

# Swan Long Short Credit Sicav–SIF

## January 2019

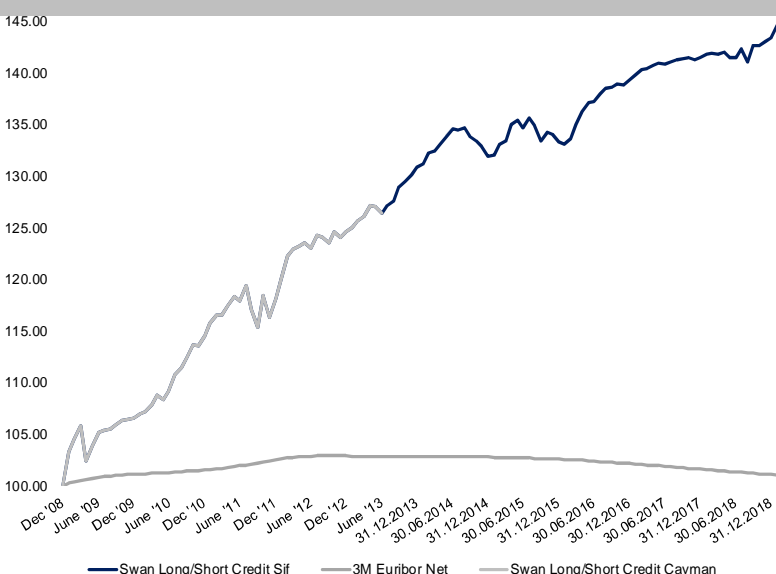


### Strategy

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.

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### Risk Profile



### Global Market Picture

January was a very strong month: European credit markets were positive (H9PC Index +2.15%), likewise equity markets with Eurostoxx 50 and S&P 500 gaining respectively 5.26% and 7.87%. The FED meeting on 30th of January was the main event of the month. Markets approached the event waiting for a “reassuring” message, and in this case Powell did not disappoint investors as he did in December. FED funds rate remained stuck at 2.375%, accompanied by an ultra-dovish tone both in the Committee statement and press conference: the word “patient” came back and references to further tightening was eliminated, while balance sheet policy flexibility was confirmed. The ECB meeting did not surprise, with confirmation that growth risks are on the downside and the council will reassess policy options in March. Central banks tone had a strong influence on rates: yield on 10 Years German Bund went under further pressure (-9bps at 0.15%) in tandem with yield on 10 years Treasury down to 2.63% (-5bps in January). Notwithstanding strong rally in January, economic uncertainty remains a concern for risky assets: current pace of global growth is around 2.6%, but several headwinds have still to be resolved (US/China trade deal, Brexit and weaker than expected growth in Europe). Emerging markets reported a positive performance (+3.82%) with LATAM being the best performer during the month. EM resilience was mainly due to the dovish FED tone and constructive talks between US and China, in addition to a strong rebound in oil prices (Brent closed up 15% at 62USD per barrel).

### Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of -2.35%, flat relatively to the end of December (-2.35%). Fund's actual exposure (beta and duration adjusted) is 11.93%, higher relatively to last month (8.49%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 4.18% (net of funding cost), a low spread duration of 1.38 and a z spread of 515. A long position on XOVER S29 (short risk), is present in the portfolio with a weight of 4.80%, 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, with 94% of the positions (83 out of 88) contributing positively. Positive contributions were homogeneously distributed, the only exceptions being KOC 04/20, COGARD 03/20, AABAR 03/20, GMLP 05/20, AKERNO 05/20, DNONO 06/20, FARMIT 06/20, BAMIIIM 07/20 and ICCREA 02/20, while there

### Performance

MTD :	<b>0.92%</b>	Fund Assets (mIn) :	31.3 €
Since inception	<b>13.83%</b>	1 Year Std Dev :	1.17%
Last 12 Months :	<b>2.01%</b>	1 Year Sharpe Ratio :	1.99
NAVps :	EUR 113.83	% of positive months :	74%

\* Returns from January 2009 to July2013 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>0.92%</b>	# of Securities 108
YTD	<b>0.92%</b>	% Weight 191.19%
6 months	<b>1.62%</b>	Int Dur 0.49
1 year	<b>2.01%</b>	Yield (gross) 4.18%
2018	<b>1.36%</b>	Spread Duration 1.38
2017	<b>1.49%</b>	Z-spread 515
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	44.07%
EUR	19.22%
NOK	18.75%
GBP	1.36%
SEK	11.91%
SGD	0.00%
CHF	4.69%
<b>TOTAL</b>	<b>100.00%</b>

### Geographic breakdown

EU	10.41%
US	1.11%
Oth DEV	34.60%
LATAM	8.42%
EMEA	30.73%
ASIA	14.73%
<b>TOTAL</b>	<b>100.00%</b>

### Rating breakdown

AAA	0.00%
AA	0.00%
A	1.47%
BBB	12.16%
<b>tot IG</b>	<b>13.63%</b>
BB	25.26%
B	22.30%
CCC	0.45%
<b>tot HY</b>	<b>48.01%</b>
<b>TOTAL</b>	<b>100.00%</b>

### Sector breakdown - Top 10

Real Estate	24.40%
Banking	23.34%
Services	23.03%
Financial Services	6.62%
Energy	5.72%
Foreign Sovereign	3.82%
Transportation	2.51%
Consumer Goods	2.32%
Leisure	2.07%
Capital Goods	1.67%

were not significant negative contributions. The average life of the yield-type portfolio is very short (8 months or average spread duration of 0.69), combined with a z-spread of 459 basis points and a yield of 3.98%. The fund is levered, being invested at about 191% currently.

### Strategical & Tactical buckets

Tactical bucket generated a positive performance during the month. Geographical allocation in EM was positive, while picking was negative in EM and positive in EUR HY (overall slightly negative).

### 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, Affolternstrasse 56, 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.*