

Swan Long Short Credit Sicav–SIF

April 2019

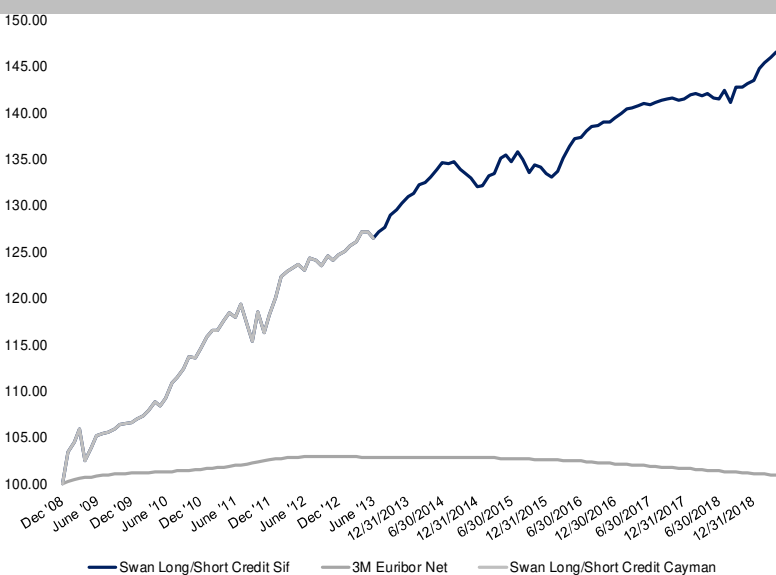


Strategy

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

April was another strong month: European credit markets were positive (H9PC Index +1.41%), likewise equity markets with Eurostoxx 50 and S&P 500 gaining respectively 4.86% and 3.93%. Economic data sent opposite messages in US: labor market and 1Q GDP release were strong (change in NFP at 196k vs 177k and 1Q GDP at 3.2% vs 2.3%) in contrast with CPI at just 2%, while CESIUSD index reached its lowest level in two years at -58.7. FED minutes confirmed how patient will be the Committee in raising rates and also how markets participants are skeptical about imminent hikes, with Fed funds futures pricing no rate movements in 2019 and one rate cut to December 2020. 10 years Treasury moved higher, to 2.50% from 2.41%, in tandem with yield on 10 Years German Bund that closed the month at 0.01% (8bps during the month) notwithstanding weak data from Europe. Mario Draghi speech after ECB meeting on 10th of April reinforced the view that rates in Europe will remain on hold for longer expected, and that the new TLTRO will provide sufficient liquidity to European banks. Political risk was concentrated on the Brexit saga: the final date was postponed to 31st of October, leaving some additional months to find an agreement and removing the immediate risk of a no-deal. Emerging markets reported a positive performance (+0.72%) with Emea 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 6% at 73 USD per barrel).

Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of +2.80%, flat relatively to the end of March (+2.80%). Fund's actual exposure (beta and duration adjusted) is 17.17%, lower relatively to last month (18.47%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 2.97% (net of funding cost in EUR), a low spread duration of 1.25 and a z spread of 418. A long position on XOVER S29 (short risk), is present in the portfolio with a weight of 4.09%, in addition to a short position on 10 years Bund future (-5.73%).

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 92% of the positions (78 out of 85) contributing positively. Positive contributions were homogeneously distributed, the only exception being DNONO 06/20, while there were not significant negative

Performance

MTD :	0.37%	Fund Assets (mln) :	37.5 €
Since inception	15.21%	1 Year Std Dev :	1.18%
Last 12 Months :	3.11%	1 Year Sharpe Ratio :	2.9
NAVps :	EUR 115.21	% 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	0.37%	# of Securities	120
YTD	2.15%	% Weight	161.71%
6 months	2.63%	Int Dur	0.49
1 year	3.11%	Yield (gross)	2.97%
2018	1.36%	Spread Duration	1.25
2017	1.49%	Z-spread	418
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	47.11%
EUR	18.88%
NOK	18.62%
SEK	8.99%
CHF	4.65%
GBP	1.75%
TOTAL	100.00%

Geographic breakdown

EU	9.79%
US	0.00%
Oth DEV	33.34%
LATAM	6.94%
EMEA	28.09%
ASIA	21.83%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	1.49%
BBB	7.81%
tot IG	9.29%
BB	22.43%
B	28.79%
CCC	0.60%
tot HY	51.82%
NR	38.89%
TOTAL	100.00%

Sector breakdown - Top 10

Real Estate	27.82%
Services	21.64%
Banking	20.00%
Energy	5.77%
Financial Services	5.55%
Foreign Sovereign	5.17%
Transportation	3.44%
Leisure	2.02%
Technology & Electronics	1.61%
Consumer Goods	1.60%

contributions. The average life of the yield-type portfolio is very short (8 months or average spread duration of 0.63), combined with a z-spread of 322 basis points and a yield of 2.46%. The fund is levered, being invested at about 162% 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 negative in EUR HY (negative overall).

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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