

# Swan Long Short Credit Sicav–SIF

## August 2019

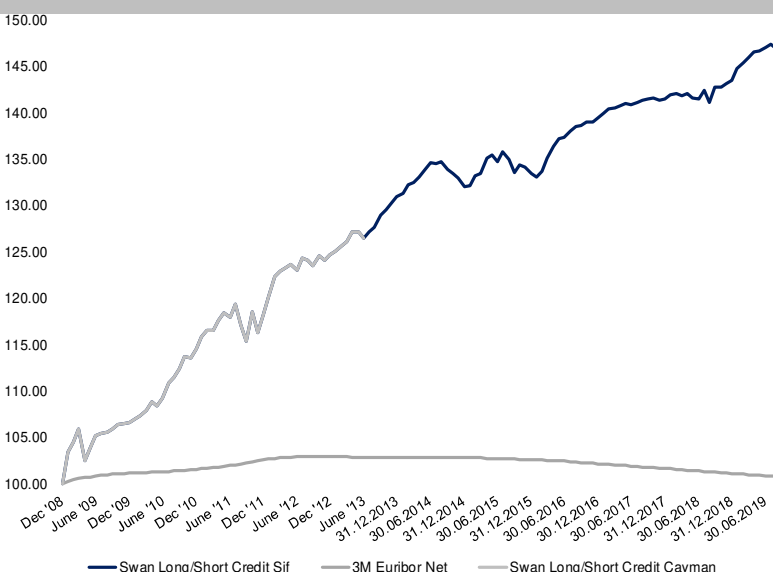


### Strategy

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

Conservative Intermediate **High Reward**



### Global Market Picture

August was a mixed month for financial markets: European credit markets were positive (H9PC Index +0.64%), while equity markets were negative both in Europe (Eurostoxx 50 -1.16%) and in US (S&P 500 -1.81%). The month started with a bounce in volatility due to renewed tension on trade war: Trump tweeted that US would place a 10% tariff on additional \$300bn Chinese goods starting from 1st of September while China retaliated with a ban on imports of agricultural products from United States and further devaluation of CNY above the psychological level of 7 USDCNY. Additional pressure on growth expectations has been generated by negative economic data in Europe: a bigger than expected fall in industrial production in Germany was confirmed by a negative (-0.1% QoQ in 2Q) GDP reading, while at the same time the Italian coalition reached a breaking point with League leader Matteo Salvini asking for snap elections. Negative sentiment pushed yield on government bonds further lower: German 10 years Bund closed the month at -0.70% (-26bps during the month) while 10 Years Treasury reached 2016 lows at 1.50% (-52bps during the month). The central banks' dovish tone added pressure on “risk-free” rates: the FED is expected to cut rates for the second time at its September meeting, while a new QE plan coupled with a rate cut could be unveiled by the ECB next month. Emerging markets reported a negative performance (-2.60%) with LATAM being the worst performer during the month. Argentina was the main driver of this movement: ARS lost a fifth of its value after opposition candidate Fernandez won primary election, forcing current president Macri to delay \$7bn of payment on short term local debt and seek a voluntary refinancing of \$50bn of longer-term debt.

### Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of +1.45%, flat relatively to the end of July (+1.45%). Fund's actual exposure (beta and duration adjusted) is 27.40%, lower relatively to last month (28.01%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 3.49% (net of funding cost in EUR), a low spread duration of 1.41 and a z spread of 497. The long position on XOVER S29 (short risk) has been closed during the month, while the short position on 10 years Bund future (-5.79%) generated a negative performance.

### Yield-type bucket

The bucket generated a negative gross contribution to the monthly performance, with 82% of the positions (69 out of 84) contributing positively. Positive contributions were homogeneously

### Performance

MTD :	<b>-0.32%</b>	Fund Assets (mln) :	40.2 €
Since inception	<b>15.50%</b>	1 Year Std Dev :	0.75%
Last 12 Months :	<b>4.06%</b>	1 Year Sharpe Ratio :	5.9
NAVps :	EUR 115.50	% of positive months :	74%

\* Returns from January 2009 to July 2013 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	<b>-0.32%</b>	# of Securities	128
YTD	<b>2.40%</b>	% Weight	152.16%
6 months	<b>1.04%</b>	Int Dur	0.46
1 year	<b>4.06%</b>	Yield (gross)	3.49%
2018	<b>1.36%</b>	Spread Duration	1.41
2017	<b>1.49%</b>	Z-spread	497
2016	<b>4.53%</b>		
2015	<b>1.03%</b>		
2014	<b>0.84%</b>		
2013	<b>5.05%</b>		
2012	<b>5.44%</b>		
2011	<b>3.19%</b>		
2010	<b>7.47%</b>		
2009	<b>6.56%</b>		

### FX breakdown (fully hedged)

USD	48.50%
EUR	18.55%
NOK	21.46%
SEK	8.44%
CHF	1.96%
GBP	1.09%
<b>TOTAL</b>	<b>100.00%</b>

### Geographic breakdown

EU	8.30%
US	0.00%
Oth DEV	36.05%
LATAM	5.08%
EMEA	25.35%
ASIA	25.22%
<b>TOTAL</b>	<b>100.00%</b>

### Rating breakdown

AAA	0.00%
AA	0.00%
A	1.04%
BBB	7.02%
<b>tot IG</b>	<b>8.06%</b>
BB	19.99%
B	27.88%
CCC	3.17%
<b>tot HY</b>	<b>51.03%</b>
NR	40.91%
<b>TOTAL</b>	<b>100.00%</b>

### Sector breakdown - Top 10

Real Estate	26.23%
Services	24.67%
Banking	16.14%
Foreign Sovereign	7.34%
Energy	5.74%
Financial Services	4.42%
Capital Goods	3.11%
Basic Industry	2.09%
Consumer Goods	1.54%
Technology & Electronics	1.54%

distributed, while negative contributions were generated by DOFSUB 05/20 and YPFAR 09/19. The average life of the yield-type portfolio is very short (8 months or average spread duration of 0.65), combined with a z-spread of 316 basis points and a yield of 2.40%. The fund is levered, being invested at about 152% currently.

### Strategical & Tactical buckets

Tactical bucket generated a negative performance during the month, with a significant negative contribution from TECOAR 06/21 and a positive one from COFP 05/21. Geographical allocation in EM was positive, 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.*