

Swan Bond Enhanced Sicav–SIF USD

January 2022



Strategy

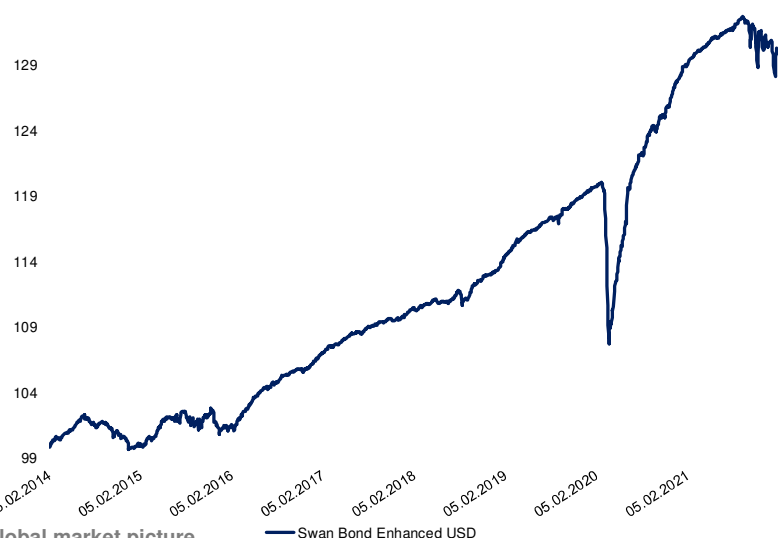
Swan Bond Enhanced SIF is the alternative version of our Fixed Income Intermediate risk profile. The strategy is focused on a highly diversified buy and hold portfolio of liquid short-term fixed income securities, in a levered format. Leverage is normally included between 50% and 150% of the NAV. Target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

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

During January, European credit markets experienced a negative performance (H9PC Index -1.45%), in tandem with the movement of the Eurostoxx 50 (-2.88%) and S&P 500 (-5.26%). COVID-19 cases were still high around the world but pressure on hospital were diminishing, with several European country lifting quarantine period and restrictions. Significant increase in inventories was one of the main driver of US 6.9% QoQ GDP growth in 4Q2021, while 1Q22 should be significantly lower at just 1.5%. After a strong third quarter, growth in Europe moderate to 0.3% QoQ, with only a modest 2% forecasted for 1Q22. On the other side inflation continued its march higher: core inflation in US reached 5.5% with no suggestion in details of a future slowing, while in Europe it reached the 2.6% YoY. FOMC commented strength in job market and strong inflation, supporting the case for a 25bps hike in March, with market speculating about a possible double hike of 50bps at next meeting: cumulatively FED forecasted three hikes in 2022, with three more in 2023 and another two in 2024. Markets will wait for the ECB reaction at February meeting, even if significant movement could materialize only at March meeting, when new staff projections will be available. In this context, the 10 years bund yield was higher at +0.01% (+19bps in the month, above zero for the first time since 2019), in tandem with the 10 years Treasury at 1.78% (+27bps in the month). The movement in rates had significant impact on markets, especially on the tech sector in US, with NASDAQ index loosing close to 9% during the month. Increasing tension between Russia and Ukraine supported oil that started the year on a positive note, closing the month at 91 USD per barrel (+17% MoM). Funds offers attractive returns for 2022, even if market volatility could persist in the first half of the year.

Yield-type strategy

The bucket generated a negative gross contribution to the monthly performance, with 60% of the positions (57 out of 95) contributing positively. During the month we increased our invested capital: conditions are always attractive in the short-term part of the credit curve. The average life of the yield-type portfolio is very short (11 months or average spread duration of 0.94), combined with a yield of 7.86% (net of funding cost in EUR) and z-spread of 846 basis points. The fund is levered, being invested at about 164% currently.

Performance

MTD :	-0.72%	Fund Assets (mIn) :	145.6 €
Since inception	29.86%	1 Year Std Dev :	2.57%
Last 12 Months :	0.74%	1 Year Sharpe Ratio :	0.29
NAVps :	USD 129.86	% of positive months :	80%

Period	Perf.	Portfolio info	
MTD	-0.72%	# of Securities	135
YTD	-0.72%	% Weight	164.32%
6 months	-1.44%	Int Dur	0.77
1 year	0.74%	Yield (gross)	7.86%
2021	2.14%	Spread Duration	1.55
2020	7.31%	Z-spread	846
2019	5.35%		
2018	3.07%		
2017	3.32%		
2016	4.99%		
2015	1.53%		
2014	-0.21%		

FX breakdown (fully hedged)

USD	50.84%
EUR	14.25%
NOK	17.38%
SEK	13.22%
CHF	2.08%
GBP	2.23%
AUD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	14.50%
US	3.35%
Oth DEV	48.98%
LATAM	1.20%
EMEA	19.49%
ASIA	12.48%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	3.33%
tot IG	3.33%
BB	17.54%
B	21.01%
CCC	2.41%
tot HY	40.96%
NR	55.71%
TOTAL	100.00%

Sector breakdown - Top 10

Services	29.23%
Real Estate	23.03%
Basic Industry	7.34%
Energy	7.28%
Banking	6.96%
Leisure	4.98%
Financial Services	4.87%
Agency	2.44%
Supranational	2.31%
Automotive	2.03%

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

Contacts at Swan Asset Management SA:

E-mail: info@swan-am.ch - Tel: +41 91 986 31 90

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