

Swan Bond Enhanced Sicav–SIF USD

September 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

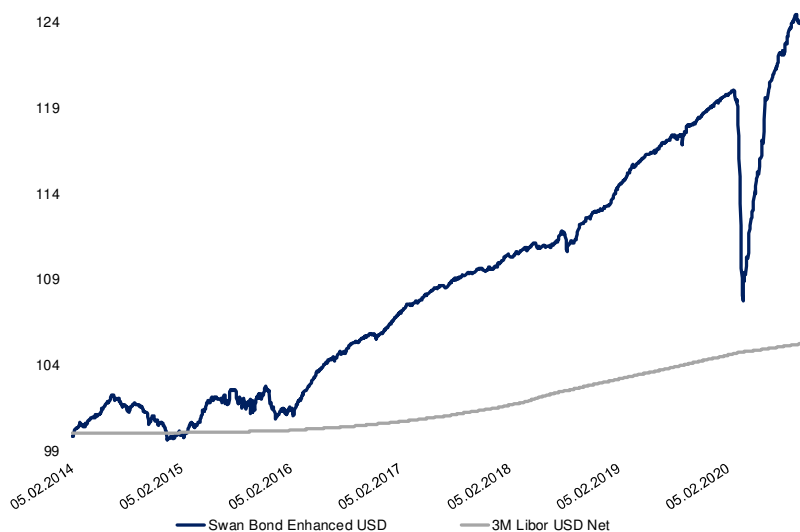
MTD :	0.19%	Fund Assets (mln) :	116.5 €
Since inception	23.93%	1 Year Std Dev :	4.03%
Last 12 Months :	5.00%	1 Year Sharpe Ratio :	1.08
NAVps :	USD 123.93	% of positive months :	81%

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

During September European credit markets experienced a negative performance (H9PC Index -0.59%), in tandem with the movement of the Eurostoxx 50 (-2.41%) and S&P 500 (-3.92%). In this context Swan funds continued to move higher with a positive monthly performance ranging from +0.09% to 0.20%: our SIF funds are in positive territory (+3.37% SLSC and +2.86% for SBE) and also UCITS funds registered positive performance YTD (+1.13% USTB and +1.07% for STHY), while credit markets are still reporting negative returns YTD (European HY -2.71%, Emerging HY -0.02%, US HY -1.67% and EUR IG +0.68%). In US monthly data signaled a slowing growth, while politics added further uncertainty with negotiations on new fiscal stimulus still stalling. The 1st presidential debate did not bring significant news about candidate programs, but markets was scared by Trump continuous declaration about a unpeaceful transfer of power should he loses to Joe Biden. In its meeting the FED committed to a dovish policy until inflation has risen to 2% and is “on track to moderately exceed 2% for some time”, with dots now forecasting rates at these levels for the next three years. In Europe, notwithstanding the increase in COVID-19 cases especially in Spain and France, lockdown measures were only local and selective, but flash PMIs show signals of weakness. Government bond yields moved lower (10yrs Bund @ -0.52% and 10yrs Treasury @ 0.68%), while gold continued its retracement from August peak. 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 71% of the positions (91 out of 129) contributing positively. During the month we slightly increased our invested capital: 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 0.81), combined with a yield of 11.89% (net of funding cost in EUR) and z-spread of 1406 basis points. The fund is levered, being invested at about 220% currently.

Period	Perf.	Portfolio info	
MTD	0.19%	# of Securities	166
YTD	3.85%	% Weight	220.33%
6 months	13.81%	Int Dur	1.38
1 year	5.00%	Yield (gross)	11.89%
2019	5.35%	Spread Duration	1.78
2018	3.07%	Z-spread	1406
2017	3.32%		
2016	4.99%		
2015	1.53%		
2014	-0.21%		

FX breakdown (fully hedged)

USD	47.01%
EUR	28.95%
NOK	14.74%
SEK	6.95%
CHF	2.03%
GBP	0.32%
AUD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	21.23%
US	1.09%
Oth DEV	32.26%
LATAM	5.50%
EMEA	24.14%
ASIA	15.79%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.55%
BBB	12.00%
tot IG	12.55%
BB	23.80%
B	22.37%
CCC	2.69%
tot HY	48.86%
NR	38.60%
TOTAL	100.00%

Sector breakdown - Top 10

Services	21.03%
Banking	18.54%
Real Estate	18.11%
Basic Industry	7.93%
Financial Services	5.73%
Energy	4.82%
Foreign Sovereign	3.76%
Capital Goods	3.16%
Transportation	2.47%
Telecommunications	2.41%

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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