

Swan Long Short Credit Sicav–SIF

February 2020



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.

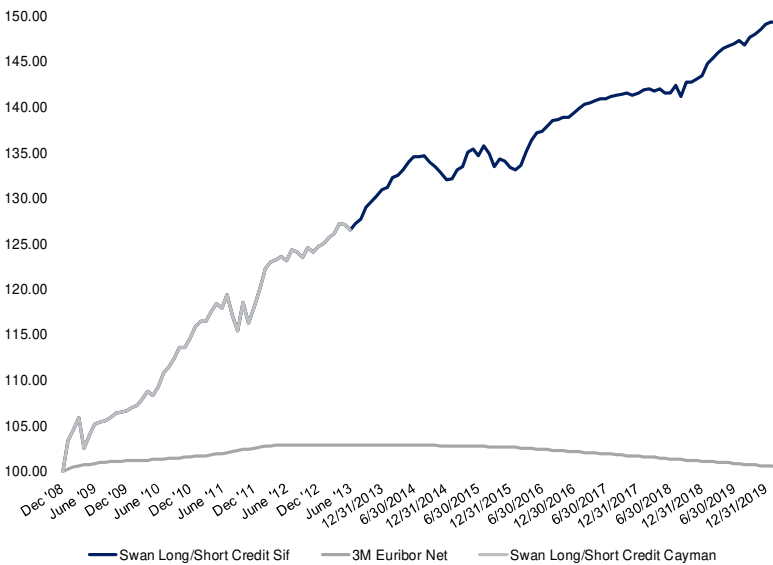
Risk Profile



Performance

MTD :	-0.14%	Fund Assets (mIn) :	52.0 €
Since inception	17.32%	1 Year Std Dev :	1.00%
Last 12 Months :	2.63%	1 Year Sharpe Ratio :	3.01
NAVps :	EUR 117.32	% of positive months :	75%

* 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.



Global Market Picture

During February European credit markets experienced a negative performance (H9PC Index -1.90%), in tandem with a negative movement of the Eurostoxx 50 (-8.55%) and the S&P 500 (-8.41%). The month started with US NFP above consensus (225k vs 165k) and unemployment rate that ticked up to 3.6%, but still close to its 50 years low, while in Europe industrial production contracted 4.1%, confirming poor data reported by Germany, France and Italy. In the second part of the month Corona virus outbreak took the center of the stage, sending markets in a downward spiral: the diffusion of the virus in Italy and in other European countries, with restrictions imposed on flights and creation of quarantine area, generated panic selling. The S&P500 registered its worst week since 2008 (-11.49%), Eurostoxx50 lost 11.24% in five days, Xover widened 73bps and 10 Years Treasury reached record low level at 1.15% (German 10 years Bund -17bps @ -0.61%). Central banks did not remain on the sideline: Jerome Powell declared that the FED was “closely monitoring” the risks to US economy from virus outbreak, further reassuring investors saying that the FED “will use its tools and act as appropriate to support the economy”, while Christine Lagarde was more prudent on imminent monetary policy changes. Notwithstanding cautious comment by ECB chair market is pricing two cuts of depo rate by March in Europe, while in US expectations are for a 50bps cut at the next meeting. Emerging Credit markets reported a negative performance (-0.74%), with ASIA area being the best performer during the month, thanks to China resilience. Oil was volatile and closed the month at 50.52 USD per barrel (-13.14%), due to downward revision to growth linked to Corona virus effects.

Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of +1.45%, flat relatively to the end of January (+1.45%). Fund's actual exposure (beta and duration adjusted) is 16.37%, higher relatively to last month (18.84%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 3.00% (net of funding cost in EUR), a low spread duration of 1.13 and a z spread of 422. The short position on 10 years Bund future (-4.44%) generated a negative performance.

Yield-type bucket

The bucket generated a negative gross contribution to the monthly performance, with 76% of the positions (70 out of 92) contributing positively. Positive contributions were homogeneously distributed, the only exception being AXANO 06/21, while there were not significant negative

Period	Perf.	Portfolio info	
MTD	-0.14%	# of Securities	131
YTD	0.04%	% Weight	123.70%
6 months	1.58%	Int Dur	0.40
1 year	2.63%	Yield (gross)	3.00%
2019	3.97%	Spread Duration	1.13
2018	1.36%	Z-spread	422
2017	1.49%		
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	55.18%
EUR	18.20%
NOK	18.34%
SEK	6.26%
CHF	0.85%
GBP	1.18%
TOTAL	100.00%

Geographic breakdown

EU	9.20%
US	0.00%
Oth DEV	31.16%
LATAM	3.73%
EMEA	30.36%
ASIA	25.55%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	6.25%
tot IG	6.25%
BB	18.54%
B	34.97%
CCC	1.13%
tot HY	54.64%
NR	39.10%
TOTAL	100.00%

Sector breakdown - Top 10

Real Estate	25.68%
Services	20.21%
Banking	16.43%
Energy	7.34%
Foreign Sovereign	6.68%
Financial Services	5.32%
Basic Industry	3.84%
Capital Goods	2.94%
Transportation	2.55%
Media	1.77%

contributions. 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 303 basis points and a yield of 3.69%. The fund is levered, being invested at about 124% currently.

Strategical & Tactical buckets

Tactical bucket generated a negative performance during the month, with homogeneous contributions. Geographical allocation in EM was slightly positive, 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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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.