

Swan Bond Enhanced Sicav–SIF USD

February 2023

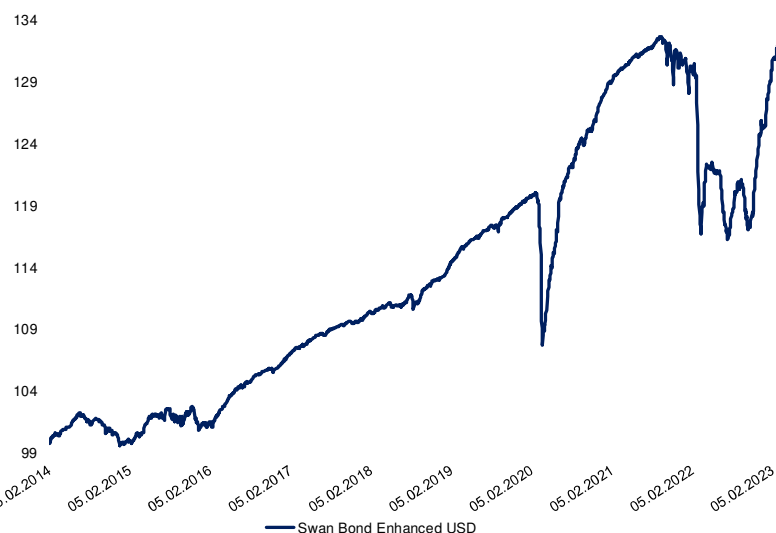


Strategy

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 reported a negative performance in February ranging from -2.53% for EM corp HY to -0.03% of the EU HY. The IG EUR market is also negative by -1.44% YTD. The short-term (1-3 year) H1WN global HY index also reports a performance of -0.14% YTD while the Global unconstrained (in terms of maturity) HY lost -1.38%. Data from US continued to show resiliency, with unemployment rate posting a new cycle low at 3.4%, while US core CPI print was slightly higher than consensus at 5.6% YoY. Also flash PMI at month end indicated further improvement in manufacturing activity, reducing worries about an imminent recession. FED raised rates by 25bps, saying that "ongoing increase in the target range to be appropriate", due to inflation that "eased somewhat" but was still elevated. ECB raised rates by 50bps, explicitly indicating that will further raise rates by 50bps in March, with investors starting to price terminal rate close to 4% in Europe. Initial market reaction to central banks meetings was strong with both bonds and equities rallying, but during the month the rebound faded, especially in the Fixed Income space. The 10 years bund yield was higher at +2.65% (+36bps in the month) in tandem with the 10 years Treasury that closed the month at 3.92% (+41bps). Oil was stable around 84\$ per barrel, while US dollar rebounded with DXY at 105. 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% and 11.5%, 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 77% of the positions (145 out of 188) 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 11.27% (net of funding cost in EUR) and z-spread of 806 basis points. The fund is levered, being invested at about 204% currently.

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)

Performance

MTD :	1.55%	Fund Assets (mln) :	143.1 €
Since inception	31.97%	1 Year Std Dev :	4.60%
Last 12 Months :	5.11%	1 Year Sharpe Ratio :	0.55
NAVps :	USD 131.97	% of positive months :	77%

Period	Perf.	Portfolio info	
MTD	1.55%	# of Securities	188
YTD	5.26%	% Weight	203.95%
6 months	9.19%	Int Dur	1.59
1 year	5.11%	Yield (gross)	11.27%
2022	-4.14%	Spread Duration	2.36
2021	2.14%	Z-spread	806
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	30.58%
EUR	37.48%
NOK	17.15%
SEK	11.22%
CHF	0.10%
GBP	3.48%
AUD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	31.70%
US	8.63%
Oth DEV	40.72%
LATAM	2.61%
EMEA	12.20%
ASIA	4.15%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	5.96%
tot IG	5.96%
BB	26.28%
B	18.19%
CCC	2.21%
tot HY	46.68%
NR	47.36%
TOTAL	100.00%

Sector breakdown - Top 10

RealEstate Dev & Mgt	16.40%
Transportation Excluding	16.39%
Banking	7.20%
Support-Services	6.59%
Investments & Misc Finar	5.95%
Chemicals	3.77%
Gaming	3.69%
Oil Field Equipment & Se	3.51%
Energy - Exploration & Pr	3.21%
Telecom - Wireline Integr	3.10%

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
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