

Swan Long Short Credit Sicav–SIF

April 2020

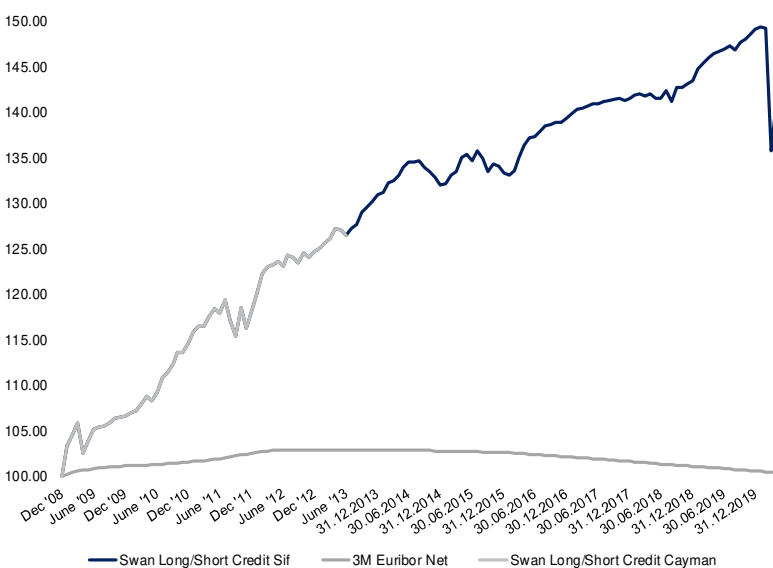


Strategy

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

Conservative Intermediate **High Reward**



Global Market Picture

During April European credit markets experienced a positive performance (H9PC Index +6.08%), in tandem with a positive movement of the Eurostoxx 50 (+5.06%) and the S&P 500 (+12.68%). In this context Swan Ultra-Short-Term Bond partially recovered the loss realized in the 1st quarter, with a significantly positive monthly performance of +; YTD performance is -3.11% while credit markets registered close to double digit negative returns YTD (EUR HY -9.54%, EM HY -10.75%, US HY -10.48% and EUR IG -2.71%). Economic data signaled a significant negative growth in 1Q20, with Eurozone at -3.4% and US at -4.8%, while estimates are for a contraction on the full year of -3.9% in US and -5.3% in Europe. Oil collapse had its peak during the last trading days of the WTI Future contract with expiration in May: price for that maturity went in negative territory with oil producers paying buyers to take the commodity off their hands over fears that storage capacity could run out. On the central banks side, ECB reiterated that it is willing to use all available flexibilities to support the economy, but rates remained unchanged and there was no upside in its asset purchase programs, while more generous conditions will be applied in upcoming TLTRO operations. The FED did not change its monetary policy during last meeting, but pledged readiness for further action in case of need; Jerome Powell already took quick and significant actions in late March to stabilize financial markets and seems to be in a wait and see mode now, stimulating US administration to use “the great fiscal power of the United States”. We still think that this is an extremely attractive entry point for our strategy: a duration adjusted YTM close to combined with an average maturity of the bonds in portfolio below 1 year (10 months) give us confidence on the capability to recover YTD losses and generate positive performance in 2020

Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of -2.20%, flat relatively to the end of March (-2.20%). Fund's actual exposure (beta and duration adjusted) is 31.47%, higher relatively to last month (26.05%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 16.80% (net of funding cost in EUR), a low spread duration of 1.91 and a z spread of 1804. The short position on 10 years Bund future (-5.01%) generated a slightly positive performance.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 86% of the

Performance

MTD :	4.20%	Fund Assets (mIn) :	45.0 €
Since inception	11.19%	1 Year Std Dev :	3.50%
Last 12 Months :	-3.49%	1 Year Sharpe Ratio :	-0.87
NAVps :	EUR 111.19	% 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	4.20%	# of Securities	177
YTD	-5.18%	% Weight	214.04%
6 months	-4.53%	Int Dur	1.85
1 year	-3.49%	Yield (gross)	16.80%
2019	3.97%	Spread Duration	1.91
2018	1.36%	Z-spread	1804
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	48.95%
EUR	28.13%
NOK	16.40%
SEK	6.01%
CHF	0.52%
GBP	0.00%
TOTAL	100.00%

Geographic breakdown

EU	21.21%
US	0.96%
Oth DEV	27.18%
LATAM	5.38%
EMEA	23.88%
ASIA	21.40%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	1.23%
BBB	10.25%
tot IG	11.48%
BB	25.18%
B	26.42%
CCC	1.04%
tot HY	52.64%
NR	35.88%
TOTAL	100.00%

Sector breakdown - Top 10

Real Estate	22.57%
Banking	21.60%
Services	18.96%
Energy	6.42%
Basic Industry	5.47%
Financial Services	4.74%
Foreign Sovereign	4.48%
Telecommunications	3.11%
Healthcare	2.45%
Capital Goods	2.38%

positions (101 out of 117) contributing positively. During the month we further increased our invested capital: conditions are much more attractive now in the short-term part of the credit curve. The average life of the yield-type portfolio is very short (7 months or average spread duration of 0.62), combined with a z-spread of 1448 basis points and a yield of 13.84%. The fund is levered, being invested at about 214% currently.

Strategical & Tactical buckets

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