Swan Bond Enhanced Sicav–SIF EUR October 2021

SWAN
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Strategy

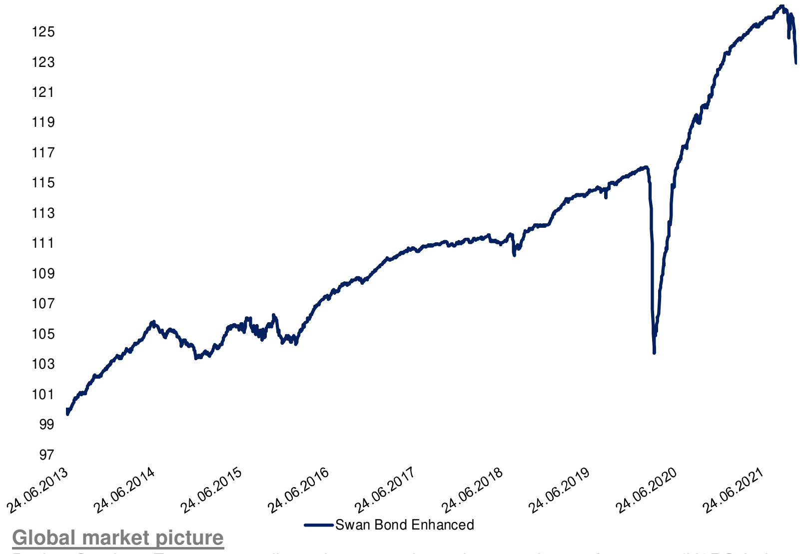
Swan Bond Enhanced SIF is the alternative version of our Fixed Income Intermediate risk profile. The strategy is focused on an highly diversified buy and hold portfolio of liquid short-term fixed income securities, in a levered format. Leverage is normally included between 50% and 150% of the NAV. Target Return is 3 months LIBOR + 350 bps.

Performance

MTD :	-0.51%	Fund Assets (mln) :	155.8 €
Since inception	25.70%	1 Year Std Dev :	1.36%
Last 12 Months :	4.72%	1 Year Sharpe Ratio :	3.89
NAVps :	EUR 125.70	% of positive months :	78%

Risk Profile

Conservative | **Intermediate** | High Reward



Period	Perf.
MTD	-0.51%
YTD	2.42%
6 months	0.48%
1 year	4.72%
2020	6.12%
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	141
% Weight	160.48%
Int Dur	0.83
Yield (gross)	5.85%
Spread Duration	1.58
Z-spread	645

FX breakdown (fully hedged)	
USD	53.90%
EUR	13.97%
NOK	16.39%
SEK	11.70%
CHF	1.95%
GBP	2.08%
AUD	0.00%
TOTAL	100.00%

Geographic breakdown	
EU	14.33%
US	2.53%
Oth DEV	42.12%
LATAM	1.12%
EMEA	24.99%
ASIA	14.91%
TOTAL	100.00%

Rating breakdown		
AAA		0.00%
AA		0.00%
A		0.00%
BBB		5.99%
	tot IG	5.99%
BB		20.64%
B		20.35%
CCC		1.51%
	tot HY	42.50%
NR		51.51%
TOTAL		100.00%

Sector breakdown - Top 10	
Services	25.00%
Real Estate	24.73%
Banking	8.59%
Basic Industry	7.02%
Energy	4.83%
Financial Services	4.29%
Leisure	4.20%
Consumer Goods	3.75%
Capital Goods	2.36%
Agency	2.27%

Global market picture

During October, European credit markets experienced a negative performance (H9PC Index -0.61%), in contrast with the movement of the Eurostoxx 50 (+5.00%) and S&P 500 (+6.91%). Economic data signaled that growth cooled down in 3Q, mainly due to China and US. PBOC issued several statements affirming that real estate markets is working properly, asking bank to keep stable loans to the sector and reassuring that Evegrande risk to financial system is manageable. Notwithstanding these encouraging messages, market confidence remained subdued with monthly returns on Emerging Market Credit Index (EMHB) at -2.27%, strongly impacted by Asia and China, reporting respectively -7.45% and -12.76% negative performance. Inflation continued to print strong numbers: in US Core PCE was at +3.6% with Jerome Powell admitting that high inflation is likely to carry into next year, while in Europe core CPI was at 2.1% On the central bank side, FED is expected to announce tapering during its November meeting but is its forward guidance that is now under scrutiny by investors, with markets expecting two full rate hikes in 2022, while the ECB said discussion during last meeting was dominated by inflation, but Christine Lagarde explicitly said that rates will not move higher to counter the rise in price; it will buy less bonds in a sign of confidence that economic recovery will not derail. In this context, the 10 years bund yield was higher at -0.11% (+9bps in the month), in tandem with the 10 years Treasury at 1.55% (+6bps in the month). Gold was higher at 1783 $ per ounce, while oil was up at 84 USD per barrel, highest level since 2018. We think that this is still an interesting entry point for our strategy: current YTM gives us confidence on the capability to generate positive performance in line with targets in the next 12 months; 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 negative gross contribution to the monthly performance, with 64% of the positions (61 out of 96) contributing positively. During the month we 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 (12 months or average spread duration of 0.99), combined with a yield of 5.85% (net of funding cost in EUR) and z-spread of 645 basis points. The fund is levered, being invested at about 160% currently.

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

Contacts at Swan Asset Management SA:
E-mail: info@swan-am.ch - Tel: +41 91 986 31 90