

Swan Long Short Credit Sicav–SIF July 2019

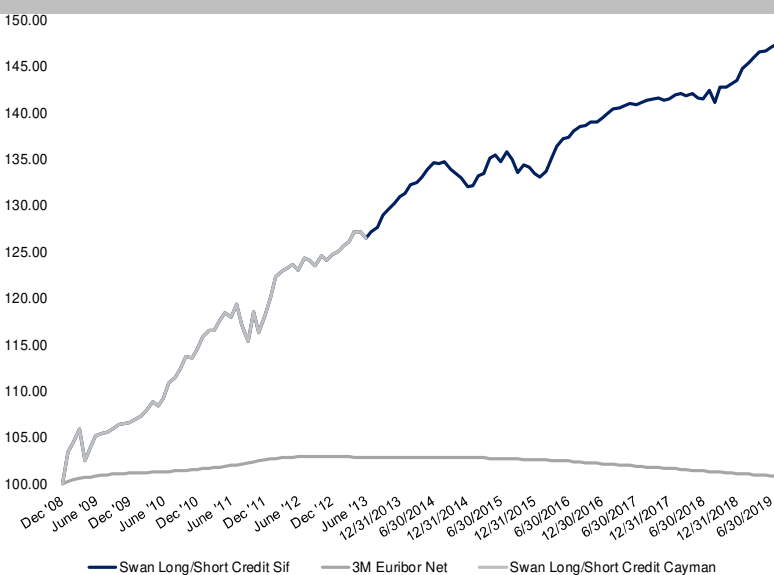


Strategy

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

July was a mixed month for financial markets: European credit markets were positive (H9PC Index +0.56%), while equity markets were negative in Europe (Eurostoxx 50 -0.20%) and positive in US (S&P 500 +1.31%). Release of 2Q GDP in US (2.1% vs 3.1% in 1Q), coupled with weak flash manufacturing PMI, confirmed that economy is slowing, adding pressure on FED decision on rates. FOMC meeting took place the 31st of July and committee voted for a cut of 25bps of FED funds (now between 2% and 2.25%), but market was disappointed by a hawkish press conference with Jerome Powell calling the move a “mid-cycle adjustment policy” that was “not the beginning of a long series of rate cuts”. The ECB meeting was the other important event of the period: Draghi confirmed that interest rates are expected to remain “at their present or lower levels” at least through first half of 2020. The ECB President added that a new package of stimulus is under review and discussions are taking place about the “options for the size and composition of potential new net asset purchase”. This environment of dovish Central Banks pushed the yield of government bonds further lower (around \$13trn of debt exhibit negative yield): German 10 years Bund closed the month at -0.44% (-11bps during the month) while 10 years Treasury was unchanged at 2%. Emerging markets reported a positive performance (+1.02%) with LATAM being the best performer during the month. EM performance was mainly due to the rally in Treasury and generic dovish stance of central bankers around the world, with the continuous “tweets” by Trump on trade war not impacting seriously the generic positive tone of the market. Oil was substantially flat during the month around 66USD per barrel.

Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of +1.45%, lower relatively to the end of June (+2.80%). Fund's actual exposure (beta and duration adjusted) is 28.01%, higher relatively to last month (23.67%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 2.93% (net of funding cost in EUR), a low spread duration of 1.32 and a z spread of 421. A long position on XOVER S29 (short risk), is present in the portfolio with a weight of 3.75%, in addition to a short position on 10 years Bund future (-5.64%).

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 96% of the positions (80 out of 83) contributing positively. Positive contributions were homogeneously

Performance

MTD :	0.22%	Fund Assets (mln) :	40.2 €
Since inception	15.87%	1 Year Std Dev :	1.13%
Last 12 Months :	3.45%	1 Year Sharpe Ratio :	3.33
NAVps :	EUR 115.87	% of positive months :	75%

* 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	0.22%	# of Securities	125
YTD	2.73%	% Weight	148.67%
6 months	1.79%	Int Dur	0.48
1 year	3.45%	Yield (gross)	2.93%
2018	1.36%	Spread Duration	1.32
2017	1.49%	Z-spread	421
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	48.10%
EUR	18.34%
NOK	22.15%
SEK	8.28%
CHF	2.02%
GBP	1.10%
TOTAL	100.00%

Geographic breakdown

EU	8.18%
US	0.00%
Oth DEV	36.74%
LATAM	5.23%
EMEA	23.42%
ASIA	26.44%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	1.06%
BBB	7.13%
tot IG	8.19%
BB	21.06%
B	28.43%
CCC	0.62%
tot HY	50.11%
NR	41.71%
TOTAL	100.00%

Sector breakdown - Top 10

Real Estate	27.89%
Services	25.42%
Banking	15.65%
Energy	5.86%
Foreign Sovereign	5.72%
Financial Services	5.08%
Capital Goods	2.83%
Basic Industry	2.23%
Media	1.62%
Technology & Electronics	1.61%

distributed, the only exception being DOFSUB 05/20, while there were not significant negative contributions. The average life of the yield-type portfolio is very short (9 months or average spread duration of 0.71), combined with a z-spread of 272 basis points and a yield of 2.07%. The fund is levered, being invested at about 149% currently.

Strategical & Tactical buckets

Tactical bucket generated a positive performance during the month, with a negative contribution from IPFLN 05/21. Geographical allocation in EM was negligible, while picking was positive in EM and negative in EUR HY (positive 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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