

# Swan Long Short Credit Sicav–SIF

## May 2018



### 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.

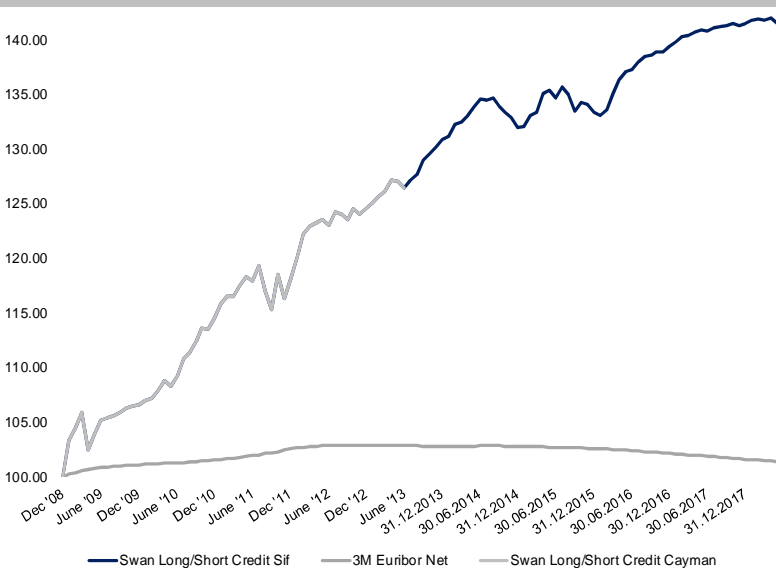
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### Risk Profile

Conservative

**Intermediate**

High Reward



### Global Market Picture

Main topic of the month was the political tension in Italy, with investors worried about the possible appointment of Paolo Savona (well known for his anti Euro position) as Finance Minister: European credit markets experienced a negative performance (H9PC Index - 0.98%), in tandem with a negative movement of the Eurostoxx 50 (-3.67%), while S&P500 realized a positive performance (+2.16%). Risk off environment had a significant influence on rates: yield on 10 years Bund pulled back to 0.34%, while Italian 10 years BTPs peaked at 3% (highest level since summer 2014), with the spread between the two sovereign at 241bps (+117bps during the month). After 3 months of negotiations the Five Star Movement and the League found an agreement on the composition of the new government (with the appointment of a more mainstream Minister of Finance), and tensions on periphery debt eased. The FED meeting did not signal substantial change in monetary policy, with FED funds future pricing in just two of the four hikes market expect in the next 12 months. On the political side, President Donald Trump launched new message to its “rivals”: during May, the USA retired from the Iran nuclear deal and imposed new tariffs on aluminum and steel, while a more soft tone was used with North Korea, with the meeting with Kim Jong-un confirmed for the 12th of June in Singapore. Emerging markets credit performance was negative (EMHB index -1.56%), with spread to worst 68bps wider at 444bps: tensions due to FX weakness and fourth consecutive monthly negative return influenced investors’ sentiment, only partially compensated by new Brent highs at 77USD per barrel.

### Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of -2.35%, flat relatively to the end of April (-2.35%). Fund’s actual exposure (beta and duration adjusted) is 13.19%, higher relatively to last month (12.21%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 3.87% (net of funding cost), a low spread duration of 1.31 and a z spread of 490. A long position on XOVER S28 (short risk), is present in the portfolio with a weight of 4.43%, in addition to a short position on 10 years Bund future.

### Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, thanks to

### 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)

### Performance

MTD :	<b>-0.38%</b>	Fund Assets (mln) :	34.4 €
Since inception	<b>11.31%</b>	1 Year Std Dev :	0.50%
Last 12 Months :	<b>0.40%</b>	1 Year Sharpe Ratio :	1.46
NAVps :	EUR 111.31	% of positive months :	73%

\* 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>-0.38%</b>	# of Securities	112
YTD	<b>0.03%</b>	% Weight	191.84%
6 months	<b>0.14%</b>	Int Dur	0.44
1 year	<b>0.40%</b>	Yield (gross)	3.87%
2017	<b>1.49%</b>	Spread Duration	1.31
2016	<b>4.53%</b>	Z-spread	490
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	48.08%
EUR	17.20%
NOK	18.62%
GBP	1.18%
SEK	9.75%
SGD	0.00%
CHF	5.18%
<b>TOTAL</b>	<b>100.00%</b>

### Geographic breakdown

EU	6.02%
US	0.60%
Oth DEV	35.08%
LATAM	9.78%
EMEA	29.13%
ASIA	19.38%
<b>TOTAL</b>	<b>100.00%</b>

### Rating breakdown

AAA	0.00%
AA	0.00%
A	0.91%
BBB	16.89%
<b>tot IG</b>	<b>17.80%</b>
BB	27.61%
B	18.60%
CCC	0.74%
<b>tot HY</b>	<b>46.94%</b>
NR	35.25%
<b>TOTAL</b>	<b>100.00%</b>

### Sector breakdown - Top 10

Services	25.68%
Banking	23.01%
Real Estate	22.42%
Financial Services	5.26%
Basic Industry	5.12%
Energy	4.51%
Foreign Sovereign	3.40%
Supranational	2.96%
Leisure	1.36%
Transportation	1.24%

77% of the positions (67 out of 87) contributing positively. Positive contributions were homogeneously distributed, the only exception being AWDNR0 04/19, while significant negative contributions were generated by YPFDR 09/19 and VAKBN 04/19 due to pressure on Argentinean and Turkish corporates.

### Strategical & Tactical buckets

Tactical bucket generated a positive performance during the month, with a negative contribution from AABAR 03/20 and DLLTD 09/20. Geographical allocation in EM was slightly positive, while there was a significant positive picking in EUR HY.

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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