

Swan Bond Enhanced Sicav–SIF EUR

December 2022



Strategy

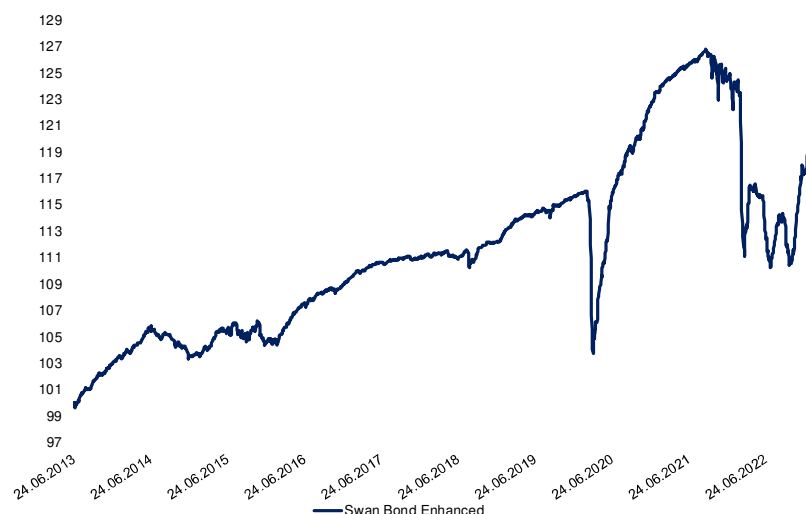
Swan Bond Enhanced SIF is the alternative version of our Fixed Income Intermediate risk profile. The strategy is focused on a highly diversified buy and hold portfolio of liquid short-term fixed income securities, in a levered format. Leverage is normally included between 50% and 150% of the NAV. Target Return is 3 months LIBOR + 350 bps.

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

Credit markets returns in 2022 were extremely negative with performances ranging from -17.01% for EM corp HY to -11.22% of the EU HY. The IG EUR market is also negative by -13.94% YTD, mainly due to the rates component. The short-term (1-3 year) H1WN global HY index also reports a performance of -10.07% YTD while the Global unconstrained (in terms of maturity) HY lost -13.60%. US CPI came lower than expected again in November at 7.1% YoY, giving the FED the possibility to raise rates by 50bps only, ending a months-long string of 0.75% rate increases. The revised "dots plot" signals fed funds rate at 5.1% by the end of 2023, 50bps higher than previous forecasts, a clear signal that the battle against inflation is not finished yet. The ECB also raised its deposit rate by 50bps to 2%, followed by very hawkish declarations by Christine Lagarde, who affirmed that the ECB will "raise interest rates at a 50bps pace for a period of time". Both the FED and the ECB warned that further actions are needed to curb prices rise and that inflation could take a long time to return to target levels of 2%. The 10 years bund yield was lower at +2.57% (+64bps in the month) in tandem with the 10 years Treasury that closed the month at 3.88% (+27bps). Thanks to the recent volatility spike we have been able to add several new credit stories at very interesting levels of credit spreads: our funds have a yield to maturity between 8% and 15%, combined with an average spread duration of below 16 months. The combination of higher diversification, higher credit quality and higher expected yields paves the way for extremely attractive returns in the next future.

Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, with 80% of the positions (140 out of 175) contributing positively. During the month we decreased 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 (14 months or average spread duration of 1.20), combined with a yield of 13.77% (net of funding cost in EUR) and z-spread of 1117 basis points. The fund is levered, being invested at about 215% currently.

Performance

MTD :	1.42%	Fund Assets (mln) :	129.0 €
Since inception	17.40%	1 Year Std Dev :	5.07%
Last 12 Months :	-5.91%	1 Year Sharpe Ratio :	-1.21
NAVps :	EUR 117.40	% of positive months :	73%

Period	Perf.	Portfolio info	
MTD	1.42%	# of Securities	175
YTD	-5.91%	% Weight	214.90%
6 months	4.98%	Int Dur	1.57
1 year	-5.91%	Yield (gross)	13.77%
2021	1.66%	Spread Duration	2.58
2020	6.12%	Z-spread	1117
2019	3.12%		
2018	1.00%		
2017	1.83%		
2016	4.13%		
2015	1.16%		
2014	0.37%		
2013	3.14%		

FX breakdown (fully hedged)

USD	31.06%
EUR	32.50%
NOK	21.81%
SEK	10.92%
CHF	0.11%
GBP	3.60%
AUD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	27.55%
US	8.96%
Oth DEV	43.68%
LATAM	2.25%
EMEA	13.49%
ASIA	4.08%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	3.76%
tot IG	3.76%
BB	24.76%
B	17.77%
CCC	4.05%
tot HY	46.58%
NR	49.66%
TOTAL	100.00%

Sector breakdown - Top 10

Real Estate - Dev Res	13.72%
Banking	12.47%
Shipping - Chemicals	11.67%
Real Estate - Mgmt Res	9.34%
Shipping - Crude	8.33%
Gaming - Online Gaming	8.02%
Investments & Misc Finar	7.81%
Real Estate - Mgmt Comr	7.71%
Shipping - Gas	7.35%
Telecom - Wireline Integr	6.82%

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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