

Swan Bond Enhanced Sicav–SIF EUR

October 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

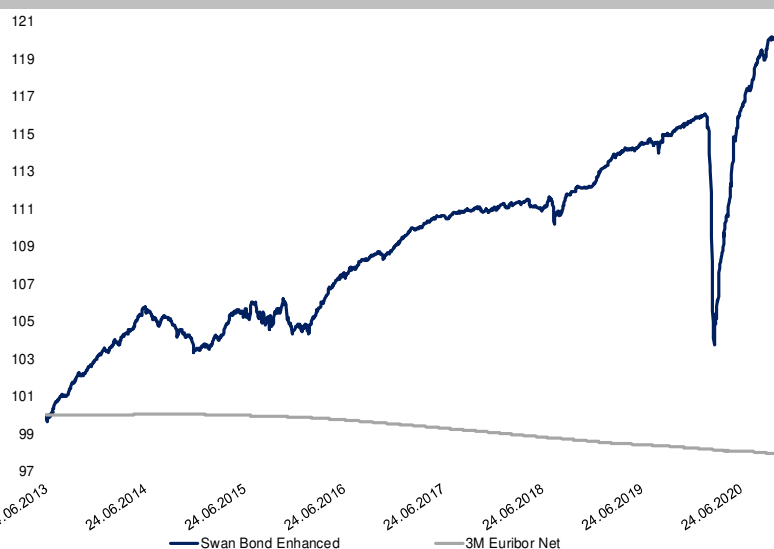
MTD :	0.91%	Fund Assets (mln) :	123.2 €
Since inception	20.04%	1 Year Std Dev :	4.12%
Last 12 Months :	4.26%	1 Year Sharpe Ratio :	1.15
NAVps :	EUR 120.04	% of positive months :	78%

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

During October European credit markets experienced a positive performance (H9PC Index +0.42%), in contrast with the movement of the Eurostoxx 50 (-7.37%) and S&P 500 (-2.77%). In this context Swan funds continued to move higher with a positive monthly performance ranging from +0.28% to 0.91%: our SIF funds are in positive territory (+4.07% SLSC and +3.80% for SBE) and also UCITS funds registered positive performance YTD (+1.41% USTB and +1.50% for STHY), while credit markets are still reporting mixed returns YTD (European HY -2.32%, Emerging HY +0.24%, US HY -1.27% and EUR IG +1.45%). Monthly data continue to indicate a moderating but still above trend growth with significant regional differences: in China economy continued its recovery, with strong trade terms signaling strength of export sector, while in the US, notwithstanding strong PMIs, there are more risks of slowdown if Congress will not approve a fiscal stimulus package before the elections. Europe was the region with the most problematic situation: after a strong Q3, expectations for Q4 are for zero growth due to a massive resurgence of Covid-19 infections; France announced a semi-Lockdown lasting till December and other countries could quickly follow this path, especially Spain and Italy. The ECB remained extremely dovish during its meeting, announcing further monetary easing before year end to counter risks “clearly tilted to the downside”. In this environment 10yrs Bund yields moved lower to -0.63%, while 10yrs Treasury jumped higher to 0.87%, 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 85% of the positions (100 out of 118) contributing positively. During the month we slightly decreased our invested capital even if conditions remain attractive 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 0.80), combined with a yield of 8.42% (net of funding cost in EUR) and z-spread of 1009 basis points. The fund is levered, being invested at about 197% currently.

Period	Perf.
MTD	0.91%
YTD	3.80%
6 months	10.00%
1 year	4.26%
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	156
% Weight	196.66%
Int Dur	1.19
Yield (gross)	8.42%
Spread Duration	1.58
Z-spread	1009

FX breakdown (fully hedged)

USD	51.61%
EUR	23.13%
NOK	15.69%
SEK	6.57%
CHF	2.16%
GBP	0.84%
AUD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	16.89%
US	1.16%
Oth DEV	35.30%
LATAM	5.83%
EMEA	25.99%
ASIA	14.83%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	12.15%
tot IG	12.15%
BB	21.40%
B	25.05%
CCC	1.54%
tot HY	47.99%
NR	39.87%
TOTAL	100.00%

Sector breakdown - Top 10

Services	22.04%
Real Estate	18.27%
Banking	14.70%
Basic Industry	9.36%
Energy	5.72%
Financial Services	5.64%
Foreign Sovereign	3.63%
Transportation	3.11%
Telecommunications	2.20%
Gaming	2.20%

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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