

Swan Bond Enhanced Sicav–SIF EUR

August 2020



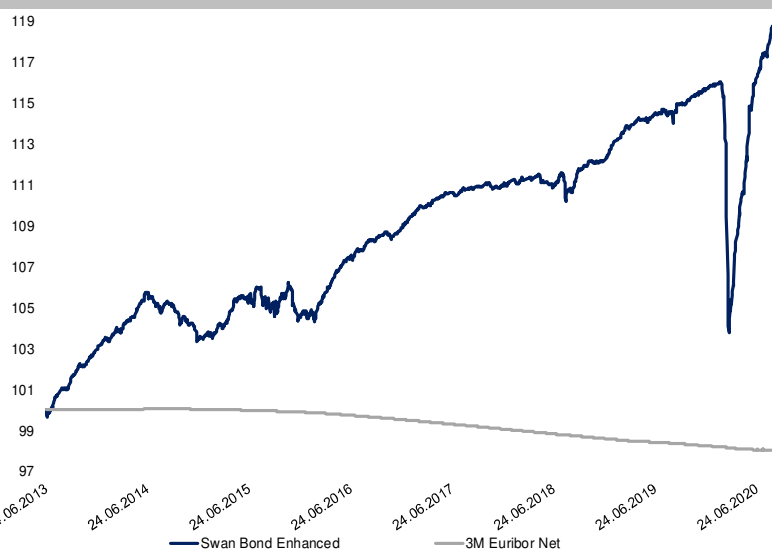
Strategy

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 :	1.25%	Fund Assets (mln) :	115.9 €
Since inception	18.79%	1 Year Std Dev :	4.14%
Last 12 Months :	3.73%	1 Year Sharpe Ratio :	1.02
NAVps :	EUR 118.79	% of positive months :	77%

Risk Profile



Global market picture

During August European credit markets experienced a positive performance (H9PC Index +1.41%), in tandem with the positive movement of the Eurostoxx 50 (+3.09%) and S&P 500 (+7.01%). In this context Swan funds continued to move higher, with a significant positive monthly performance ranging from +0.58% to 1.28%: our SIF funds are in positive territory (+3.27% SLSC and +2.72% for SBE) and also UCITS funds registered positive performance YTD (+0.93% USTB and +0.92% for STHY), while several credit markets are still reporting negative returns YTD (European HY -1.74%, Emerging HY +1.89%, US HY -0.73% and EUR IG +0.73%). Flash PMI in US was stronger than expected and existing home sales jumped 24.7%, reaching the highest level since 2007, supported by historically low interest rates, while consumer spending was struggling due to expiring unemployment benefits. In Europe alternative indicators (mobility statistics) indicated that activity continued to increase during the month with GDP on track to rebound 60% on 3Q20, notwithstanding a resurgence in COVID19 case, especially in Spain and France. Both ECB and FED minutes did not provide significant news, with focus now on the FED September meeting that should reveal the conclusion of the framework review. Government bond yields moved higher (10yrs Bund @ -0.40% and 10yrs Treasury @ 0.70%) but still at ultra-low levels, while gold remained just below \$2000 per ounce. We think that this is an interesting entry point for our strategy: current YTM combined with an average maturity of the bonds around 1 year give us confidence on the capability to generate positive performance in line with targets during 2020 and give us the opportunity to build portfolios with attractive returns on a 1 year horizon.

Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, with 92% of the positions (114 out of 124) contributing positively. During the month we slightly reduced our invested capital but conditions remain 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 (0.83), combined with a yield of 9.81% (net of funding cost in EUR) and z-spread of 1231 basis points. The fund is levered, being invested at about 215.32% currently.

Period	Perf.
MTD	1.25%
YTD	2.72%
6 months	2.67%
1 year	3.73%
2019	3.12%
2018	1.00%
2017	1.83%
2016	4.13%
2015	1.16%
2014	0.37%
2013	3.14%

Portfolio info	
# of Securities	161
% Weight	215.32%
Int Dur	1.36
Yield (gross)	9.81%
Spread Duration	1.79
Z-spread	1231

FX breakdown (fully hedged)

USD	46.55%
EUR	29.83%
NOK	14.85%
SEK	6.68%
CHF	2.09%
GBP	0.00%
AUD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	21.32%
US	1.36%
Oth DEV	31.31%
LATAM	6.75%
EMEA	24.32%
ASIA	14.94%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.95%
BBB	12.23%
tot IG	13.18%
BB	24.66%
B	22.66%
CCC	1.68%
tot HY	49.00%
NR	37.81%
TOTAL	100.00%

Sector breakdown - Top 10

Services	20.99%
Banking	18.84%
Real Estate	16.39%
Basic Industry	7.11%
Financial Services	6.16%
Energy	5.73%
Foreign Sovereign	4.83%
Transportation	3.71%
Capital Goods	2.84%
Healthcare	2.09%

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

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