

Swan Bond Enhanced Sicav–SIF USD

January 2023



Strategy

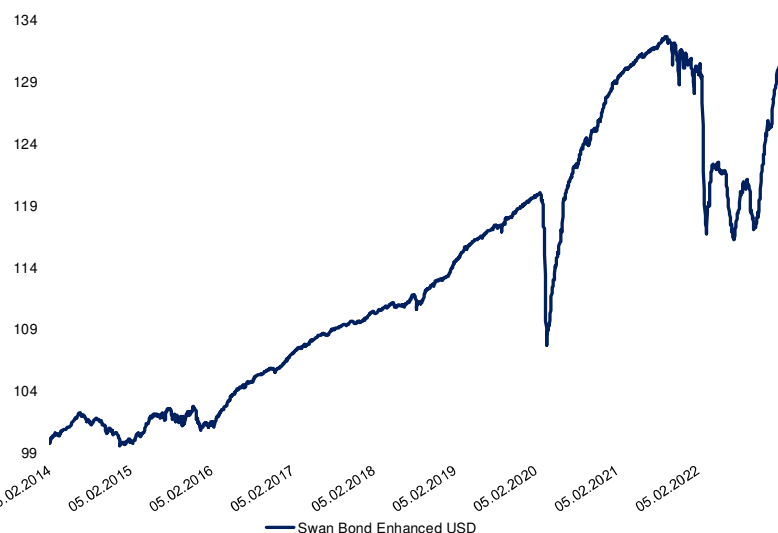
Swan Bond Enhanced SIF is the alternative version of our Fixed Income Intermediate risk profile. The strategy is focused on a highly diversified buy and hold portfolio of liquid short-term fixed income securities, in a levered format. Leverage is normally included between 50% and 150% of the NAV. Target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

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

Credit markets started 2023 with positive performances ranging from +3.91% for EM corp HY to +3.26% of the EU HY. The IG EUR market is also positive by +2.01% YTD. The short-term (1-3 year) H1WN global HY index also reports a performance of 2.71% YTD while the Global unconstrained (in terms of maturity) HY gained +3.59%. US CPI continued its march lower in December at 6.5% YoY, in tandem with European inflation that came back to single digit level at 9.2%. Inflation seems to have peaked in developed countries but central bankers on both side of the Atlantic remarked that they will "stay the course" on interest rate increases to cool their economies and fight higher prices level. Christine Lagarde was very vocal saying that financial markets "should revise their position" that ECB would slow down its rate rise, but market started the year on a very strong note thanks to better than expected economic outlooks: economists signaled a U-turn in sentiment that coupled with gas rationing fears ease should give Eurozone the opportunity to avoid recession in 2022, while a soft landing scenario could be the case for US. The 10 years bund yield was lower at +2.30% (-27bps in the month) in tandem with the 10 years Treasury that closed the month at 3.53% (-34bps). Oil was stable around 85\$ per barrel, while US dollar continued to weaken with DXY at 102. 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 7.5% and 12%, 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 96% of the positions (175 out of 182) 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 (13 months or average spread duration of 1.12), combined with a yield of 12.36% (net of funding cost in EUR) and z-spread of 959 basis points. The fund is levered, being invested at about 209% currently.

Performance

MTD :	3.64%	Fund Assets (mln) :	136.5 €
Since inception	29.95%	1 Year Std Dev :	5.00%
Last 12 Months :	0.07%	1 Year Sharpe Ratio :	-0.44
NAVps :	USD 129.95	% of positive months :	77%

Period	Perf.	Portfolio info	
MTD	3.64%	# of Securities	182
YTD	3.64%	% Weight	209.11%
6 months	10.17%	Int Dur	1.60
1 year	0.07%	Yield (gross)	12.36%
2022	-4.14%	Spread Duration	2.35
2021	2.14%	Z-spread	959
2020	7.31%		
2019	5.35%		
2018	3.07%		
2017	3.32%		
2016	4.99%		
2015	1.53%		
2014	-0.21%		

FX breakdown (fully hedged)

USD	29.26%
EUR	35.08%
NOK	21.35%
SEK	10.65%
CHF	0.10%
GBP	3.57%
AUD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	29.78%
US	7.75%
Oth DEV	43.76%
LATAM	2.19%
EMEA	12.38%
ASIA	4.14%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	5.07%
tot IG	5.07%
BB	25.11%
B	17.92%
CCC	2.24%
tot HY	45.27%
NR	49.65%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	14.18%
Real Estate - Dev Res	12.79%
Shipping - Chemicals	10.82%
Real Estate - Mgmt Res	9.20%
Shipping - Gas	8.41%
Gaming - Online Gaming	7.62%
Investments & Misc Finar	7.38%
Real Estate - Mgmt Comr	7.20%
Chemicals	6.88%
Telecom - Wireline Integr	6.47%

Fund Structure – Terms & Conditions

Domicile: Luxembourg

Inception Date: 5 February 2014

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: SWBENAU LX

ISIN: LU1019165882

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