

Swan Bond Enhanced Sicav–SIF USD

November 2019



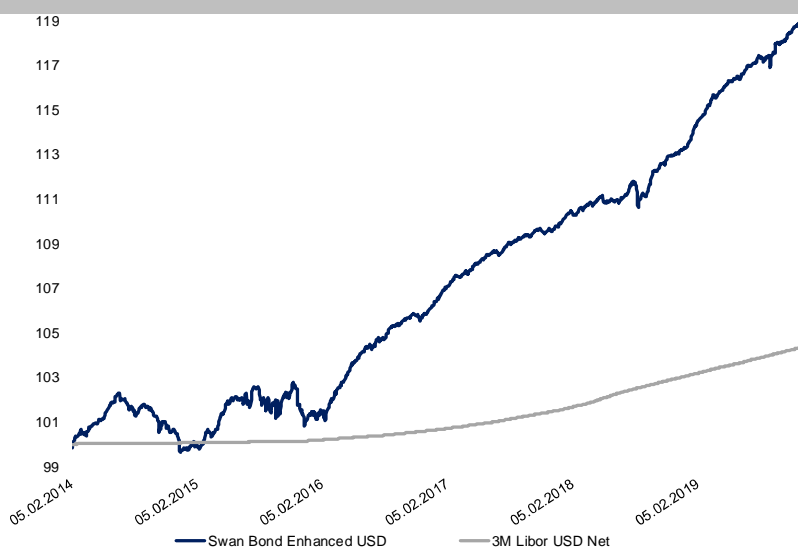
Strategy

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 :	0.40%	Fund Assets (mln) :	133.3 €
Since inception	18.87%	1 Year Std Dev :	0.86%
Last 12 Months :	5.20%	1 Year Sharpe Ratio :	3.59
NAVps :	USD 118.87	% of positive months :	81%

Risk Profile



Global market picture

November was a positive month for financial markets: European credit markets were positive (H9PC Index +1.11%), and equity markets were positive both in Europe (Eurostoxx 50 +2.75%) and in US (S&P 500 +3.40%). The month started with a small rebound in the US Manufacturing ISM, signaling that the economy could be close to a bottom: GDP release confirmed that US economy grew at around 2% in 3Q, while unemployment remained low at 3.6%. With the resilience demonstrated by US data, the FED seems to consider monetary policy in a “good place” and markets are forecasting slightly more than one cut until December 2020. Christine Lagarde started her mandate as ECB president during November: her speeches did not send clear signals about an imminent action on monetary policy, that we expect to remain supportive for markets. Data from Eurozone were slightly positive, with flash PMI rebounding and 3Q19 lackluster growth in Germany linked to a drag from inventories. German 10 years Bund closed the month at -0.36% (+5bps during the month) in tandem with 10 Years Treasury +1.78% (+8bps during the month). Bullish sentiment on the markets was mainly due to optimism coming from progress in the US-China negotiations on a potential deal: we saw several headlines announcing a possible Phase One deal, immediately followed by denials and postponements, and we think this dispute will not be resolved anytime soon. Emerging markets reported a positive performance (+0.73%) with ASIA being the best performer during the month thanks mainly to China; in Argentina Fernandez still has to approach investors for a possible debt restructuring, while pressure is mounting in LEBANON, where government resigned after harsh public protests. Oil was up 3.65% in the month, closing at 62.43 USD per barrel.

Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, with 92% of the positions (93 out of 101) contributing positively. Positive contributions were homogeneously distributed, the only exceptions being COFP 05/21 and IPFLN 04/21, while there were not significant negative contributions. 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 2.24% (net of funding cost in EUR) and z-spread of 351 basis points. The fund is levered, being invested at about 142% currently.

Period	Perf.	Portfolio info	
MTD	0.40%	# of Securities	125
YTD	4.93%	% Weight	141.86%
6 months	2.03%	Int Dur	0.74
1 year	5.20%	Yield (gross)	2.24%
2018	3.07%	Spread Duration	1.13
2017	3.32%	Z-spread	351
2016	4.99%		
2015	1.53%		
2014	-0.21%		

FX breakdown (fully hedged)

USD	52.89%
EUR	17.63%
NOK	21.04%
SEK	6.64%
CHF	0.82%
GBP	0.75%
AUD	0.23%
TOTAL	100.00%

Geographic breakdown

EU	8.13%
US	0.00%
Oth DEV	36.65%
LATAM	5.13%
EMEA	24.85%
ASIA	25.22%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	7.69%
	tot IG 7.69%
BB	19.14%
B	32.67%
CCC	0.19%
	tot HY 52.00%
NR	40.31%
TOTAL	100.00%

Sector breakdown - Top 10

Real Estate	26.89%
Services	23.68%
Banking	17.48%
Energy	7.00%
Foreign Sovereign	6.51%
Financial Services	4.51%
Capital Goods	3.57%
Transportation	3.46%
Basic Industry	2.01%
Media	1.39%

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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