

Swan Bond Enhanced Sicav–SIF EUR

November 2022



Strategy

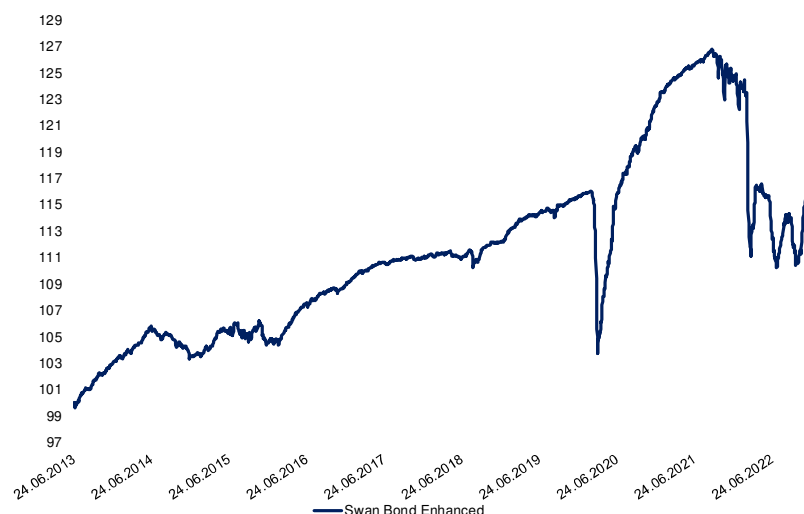
Swan Bond Enhanced SIF is the alternative version of our Fixed Income Intermediate risk profile. The strategy is focused on a highly diversified buy and hold portfolio of liquid short-term fixed income securities, in a levered format. Leverage is normally included between 50% and 150% of the NAV. Target 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 -18.88% for EM corp HY to -10.49% of the EU HY. The IG EUR market is also negative by -12.53% YTD, mainly due to the rates component. The short-term (1-3 year) H1WN global HY index also reports a performance of -10.29% YTD while the Global unconstrained (in terms of maturity) HY lost -13.32%. US CPI came lower than expected at 7.7% YoY, fueling optimism that rate hikes by FED will be less than previously expected by investors. Comments by Jerome Powell reinforced the expectations for a December hike of only 50bps, while other FED members like Bullard suggested that the proper zone for FED funds could be in the 5% / 7% range. Christine Lagarde said that the ECB "is not done" raising interest rates, affirming that inflation "still has way to go". Notwithstanding lower prices of energy and easing of gas supply bottlenecks, inflation did not invert its path, with core CPI stable at 5% YoY. After China Communist Party Congress, the authorities further raised the support to the embattled real estate sector, providing further funding in order to ease liquidity crunch. The 10 years bund yield was lower at +1.93% (-21bps in the month) in tandem with the 10 years Treasury that closed the month at 3.61% (-44bps). Thanks to the recent volatility spike we have been able to add several new credit stories at very interesting levels of credit spreads: our funds have a yield to maturity between 8% and 15%, combined with an average spread duration of below 16 months. The combination of higher diversification, higher credit quality and higher expected yields paves the way for extremely attractive returns in the next future.

Yield-type strategy

The bucket generated a positive gross contribution to the monthly performance, with 92% of the positions (163 out of 178) contributing positively. During the month we decreased our invested capital but conditions remain 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 1.16), combined with a yield of 14.67% (net of funding cost in EUR) and z-spread of 1249 basis points. The fund is levered, being invested at about 231% currently.

Performance

MTD :	4.05%	Fund Assets (mln) :	125.9 €
Since inception	15.76%	1 Year Std Dev :	4.99%
Last 12 Months :	-7.05%	1 Year Sharpe Ratio :	-1.41
NAVps :	EUR 115.76	% of positive months :	73%

Period	Perf.	Portfolio info	
MTD	4.05%	# of Securities	178
YTD	-7.22%	% Weight	231.32%
6 months	0.03%	Int Dur	1.68
1 year	-7.05%	Yield (gross)	14.67%
2021	1.66%	Spread Duration	2.68
2020	6.12%	Z-spread	1249
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	29.74%
EUR	31.30%
NOK	23.92%
SEK	11.42%
CHF	0.10%
GBP	3.51%
AUD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	26.32%
US	11.31%
Oth DEV	43.85%
LATAM	2.18%
EMEA	12.90%
ASIA	3.44%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	3.51%
tot IG	3.51%
BB	21.94%
B	20.02%
CCC	3.50%
tot HY	45.45%
NR	51.04%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	15.33%
Real Estate - Dev Res	12.70%
Shipping - Chemicals	12.09%
Real Estate - Mgmt Res	11.23%
Shipping - Crude	8.57%
Gaming - Online Gaming	8.21%
Investments & Misc Finar	8.00%
Real Estate - Mgmt Comr	7.98%
Shipping - Gas	7.32%
Telecom - Wireline Integr	6.97%

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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