

Swan Long Short Credit Sicav–SIF

February 2019

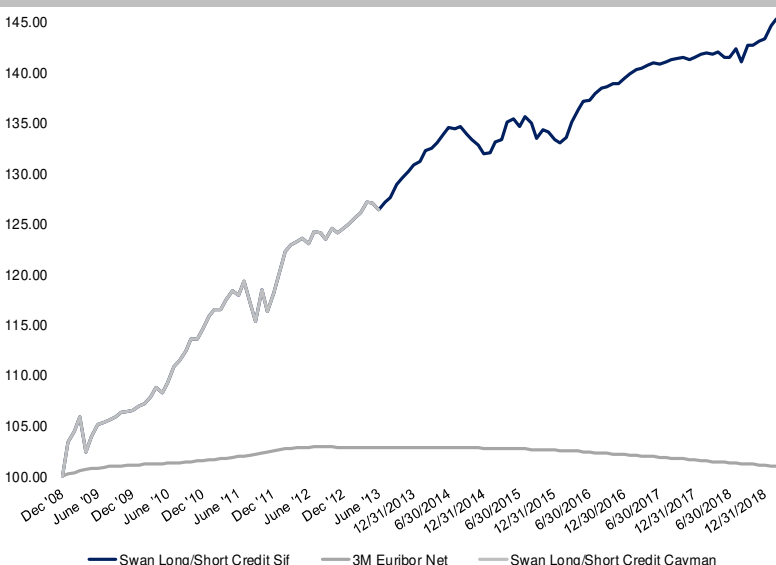


Strategy

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

February was a very strong month: European credit markets were positive (H9PC Index +1.85%), likewise equity markets with Eurostoxx 50 and S&P 500 gaining respectively 4.39% and 2.97%. The FOMC minutes on January were a little bit more hawkish than expected, revealing that a small bias for the next move to be a hike remains even if comments from FED officials remained on the dovish side. In the meanwhile, US data on economy continued to be soft: weaker than expected retail sales and durable goods order caused a revision of 1Q19 growth to just around 2% (it would be the lowest level since Q42015). Futures on FED funds imply a FED on hold for 2019 and a rate cut for 2020, while DOTS are still indicating 2 hikes: the FED will likely use a wait and see approach and the rate path will be one of the main driver of 2019 markets' performance. Data from Europe signaled a small improvement to a higher level of growth; next ECB meeting at the beginning of March should likely provide more color on a new eventual TLTRO, even if details should be disclosed in April. Yield on 10 Years German Bund rebounded from recent lows (+3bps at 0.18%) in tandem with yield on 10 years Treasury down to 2.71% (+9bps in February). Markets' rally continued in February, although 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 weak growth in Europe). Emerging markets reported a positive performance (+1.33%) with Asia being the best performer during the month. EM resilience was mainly due to the dovish FED tone and constructive talks between US and China (even if we are still waiting for a final agreement), in addition to continued strength of oil prices (Brent closed up 7% at 66USD).

Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of +2.80%, higher relatively to the end of January (-2.35%). Fund's actual exposure (beta and duration adjusted) is 15.88%, higher relatively to last month (11.93%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 3.47% (net of funding cost), a low spread duration of 1.36 and a z spread of 463. A long position on XOVER S29 (short risk), is present in the portfolio with a weight of 4.43%, in addition to a short position on 10 years Bund future (-6.25%).

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 94% of the

Performance

MTD :	0.42%	Fund Assets (mln) :	34.5 €
Since inception	14.31%	1 Year Std Dev :	1.17%
Last 12 Months :	2.36%	1 Year Sharpe Ratio :	2.3
NAVps :	EUR 114.31	% 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	0.42%	# of Securities	119
YTD	1.35%	% Weight	187.78%
6 months	2.99%	Int Dur	0.56
1 year	2.36%	Yield (gross)	3.47%
2018	1.36%	Spread Duration	1.36
2017	1.49%	Z-spread	463
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	44.43%
EUR	20.17%
NOK	18.32%
SEK	11.08%
CHF	4.36%
GBP	1.64%
TOTAL	100.00%

Geographic breakdown

EU	12.12%
US	1.03%
Oth DEV	33.07%
LATAM	8.65%
EMEA	30.72%
ASIA	14.40%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	1.36%
BBB	10.59%
tot IG	11.95%
BB	24.72%
B	25.13%
CCC	0.55%
tot HY	50.40%
NR	37.65%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	26.52%
Real Estate	24.03%
Services	21.37%
Financial Services	6.10%
Energy	5.91%
Foreign Sovereign	3.94%
Transportation	3.13%
Consumer Goods	2.17%
Leisure	1.90%
Capital Goods	1.56%

positions (83 out of 88) contributing positively. Positive contributions were homogeneously distributed, the only exceptions being GMLP 05/20, PTEC 11/19, DNONO 06/20, while there were not significant negative contributions. The average life of the yield-type portfolio is very short (8 months or average spread duration of 0.64), combined with a z-spread of 392 basis points and a yield of 3.38%. The fund is levered, being invested at about 188% currently.

Strategical & Tactical buckets

Tactical bucket generated a positive performance during the month. Geographical allocation in EM was positive, while picking was substantially flat 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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