

Swan Long Short Credit Sicav–SIF

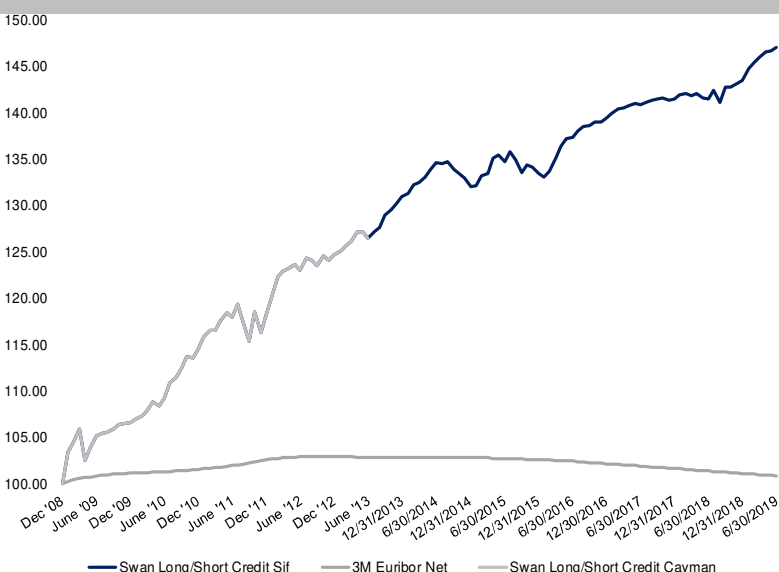
June 2019



Strategy

The sub-fund aims to generate significant excess return vs 3m Euribor in combination with extremely low volatility. The strategy combines the “buy and hold” investment in a highly diversified and granular portfolio of liquid short-term fixed income securities with the “opportunistic” allocation to a number of credit active strategies. Leverage is normally included between 0% and 100% of the NAV with invested capital between 1x and 2x the NAV.

Risk Profile



Global Market Picture

June reversed the negative returns experienced during May: European credit markets were positive (H9PC Index +2.17%), likewise equity markets with Eurostoxx 50 and S&P 500 gaining respectively +6.89% and 5.89%. Weak labor market in US coupled with manufacturing PMI slightly above 50 (at 50.5) increased concerns about the future path of US economy; these circumstances added to ongoing trade tensions with China caused a continuation in downward movement of 10 years Treasury from 2.12% to 2.01% (lowest level since August 2017). The G20 meeting held in Japan in the last days of the month did not deliver significant improvements, with Trump and Xi agreeing on a new truce and on a new round of negotiations: this result avoid an immediate escalation but leaves significant uncertainty over the evolution of this saga. On the central banks side, the most remarkable event was Mario Draghi speech at Sintra, that opened the doors to rate cuts and a new round of QE by the ECB: Yield on 10 years German Bund was significantly impacted and closed the month at -0.33% (lowest level on history). The FED left rates unchanged on its June meeting, but there are increasing chances that several “insurance cuts” will be delivered in 2019: markets price close to three cuts in 2019, while consensus expect two cuts before year end. Emerging markets reported a positive performance (+2.49%) with EMEA being the best performer during the month (thanks in particular to a rebound in Turkish credits). EM performance was mainly due to the rally in Treasury and generic dovish tone of central bankers around the world. Oil partially recovered previous month loss (Brent up 3.19% at 66USD per barrel) due to renewed tensions on global supply.

Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of +2.80%, flat relatively to the end of May (+2.80%). Fund's actual exposure (beta and duration adjusted) is 23.67%, higher relatively to last month (16.63%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 2.96% (net of funding cost in EUR), a low spread duration of 1.38 and a z spread of 439. A long position on XOVER S29 (short risk), is present in the portfolio with a weight of 3.88%, in addition to a short position on 10 years Bund future (-5.74%).

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 91% of the positions (79 out of 87) contributing positively. Positive contributions were homogeneously

Performance

MTD :	0.23%	Fund Assets (mIn) :	39.1 €
Since inception	15.61%	1 Year Std Dev :	1.15%
Last 12 Months :	3.89%	1 Year Sharpe Ratio :	3.68
NAVps :	EUR 115.61	% of positive months :	75%

* Returns from January 2009 to July2013 reported in the table below refer to Swan Long/Short Credit Cayman (KKIENDD KY). They were obtained applying the same strategy that is used for Swan Long/Short Credit SIF.

Period	Perf.	Portfolio info	
MTD	0.23%	# of Securities	132
YTD	2.50%	% Weight	157.71%
6 months	2.50%	Int Dur	0.51
1 year	3.89%	Yield (gross)	2.96%
2018	1.36%	Spread Duration	1.38
2017	1.49%	Z-spread	439
2016	4.53%		
2015	1.03%		
2014	0.84%		
2013	5.05%		
2012	5.44%		
2011	3.19%		
2010	7.47%		
2009	6.56%		

FX breakdown (fully hedged)

USD	47.01%
EUR	18.97%
NOK	21.12%
SEK	9.86%
CHF	1.94%
GBP	1.09%
TOTAL	100.00%

Geographic breakdown

EU	8.79%
US	0.00%
Oth DEV	36.99%
LATAM	6.30%
EMEA	24.15%
ASIA	23.76%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	1.44%
BBB	6.89%
tot IG	8.33%
BB	21.53%
B	26.50%
CCC	1.04%
tot HY	49.08%
NR	42.59%
TOTAL	100.00%

Sector breakdown - Top 10

Real Estate	27.17%
Services	24.19%
Banking	17.39%
Financial Services	5.79%
Energy	5.58%
Foreign Sovereign	5.48%
Capital Goods	2.44%
Media	2.38%
Basic Industry	1.82%
Transportation	1.60%

distributed, the only exception being AABAR 03/20, while a negative contribution was generated by DOFSUB 05/20. The average life of the yield-type portfolio is very short (8 months or average spread duration of 0.69), combined with a z-spread of 293 basis points and a yield of 2.31%. The fund is levered, being invested at about 158% currently.

Strategical & Tactical buckets

Tactical bucket generated a positive performance during the month. Geographical allocation in EM was negative, while picking was flat in EM and negative in EUR HY.

Fund Structure – Terms & Conditions

Domicile: Luxembourg
 Inception Date: 22 July 2013
 Minimum Investment: EUR 125k Initial Investment
 Liquidity / Reporting: Daily
 Fees: 1.2% Management Fee
 15% 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: SWSLSCA LX
 ISIN: LU0849750954
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The State of the origin of the Fund is Luxembourg. This Fund may only be distributed in or from Switzerland to qualified investors within the meaning of Art. 10 Para. 3, 3bis and 3ter CISA. In Switzerland, the Representative is ACOLIN Fund Services AG, Leutschenbachstrasse 50, CH-8050 Zurich, whilst the Paying agent is Cornèr Banca SA, Via Canova 16, CH – 6900 Lugano. In respect of the units distributed in Switzerland, the competent Courts shall be at the registered office of the Representative in Switzerland. The Basic documents of the Fund as defined in Art. 13a CISO as well as the annual and, if applicable, semi-annual reports may be obtained free of charge at the office of the Swiss Representative. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming shares. Past performance may not be reliable guide to future performance. The current document is intended for information purposes only and shall not to be used as an offer to buy and/or sell shares.