

Swan Bond Enhanced Sicav–SIF USD

December 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

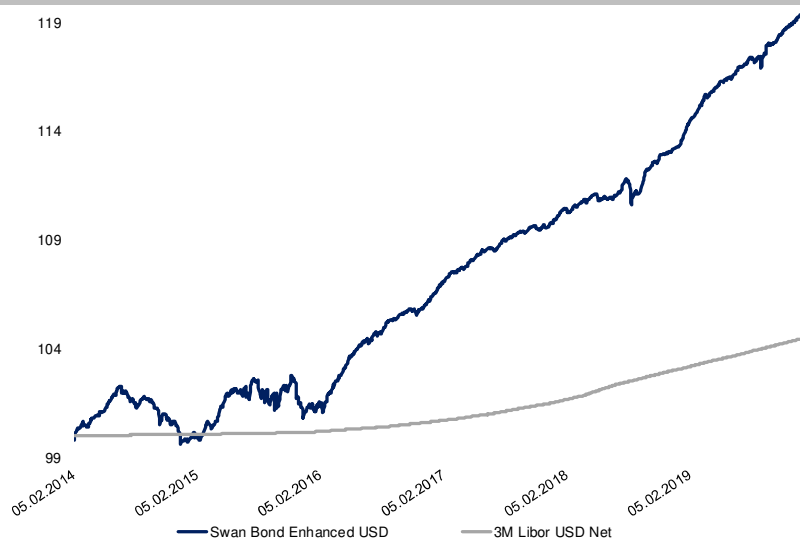
MTD :	0.40%	Fund Assets (mln) :	139.9 €
Since inception	19.34%	1 Year Std Dev :	0.87%
Last 12 Months :	5.35%	1 Year Sharpe Ratio :	3.78
NAVps :	USD 119.34	% of positive months :	82%

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

December was a positive month for financial markets: European credit markets were positive (H9PC Index +1.10%), and equity markets were positive both in Europe (Eurostoxx 50 +1.12%) and in US (S&P 500 +2.86%). The month started with US Manufacturing ISM still below 50 (48.1), while the PMI was better than expected at 52.6; labor market confirmed its resiliency with strong change in nonfarm payrolls figures and unemployment rate at 3.5%. Due to the US data strenght, the FED left rates unchanged at 1.62%, with dots signaling no rate change for 2020. Christine Lagarde took her first press conference after the ECB meeting: the event did not give significant information, and markets are still trying to understand how the ECB will move in the next months (maybe more QE). On the data side, PMI composite release at 50.6 was consistent with a 0.9% growth in 4Q19, (expectation for 2020 growth is 1%), while manufacturing sector remains the weak spot of the economy (PMI at 46.9). One significant movement in monetary policy had been taken by Riksbank (the Swedish central bank): it ended its era of negative rates amid growing concerns that “the behavior of economic agents may change and negative effects may arise”. German 10 years Bund closed the month at -0.19% (+17bps during the month) in tandem with 10 Years Treasury +1.92% (+14bps during the month). Markets bullish sentiment was due to optimism regarding the US-China negotiations progress on a potential deal, further supported by a clear victory of Boris Johnson in the UK general election that should accelerate the Brexit process. Emerging markets reported a positive performance (+1.70%) with LATAM being the best performer during the month. Oil was up 5.72% in the month, closing at 66.00 USD per barrel.

Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, with 98% of the positions (98 out of 100) contributing positively. Positive contributions were homogeneously distributed, while there were not significant negative contributions. The average life of the yield-type portfolio is very short (9 months) or average spread duration of 0.75), combined with a yield of 1.80% (net of funding cost in EUR) and z-spread of 294 basis points. The fund is levered, being invested at about 128% currently.

Period	Perf.	Portfolio info	
MTD	0.40%	# of Securities	116
YTD	5.35%	% Weight	127.66%
6 months	2.06%	Int Dur	0.64
1 year	5.35%	Yield (gross)	1.80%
2018	3.07%	Spread Duration	0.95
2017	3.32%	Z-spread	294
2016	4.99%		
2015	1.53%		
2014	-0.21%		

FX breakdown (fully hedged)

USD	50.22%
EUR	18.49%
NOK	22.82%
SEK	6.55%
CHF	0.87%
GBP	0.80%
AUD	0.25%
TOTAL	100.00%

Geographic breakdown

EU	8.62%
US	0.00%
Oth DEV	37.74%
LATAM	5.32%
EMEA	24.40%
ASIA	23.93%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	8.09%
tot IG	8.09%
BB	19.16%
B	29.82%
CCC	0.20%
tot HY	49.18%
NR	42.73%
TOTAL	100.00%

Sector breakdown - Top 10

Services	25.54%
Real Estate	25.26%
Banking	18.86%
Foreign Sovereign	6.80%
Energy	6.31%
Financial Services	4.75%
Capital Goods	3.74%
Basic Industry	2.05%
Transportation	1.63%
Media	1.44%

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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