

Swan Bond Enhanced Sicav–SIF EUR

June 2022



Strategy

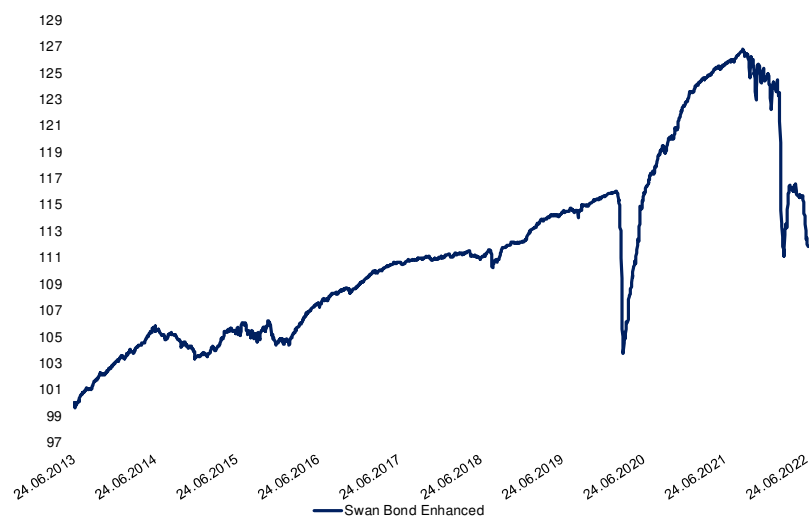
Swan Bond Enhanced SIF is the alternative version of our Fixed Income Intermediate risk profile. The strategy is focused on a highly diversified buy and hold portfolio of liquid short-term fixed income securities, in a levered format. Leverage is normally included between 50% and 150% of the NAV. Target 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 (-19.62% YTD) and S&P 500 (-20.57% YTD). The IG EUR market is also negative by -12.19% YTD, mainly due to the rates component. The short-term (1-3 year) H1WN global HY index also reports a performance of -12.29% YTD while the Global unconstrained (in terms of maturity) HY lost -15.79%. Hostilities between Russia and Ukraine continued on the ground, while there were no signs of de-escalation on the diplomacy side, with NATO broadening its influence to Finland and Sweden. Inflation and possible recession remained the main topics influencing markets: US consumer prices remained at four decades high of 8.6% (core at 6.0%, slightly below previous print), with Powell confirming that FED will fight inflation and that "the process is highly likely to involve some pain". ECB surprised markets with its hawkish message, signaling a 25bps hike in July, that will be followed by a further 50bps hike in September. Also the SNB raised rates by 50bps for the first time in 15 years, leaving Japan the only DM central bank not yet moving. In this context, the 10 years bund yield was higher at +1.34% (+22bps in the month, highest level since 2014) while the 10 years Treasury closed the month at 3.01% (+17bps). Oil price corrected lower, with Brent now at 114.8\$ per barrel, still well supported by supply concerns that exceed fear of an imminent recession. Thanks to recent volatility spike we have been able to add several new credit stories at very interesting level of credit spreads. The new entries are companies with good credit metrics that were too tight before sell-off. The combination of higher diversification, higher credit quality and higher expected yields paves the way for attractive returns in the next future.

Yield-type strategy

The bucket generated a negative gross contribution to the monthly performance, with 32% of the positions (30 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 1.17), combined with a yield of 14.38% (net of funding cost in EUR) and z-spread of 1398 basis points. The fund is levered, being invested at about 208% 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 :	-3.36%	Fund Assets (mln) :	131.0 €
Since inception	11.83%	1 Year Std Dev :	4.96%
Last 12 Months :	-11.05%	1 Year Sharpe Ratio :	-2.11
NAVps :	EUR 111.83	% of positive months :	74%

Period	Perf.	Portfolio info	
MTD	-3.36%	# of Securities	159
YTD	-10.37%	% Weight	207.96%
6 months	-10.37%	Int Dur	1.32
1 year	-11.05%	Yield (gross)	14.38%
2021	1.66%	Spread Duration	2.42
2020	6.12%	Z-spread	1398
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	34.52%
EUR	26.96%
NOK	21.33%
SEK	12.88%
CHF	2.07%
GBP	2.24%
AUD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	20.09%
US	7.88%
Oth DEV	46.39%
LATAM	2.52%
EMEA	17.97%
ASIA	5.15%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	4.53%
tot IG	4.53%
BB	26.30%
B	16.64%
CCC	3.51%
tot HY	46.44%
NR	49.03%
TOTAL	100.00%

Sector breakdown - Top 10

Services	24.04%
Real Estate	19.25%
Basic Industry	9.51%
Energy	6.52%
Financial Services	5.56%
Leisure	5.40%
Telecommunications	4.94%
Transportation	4.44%
Banking	4.41%
Consumer Goods	3.00%

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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