

Swan Bond Enhanced Sicav–SIF EUR

May 2022



Strategy

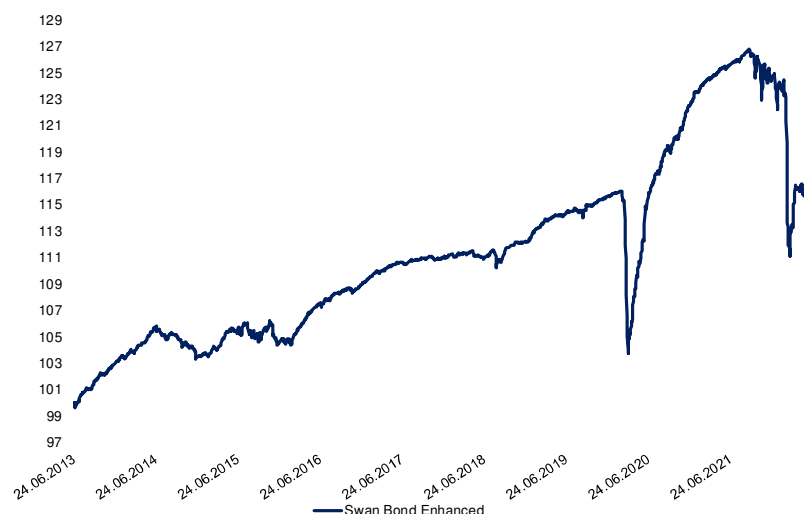
Swan Bond Enhanced SIF is the alternative version of our Fixed Income Intermediate risk profile. The strategy is focused on a highly diversified buy and hold portfolio of liquid short-term fixed income securities, in a levered format. Leverage is normally included between 50% and 150% of the NAV. Target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

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

Credit markets remained extremely negative with year to date performances ranging from -14.15% for EM corp HY to -8.36% of the EU HY component in tandem with the movement of the Eurostoxx 50 (-11.84% YTD) and S&P 500 (-13.3% YTD). The IG EUR market is also negative by -9.07% YTD, mainly due to the rates component. The short-term (1-3 year) H1WN global HY index also reports a performance of -8.13% YTD while the Global unconstrained (in terms of maturity) HY lost -9.46%. Hostilities in Ukraine continued, with no significant results obtained by both side, the only exception being the storming of Mariupol by Russian army. Inflation did not stop rising: US consumer prices remained at four decades high of 8.3% (core at 6.2%), reinforcing the view that inflation will be a broad-based trend affecting all sectors. During its meeting FED hiked rates by 50bps, suggesting that further half point rate hikes will follow during the year, with market expecting FED funds at 2.65% in December 2022. Christine Lagarde supported with strong confidence a lift-off in July and a second rate hike in September, that could bring Eurozone out of negative rates territory "by the end of the third quarter". In this context, the 10 years bund yield was higher at +1.12% (+18bps in the month, highest level since 2014) while the 10 years Treasury lost 9bps at 2.84%. Oil price continued its march higher, with Brent now at 122.84\$ per barrel, supported by a EU-UK pact on ships carrying Russian oils. Excluding specific idiosyncratic situations (China real estate and Russia/Ukraine), the rest of the portfolio has continued to behave in line with expectations, generating a positive performance compared with a context of extreme negativity in the market. The expected return of the portfolio will be able to generate a significant performance during 2022 which, added to the potential recovery of the two idiosyncratic components, will allow a significant rebound from current levels.

Yield-type strategy

The bucket generated a negative gross contribution to the monthly performance, with 61% of the positions (57 out of 93) 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 (14 months or average spread duration of 1.18), combined with a yield of 10.64% (net of funding cost in EUR) and z-spread of 1124 basis points. The fund is levered, being invested at about 193% 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)

Performance

MTD :	-0.41%	Fund Assets (mln) :	137.2 €
Since inception	15.72%	1 Year Std Dev :	4.86%
Last 12 Months :	-7.70%	1 Year Sharpe Ratio :	-1.45
NAVps :	EUR 115.72	% of positive months :	75%

Period	Perf.	Portfolio info	
MTD	-0.41%	# of Securities	157
YTD	-7.25%	% Weight	192.64%
6 months	-7.08%	Int Dur	1.19
1 year	-7.70%	Yield (gross)	10.64%
2021	1.66%	Spread Duration	2.26
2020	6.12%	Z-spread	1124
2019	3.12%		
2018	1.00%		
2017	1.83%		
2016	4.13%		
2015	1.16%		
2014	0.37%		
2013	3.14%		

FX breakdown (fully hedged)

USD	36.09%
EUR	23.07%
NOK	20.96%
SEK	14.69%
CHF	2.07%
GBP	3.12%
AUD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	17.84%
US	7.42%
Oth DEV	48.58%
LATAM	2.94%
EMEA	16.50%
ASIA	6.71%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	5.72%
tot IG	5.72%
BB	23.00%
B	16.69%
CCC	2.65%
tot HY	42.34%
NR	51.94%
TOTAL	100.00%

Sector breakdown - Top 10

Services	24.02%
Real Estate	20.49%
Energy	8.63%
Basic Industry	7.95%
Leisure	6.04%
Financial Services	5.58%
Banking	4.08%
Transportation	4.00%
Telecommunications	3.27%
Consumer Goods	2.96%

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

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