

Swan Bond Enhanced Sicav–SIF EUR

November 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

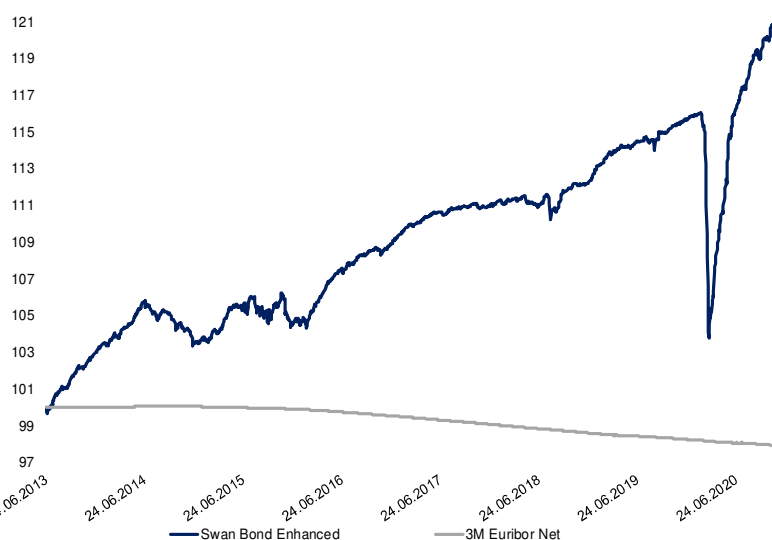
MTD :	1.16%	Fund Assets (mln) :	126.3 €
Since inception	21.43%	1 Year Std Dev :	4.14%
Last 12 Months :	5.21%	1 Year Sharpe Ratio :	1.38
NAVps :	EUR 121.43	% of positive months :	78%

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

During November European credit markets experienced an extremely positive performance (H9PC Index +4.37%), in tandem with the movement of the Eurostoxx 50 (+18.06%) and S&P 500 (10.75%). In this context Swan funds continued to move higher with a positive monthly performance ranging from +0.78% to 1.52%: our SIF funds are in positive territory (+5.65% SLSC and +5.00% for SBE) and also UCITS funds registered significant positive performance YTD (+2.2% USTB and +2.65% for STHY), while credit markets are reporting low single digit positive returns YTD (European HY +1.94%, Emerging HY +4.52%, US HY +2.51% and EUR IG +2.49%). The massive resurgence of Covid-19 infections caused new, but less severe, lockdowns in Europe: Q4 contraction is estimated at -9% (2020 should deliver a negative GDP growth of -7%), while consensus in US is for a -3.6% YoY growth in 2020. Disappointing growth data were more than compensated by the announcement that several anti-Covid vaccines have been positively tested: mass vaccinations should start in late 2020 in US and in the first quarter in 2021 in Europe. November was also the US presidential election month: Joe Biden, as expected, won, but the Senate majority is still not defined yet; Donald Trump did not immediately accept the loss, and started preparing a hard transition to his rival. In this context, the 10 years bund yield moved higher by 5 bps to -0.57% while the 10 years Treasury moved lower 3bps to 0.84%. We think that this is still an interesting entry point for our strategy: current YTM, albeit reduced, give us confidence on the capability to generate positive performance in line with targets during 2021; average maturity of the bonds in our portfolios is still around 1 year and should help reduce volatility in case of new episodes of market stress.

Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, with 93% of the positions (107 out of 115) contributing positively. During the month we slightly decreased our invested capital even if conditions remain attractive in the short-term part of the credit curve. The average life of the yield-type portfolio is very short (10 months or average spread duration of 0.82), combined with a yield of 5.50% (net of funding cost in EUR) and z-spread of 689 basis points. The fund is levered, being invested at about 183% currently.

Period	Perf.
MTD	1.16%
YTD	5.00%
6 months	8.04%
1 year	5.21%
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	151
% Weight	182.82%
Int Dur	1.09
Yield (gross)	5.50%
Spread Duration	1.50
Z-spread	689

FX breakdown (fully hedged)

USD	53.33%
EUR	20.91%
NOK	15.92%
SEK	6.62%
CHF	2.26%
GBP	0.96%
AUD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	14.41%
US	1.46%
Oth DEV	37.61%
LATAM	5.77%
EMEA	28.74%
ASIA	12.01%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	11.00%
tot IG	11.00%
BB	21.04%
B	24.51%
CCC	1.61%
tot HY	47.16%
NR	41.84%
TOTAL	100.00%

Sector breakdown - Top 10

Services	24.52%
Banking	17.42%
Real Estate	15.60%
Basic Industry	10.71%
Financial Services	4.52%
Energy	4.42%
Foreign Sovereign	3.09%
Transportation	2.77%
Gaming	2.48%
Capital Goods	2.45%

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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