

Swan Bond Enhanced Sicav–SIF EUR

October 2022



Strategy

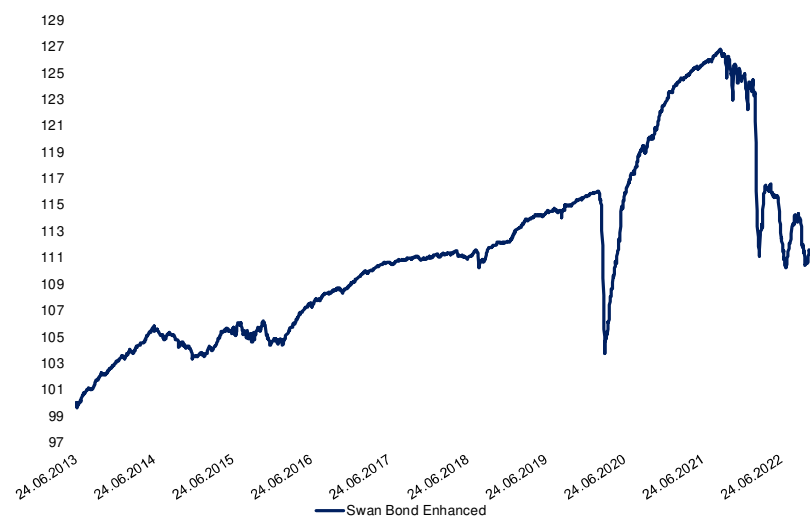
Swan Bond Enhanced SIF is the alternative version of our Fixed Income Intermediate risk profile. The strategy is focused on a highly diversified buy and hold portfolio of liquid short-term fixed income securities, in a levered format. Leverage is normally included between 50% and 150% of the NAV. Target 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 -24.24% for EM corp HY to -13.77% of the EU HY. The IG EUR market is also negative by -14.90% YTD, mainly due to the rates component. The short-term (1-3 year) H1WN global HY index also reports a performance of -12.76% YTD while the Global unconstrained (in terms of maturity) HY lost -15.82%. ECB raised its main rate by 75bps for the second time in a row to the highest since 2009: further increase will follow in next meeting to fight record eurozone inflation, despite a looming recession in the region. By the way the tone used by Christine Lagarde was dovish, saying that next move will be data dependent, leaving doors open for a quick pivot in case inflation should ease substantially in the future. US GDP rose 2.6% in 3Q22 (expectation of 0.4%), a sharp improvement on the 0.6% drop registered in the second quarter, even if the number has been considered weak in terms of signal about future strength of the economy. In UK Rishi Sunak replaced Liz Truss as prime minister, saying that he would prioritize "economic stability and confidence", in tandem with the new Italian cabinet lead by Giorgia Meloni that pose economic stability and loyalty to NATO alliance at the center of its program. The 10 years bund yield was higher at +2.14% (+4bps in the month) while the 10 years Treasury closed the month at 4.04% (+22bps). 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 negative gross contribution to the monthly performance, with 68% of the positions (117 out of 173) contributing positively. During the month we 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 1.12), combined with a yield of 17.61% (net of funding cost in EUR) and z-spread of 1553 basis points. The fund is levered, being invested at about 242% currently.

Performance

MTD :	-0.56%	Fund Assets (mln) :	120.4 €
Since inception	11.25%	1 Year Std Dev :	5.12%
Last 12 Months :	-11.50%	1 Year Sharpe Ratio :	-2.21
NAVps :	EUR 111.25	% of positive months :	73%

Period	Perf.	Portfolio info	
MTD	-0.56%	# of Securities	173
YTD	-10.84%	% Weight	242.37%
6 months	-4.26%	Int Dur	1.62
1 year	-11.50%	Yield (gross)	17.61%
2021	1.66%	Spread Duration	2.72
2020	6.12%	Z-spread	1553
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	30.23%
EUR	32.06%
NOK	23.69%
SEK	11.43%
CHF	0.10%
GBP	2.49%
AUD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	27.16%
US	9.34%
Oth DEV	43.65%
LATAM	1.81%
EMEA	13.87%
ASIA	4.19%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	3.17%
tot IG	3.17%
BB	25.64%
B	17.95%
CCC	3.12%
tot HY	46.70%
NR	50.13%
TOTAL	100.00%

Sector breakdown - Top 10

Shipping - Chemicals	5.30%
Real Estate - Dev Res	5.21%
Chemicals	4.92%
Real Estate - Mgmt Res	4.92%
Banking	4.27%
Air Transportation	4.02%
Real Estate - Mgmt Comr	3.49%
Shipping - Crude	3.48%
Gaming - Online Gaming	3.36%
Telecom - Wireline Integr	2.96%

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

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