

Swan Bond Enhanced Sicav–SIF EUR

February 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

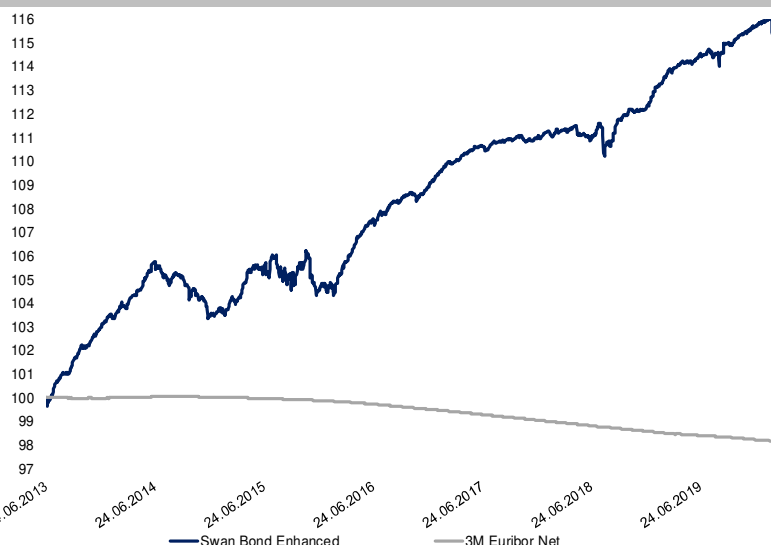
| | | | |
|------------------|---------------|------------------------|---------|
| MTD : | -0.14% | Fund Assets (mln) : | 146.5 € |
| Since inception | 15.70% | 1 Year Std Dev : | 0.88% |
| Last 12 Months : | 2.07% | 1 Year Sharpe Ratio : | 2.78 |
| NAVps : | EUR 115.70 | % of positive months : | 77% |

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

During February European credit markets experienced a negative performance (H9PC Index -1.90%), in tandem with a negative movement of the Eurostoxx 50 (-8.55%) and the S&P 500 (-8.41%). The month started with US NFP above consensus (225k vs 165k) and unemployment rate that ticked up to 3.6%, but still close to its 50 years low, while in Europe industrial production contracted 4.1%, confirming poor data reported by Germany, France and Italy. In the second part of the month Corona virus outbreak took the center of the stage, sending markets in a downward spiral: the diffusion of the virus in Italy and in other European countries, with restrictions imposed on flights and creation of quarantine area, generated panic selling. The S&P500 registered its worst week since 2008 (-11.49%), Eurostoxx50 lost 11.24% in five days, Xover widened 73bps and 10 Years Treasury reached record low level at 1.15% (German 10 years Bund -17bps @ -0.61%). Central banks did not remain on the sideline: Jerome Powell declared that the FED was “closely monitoring” the risks to US economy from virus outbreak, further reassuring investors saying that the FED “will use its tools and act as appropriate to support the economy”, while Christine Lagarde was more prudent on imminent monetary policy changes. Notwithstanding cautious comment by ECB chair market is pricing two cuts of depo rate by March in Europe, while in US expectations are for a 50bps cut at the next meeting. Emerging Credit markets reported a negative performance (-0.74%), with ASIA area being the best performer during the month, thanks to China resilience. Oil was volatile and closed the month at 50.52 USD per barrel (-13.14%), due to downward revision to growth linked to Corona virus effects.

Yield-type strategy

The bucket generated a negative gross contribution to the monthly performance, with 75% of the positions (74 out of 99) contributing positively. Positive contributions were homogeneously distributed, the only exception being AXANO 06/21, 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 0.81), combined with a yield of 2.84% (net of funding cost in EUR) and z-spread of 417 basis points. The fund is levered, being invested at about 132% currently.

| Period | Perf. |
|----------|---------------|
| MTD | -0.14% |
| YTD | 0.04% |
| 6 months | 1.03% |
| 1 year | 2.07% |
| 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 | 122 |
| % Weight | 131.57% |
| Int Dur | 0.73 |
| Yield (gross) | 2.84% |
| Spread Duration | 1.07 |
| Z-spread | 417 |

FX breakdown (fully hedged)

| | |
|--------------|----------------|
| USD | 53.65% |
| EUR | 19.79% |
| NOK | 19.24% |
| SEK | 6.28% |
| CHF | 0.82% |
| GBP | 0.00% |
| AUD | 0.22% |
| TOTAL | 100.00% |

Geographic breakdown

| | |
|--------------|----------------|
| EU | 8.27% |
| US | 0.00% |
| Oth DEV | 35.83% |
| LATAM | 3.90% |
| EMEA | 28.14% |
| ASIA | 23.86% |
| TOTAL | 100.00% |

Rating breakdown

| | |
|---------------|----------------|
| AAA | 0.00% |
| AA | 0.00% |
| A | 0.00% |
| BBB | 7.04% |
| tot IG | 7.04% |
| BB | 17.48% |
| B | 34.57% |
| CCC | 1.00% |
| tot HY | 53.04% |
| TOTAL | 100.00% |

Sector breakdown - Top 10

| | |
|--------------------|--------|
| Real Estate | 23.65% |
| Services | 21.57% |
| Banking | 17.32% |
| Energy | 6.76% |
| Foreign Sovereign | 6.75% |
| Financial Services | 5.17% |
| Basic Industry | 3.67% |
| Capital Goods | 3.52% |
| Transportation | 2.75% |
| Media | 1.73% |

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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