

Swan Bond Enhanced Sicav–SIF EUR

October 2019



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

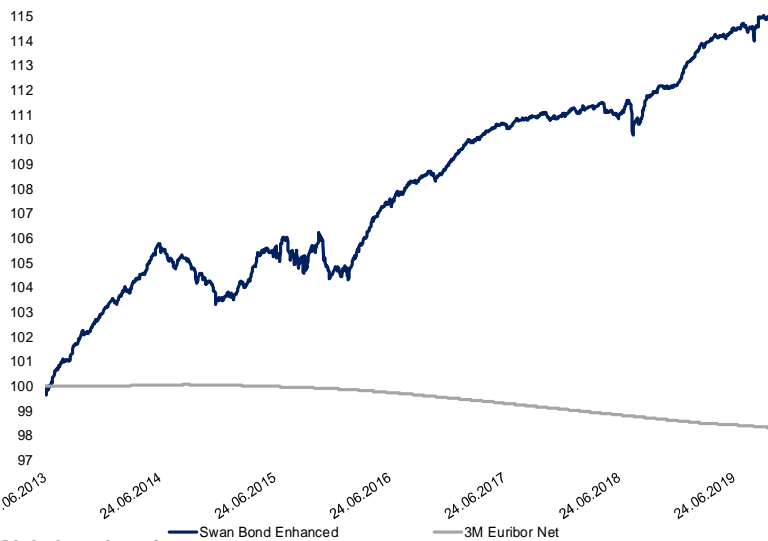
MTD :	0.17%	Fund Assets (mln) :	130.2 €
Since inception	15.14%	1 Year Std Dev :	0.87%
Last 12 Months :	2.90%	1 Year Sharpe Ratio :	3.73
NAVps :	EUR 115.14	% of positive months :	77%

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

October was a mixed month for financial markets: European credit markets were negative (H9PC Index -0.15%), while equity markets were positive both in Europe (Eurostoxx 50 +0.98%) and in US (S&P 500 +2.04%). The month started with a weak set of data from US (US Manufacturing ISM at lowest level since 2009) while weak flash PMI in Europe were adjusted lower in their final release. Central banks' accommodative policy continued in October with the FED cutting rates by 25bps, but future rate path is uncertain with markets pricing only a 27% probability of a rate cut at the December meeting. After eight years as ECB Chairman, Mario Draghi stepped down, with Christine Lagarde named as successor: during his last after-meeting conference Draghi confirmed the need for an accommodative fiscal policy that could support current monetary policy, while guidance was not significantly changed. Notwithstanding the continuous dovish statement and movement from central bank around the world, German 10 years Bund closed the month at -0.41% (+16bps during the month) while 10 Years Treasury was substantially unchanged at 1.69% (+3bps during the month). On the political side, the main news was the slow and partial progress in the US-China negotiations on a possible deal, and the continuation of the impeachment process against Donald Trump, while in Europe Brexit deadline was postponed to 31st of January with general elections called for 12th of December. Emerging markets reported a positive performance (+1.66%) with LATAM being the best performer during the month; general election in Argentina confirmed Fernandez victory with investors now focusing on possible restructuring proposals, while pressure mounted in Lebanon after Hariri resignation. Oil prices was flat during the month at USD60 per barrel.

Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, with 87% of the positions (79 out of 91) contributing positively. Positive contributions were homogeneously distributed, the only exceptions being EVERRE 03/20 and IPFLN 04/21, while a negative contribution was generated by DOFSUB 05/20. The average life of the yield-type portfolio is very short (9 months or average spread duration of 0.79), combined with a yield of 3.17% (net of funding cost in EUR) and z-spread of 377 basis points. The fund is levered, being invested at about 137% currently.

Period	Perf.	Portfolio info	
MTD	0.17%	# of Securities	116
YTD	2.67%	% Weight	137.44%
6 months	0.90%	Int Dur	0.72
1 year	2.90%	Yield (gross)	3.17%
2018	1.00%	Spread Duration	1.09
2017	1.83%	Z-spread	377
2016	4.13%		
2015	1.16%		
2014	0.37%		
2013	3.14%		

FX breakdown (fully hedged)

USD	52.92%
EUR	18.40%
NOK	20.74%
SEK	6.04%
CHF	0.87%
GBP	0.78%
AUD	0.25%
TOTAL	100.00%

Geographic breakdown

EU	8.68%
US	0.00%
Oth DEV	35.06%
LATAM	5.39%
EMEA	24.17%
ASIA	26.70%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	1.06%
BBB	8.08%
	tot IG
	9.14%
BB	21.11%
B	31.44%
CCC	0.20%
	tot HY
	52.75%
NR	38.11%
TOTAL	100.00%

Sector breakdown - Top 10

Real Estate	25.68%
Services	21.76%
Banking	17.81%
Foreign Sovereign	6.78%
Energy	6.09%
Financial Services	4.73%
Capital Goods	3.73%
Transportation	3.08%
Basic Industry	2.09%
Media	1.46%

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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