industry	6.63%
Financial Services	6.20%
Energy	5.94%
Foreign Sovereign	5.10%
Transportation	3.79%
Capital Goods	2.97%
Healthcare	2.15%

### 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

Contacts at Swan Asset Management SA:

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

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