

# Swan Bond Enhanced Sicav–SIF EUR

## August 2022



### Strategy

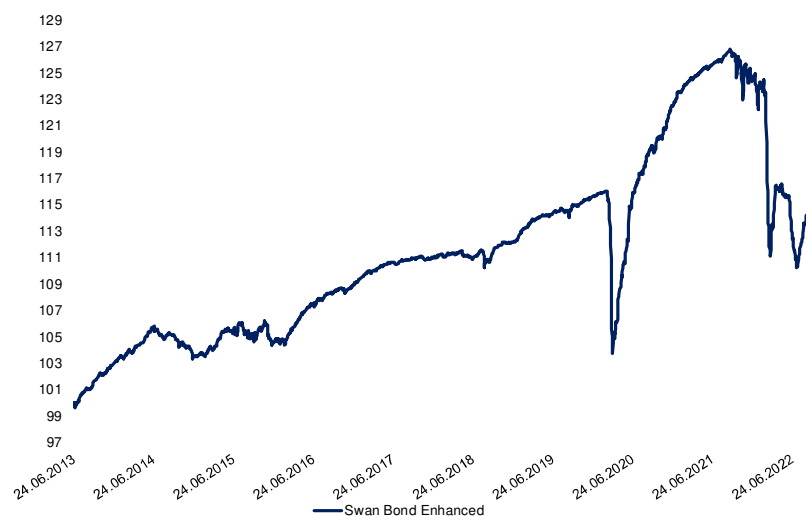
Swan Bond Enhanced SIF is the alternative version of our Fixed Income Intermediate risk profile. The strategy is focused on a highly diversified buy and hold portfolio of liquid short-term fixed income securities, in a levered format. Leverage is normally included between 50% and 150% of the NAV. Target 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 -18.43% for EM corp HY to -11.49% of the EU HY component in tandem with the movement of the Eurostoxx 50 (-18.17% YTD) and S&P 500 (-17.01% YTD). The IG EUR market is also negative by -12.01% YTD, mainly due to the rates component. The short-term (1-3 year) H1WN global HY index also reports a performance of -10.56% YTD while the Global unconstrained (in terms of maturity) HY lost -13.26%. US entered technical recession, with growth of -0.9% during the 2nd quarter following the 1Q22 contraction of 1.6%. Inflation and consequently the ECB and FED members comments were the main drivers of the month: in US, a CPI print at 8.5%, a slower annual increase compared with June, initially eased concerns on next FED movements but during his speech at Jackson Hole Powell declared that interest rate will stay at a level that restrains growth "for some time". The ECB officials also sent a hawkish message to the markets, that are now pricing 75bps hike at September meeting to fight inflation. Higher energy prices were the main reason of a high CPI print in Eurozone at 8.9%, and the possible stop of flows from Nordstream1 pipeline from Russia, caused further rise in gas price and additional worries of possible stop in production at several manufacturers. In this context, the 10 years bund yield was higher at +1.54% (+72bps in the month) while the 10 years Treasury closed the month at 3.20% (+54bps). Oil price corrected lower, with Brent now at 96\$ per barrel, due to increased concerns on global recession. Thanks to recent volatility spike we have been able to add several new credit stories at very interesting level of credit spreads. 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 positive gross contribution to the monthly performance, with 83% of the positions (134 out of 162) contributing positively. During the month we slightly increased our invested capital: conditions remain attractive in the short-term part of the credit curve. The average life of the yield-type portfolio is very short (13 months or average spread duration of 1.11), combined with a yield of 13.14% (net of funding cost in EUR) and z-spread of 1204 basis points. The fund is levered, being invested at about 214% 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 :	<b>2.24%</b>	Fund Assets (mln) :	129.2 €
Since inception	<b>14.20%</b>	1 Year Std Dev :	5.09%
Last 12 Months :	<b>-9.75%</b>	1 Year Sharpe Ratio :	-1.82
NAVps :	EUR 114.20	% of positive months :	74%

Period	Perf.	Portfolio info	
MTD	<b>2.24%</b>	# of Securities	166
YTD	<b>-8.47%</b>	% Weight	213.59%
6 months	<b>-4.59%</b>	Int Dur	1.33
1 year	<b>-9.75%</b>	Yield (gross)	13.14%
2021	<b>1.66%</b>	Spread Duration	2.37
2020	<b>6.12%</b>	Z-spread	1204
2019	<b>3.12%</b>		
2018	<b>1.00%</b>		
2017	<b>1.83%</b>		
2016	<b>4.13%</b>		
2015	<b>1.16%</b>		
2014	<b>0.37%</b>		
2013	<b>3.14%</b>		

### FX breakdown (fully hedged)

USD	32.67%
EUR	27.67%
NOK	22.92%
SEK	12.98%
CHF	1.38%
GBP	2.39%
AUD	0.00%
<b>TOTAL</b>	<b>100.00%</b>

### Geographic breakdown

EU	22.76%
US	8.04%
Oth DEV	44.31%
LATAM	2.54%
EMEA	17.79%
ASIA	4.57%
<b>TOTAL</b>	<b>100.00%</b>

### Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	3.97%
<b>tot IG</b>	<b>3.97%</b>
BB	26.94%
B	17.76%
CCC	3.60%
<b>tot HY</b>	<b>48.31%</b>
NR	47.72%
<b>TOTAL</b>	<b>100.00%</b>

### Sector breakdown - Top 10

Services	25.27%
Real Estate	18.09%
Basic Industry	9.72%
Financial Services	5.58%
Leisure	5.14%
Transportation	5.01%
Energy	4.89%
Banking	4.83%
Telecommunications	3.95%
Automotive	3.09%

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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