

Swan Long Short Credit Sicav–SIF

March 2019

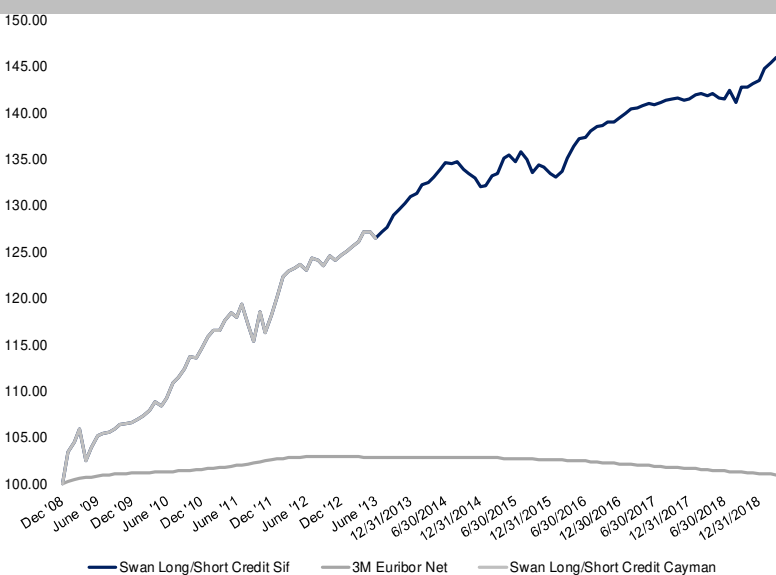


Strategy

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

March was another strong month: European credit markets were positive (H9PC Index +0.97%), likewise equity markets with Eurostoxx 50 and S&P 500 gaining respectively 1.62% and 1.79%. Once again, central banks' meetings took the center of the stage: the FED sent a dovish message, with a bigger than expected number of FOMC participants that now expects no rates hikes in 2019 and DOTS signaling just one hike over the next 2 years. Markets participants took very seriously the message launched by Jerome Powell, with Fed funds futures pricing one rate cut to December 2020 and other central banks joining the dovish stance embraced by the FED. General dovishness coupled with mixed economic data flow in US (CESIUSD was stable around -40) caused a significant downward movement in the 10 years Treasury, down from 2.71% to 2.41%. Data from Europe remained on the weak side and ECB was forced to take a supportive position during the March meeting, announcing the possibility of a new TLTRO program and shifting its forward guidance on rates to be unchanged until the end of 2019. Yield on 10 Years German Bund reacted strongly to ECB announcements, closing the month at the lowest level in the last three years (-0.07%). Political risks receded in the month: Mueller report did not impact seriously Trump's Administration while Brexit saga seemed to exclude a no deal scenario. Emerging markets reported a positive performance (+0.74%) with Asia being the best performer during the month. EM resilience was mainly due to the dovish tone of all the Central Banks around the world 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 up 4% at 68 USD per barrel).

Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of +2.80%, flat relatively to the end of February (+2.80%). Fund's actual exposure (beta and duration adjusted) is 18.47%, higher relatively to last month (15.88%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 2.95% (net of funding cost), a low spread duration of 1.38 and a z spread of 430. A long position on XOVER S29 (short risk), is present in the portfolio with a weight of 4.14%, in addition to a short position on 10 years Bund future (-5.90%).

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 84% of the

Performance

MTD :	0.42%	Fund Assets (mln) :	36.7 €
Since inception	14.79%	1 Year Std Dev :	1.19%
Last 12 Months :	2.91%	1 Year Sharpe Ratio :	2.73
NAVps :	EUR 114.79	% 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	118
YTD	1.77%	% Weight	172.95%
6 months	2.26%	Int Dur	0.61
1 year	2.91%	Yield (gross)	2.95%
2018	1.36%	Spread Duration	1.38
2017	1.49%	Z-spread	430
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	46.35%
EUR	19.55%
NOK	17.80%
SEK	10.09%
CHF	4.54%
GBP	1.67%
TOTAL	100.00%

Geographic breakdown

EU	11.62%
US	1.06%
Oth DEV	32.20%
LATAM	7.93%
EMEA	30.62%
ASIA	16.56%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	1.41%
BBB	10.87%
tot IG	12.28%
BB	23.31%
B	26.34%
CCC	0.57%
tot HY	50.22%
NR	37.51%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	25.23%
Real Estate	24.07%
Services	20.97%
Energy	6.09%
Financial Services	4.77%
Foreign Sovereign	4.58%
Transportation	2.83%
Basic Industry	2.27%
Consumer Goods	2.24%
Leisure	1.95%

positions (74 out of 88) contributing positively. Positive contributions were homogeneously distributed, the only exceptions being RDFSJ put09/19, DNONO 06/20 and AABAR 03/20, 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 0.67), combined with a z-spread of 344 basis points and a yield of 2.82%. The fund is levered, being invested at about 173% currently.

Strategical & Tactical buckets

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