

Swan Long Short Credit Sicav–SIF

September 2019

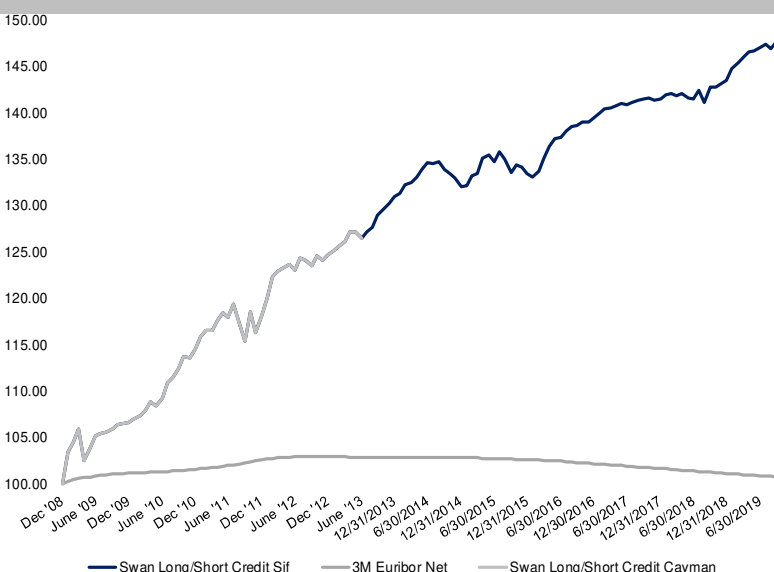


Strategy

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

September was a mixed month for financial markets: European credit markets were negative (H9PC Index -0.22%), while equity markets were positive both in Europe (Eurostoxx 50 +4.16%) and in US (S&P 500 +1.72%). The month started with a weak US Manufacturing ISM (first time below 50 since August 2016) while a slowing German economy was confirmed by PMI data slightly above 40. The central banks' dovish tone used during the summer was confirmed in September: the ECB launched a new open-ended QE program (purchase of €200bn per month), cut rates on deposit to -0.50% in connection with a tiering system and announced a more generous term for TLTRO III operation, while the FED cut rates by 25bps leaving space for an additional reduction in FED funds before year end. Notwithstanding the continuous dovish statement and movement from central bank around the world, German 10 years Bund closed the month at -0.58% (+12bps during the month) while 10 Years Treasury rebounded to 1.66% (+17bps during the month), both recovering from the ultra-low levels of August. On the political side, the main news was the impeachment inquiry for Donald Trump proposed by Nancy Pelosi, after a whistleblower revealed a conversation between the US president and the Ukrainian leader Zelensky during which Trump asked for an investigation on his rival Joe Biden. Emerging markets reported a positive performance (+1.36%) with LATAM being the best performer during the month: Argentina was the main driver of this movement after the huge sell-off experienced in August following the proposal of debt extension. Oil prices bounced on the 16th of September immediately after the main Saudi refinery was attacked: Brent jumped by 15% to 69USD per barrel, but after clarification that global supply would have only been partially impacted, it closed the month at 60USD (flat during the month).

Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of +1.45%, flat relatively to the end of August (+1.45%). Fund's actual exposure (beta and duration adjusted) is 25.82%, lower relatively to last month (27.40%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 3.32% (net of funding cost in EUR), a low spread duration of 1.36 and a z spread of 473. The short position on 10 years Bund future (-5.52%) generated a positive performance.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 95% of the

Performance

MTD :	0.52%	Fund Assets (mln) :	41.1 €
Since inception	16.10%	1 Year Std Dev :	1.01%
Last 12 Months :	3.43%	1 Year Sharpe Ratio :	3.74
NAVps :	EUR 116.10	% 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	0.52%	# of Securities	120
YTD	2.93%	% Weight	145.32%
6 months	1.14%	Int Dur	0.48
1 year	3.43%	Yield (gross)	3.32%
2018	1.36%	Spread Duration	1.36
2017	1.49%	Z-spread	473
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	50.17%
EUR	19.57%
NOK	19.51%
SEK	8.74%
CHF	0.87%
GBP	1.14%
TOTAL	100.00%

Geographic breakdown

EU	8.93%
US	0.00%
Oth DEV	34.49%
LATAM	4.50%
EMEA	25.93%
ASIA	26.15%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	1.08%
BBB	7.44%
tot IG	8.52%
BB	21.09%
B	30.07%
CCC	0.89%
tot HY	52.05%
NR	39.43%
TOTAL	100.00%

Sector breakdown - Top 10

Real Estate	26.91%
Services	22.50%
Banking	17.78%
Foreign Sovereign	6.99%
Energy	4.79%
Financial Services	4.75%
Capital Goods	3.21%
Basic Industry	2.20%
Technology & Electronics	1.61%
Media	1.59%

positions (76 out of 80) contributing positively. Positive contributions were homogeneously distributed, 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 0.68), combined with a z-spread of 304 basis points and a yield of 2.32%. The fund is levered, being invested at about 145% currently.

Strategical & Tactical buckets

Tactical bucket generated a positive performance during the month, with significant positive contributions from COFP 05/21, ASPIRS 04/21 and IPFLN 04/21. Geographical allocation in EM was negative, while picking was positive both in EM and 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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