

# Swan Long Short Credit Sicav–SIF

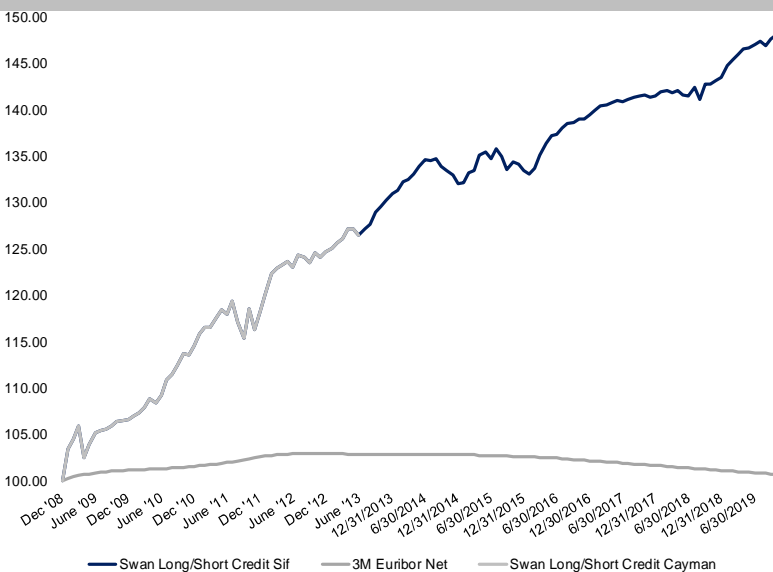
## October 2019



### 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



### Global Market Picture

October was a mixed month for financial markets: European credit markets were negative (H9PC Index -0.15%), while equity markets were positive both in Europe (Eurostoxx 50 +0.98%) and in US (S&P 500 +2.04%). The month started with a weak set of data from US (US Manufacturing ISM at lowest level since 2009) while weak flash PMI in Europe were adjusted lower in their final release. Central banks' accommodative policy continued in October with the FED cutting rates by 25bps, but future rate path is uncertain with markets pricing only a 27% probability of a rate cut at the December meeting. After eight years as ECB Chairman, Mario Draghi stepped down, with Christine Lagarde named as successor: during his last after-meeting conference Draghi confirmed the need for an accommodative fiscal policy that could support current monetary policy, while guidance was not significantly changed. Notwithstanding the continuous dovish statement and movement from central bank around the world, German 10 years Bund closed the month at -0.41% (+16bps during the month) while 10 Years Treasury was substantially unchanged at 1.69% (+3bps during the month). On the political side, the main news was the slow and partial progress in the US-China negotiations on a possible deal, and the continuation of the impeachment process against Donald Trump, while in Europe Brexit deadline was postponed to 31st of January with general elections called for 12th of December. Emerging markets reported a positive performance (+1.66%) with LATAM being the best performer during the month; general election in Argentina confirmed Fernandez victory with investors now focusing on possible restructuring proposals, while pressure mounted in Lebanon after Hariri resignation. Oil prices was flat during the month at USD60 per barrel.

### Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of +1.45%, flat relatively to the end of September (+1.45%). Fund's actual exposure (beta and duration adjusted) is 20.26%, lower relatively to last month (25.82%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 3.26% (net of funding cost in EUR), a low spread duration of 1.26 and a z spread of 445. The short position on 10 years Bund future (-5.37%) generated a positive performance.

### Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 88% of the positions (71 out of 81) contributing positively. Positive contributions were homogeneously

### Performance

MTD :	<b>0.31%</b>	Fund Assets (mIn) :	41.6 €
Since inception	<b>16.46%</b>	1 Year Std Dev :	1.01%
Last 12 Months :	<b>3.74%</b>	1 Year Sharpe Ratio :	4.05
NAVps :	EUR 116.46	% of positive months :	75%

\* 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	<b>0.31%</b>	# of Securities	120
YTD	<b>3.25%</b>	% Weight	138.12%
6 months	<b>1.08%</b>	Int Dur	0.41
1 year	<b>3.74%</b>	Yield (gross)	3.26%
2018	<b>1.36%</b>	Spread Duration	1.26
2017	<b>1.49%</b>	Z-spread	445
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	53.81%
EUR	18.36%
NOK	19.42%
SEK	6.28%
CHF	0.89%
GBP	1.23%
<b>TOTAL</b>	<b>100.00%</b>

### Geographic breakdown

EU	10.02%
US	0.00%
Oth DEV	33.09%
LATAM	4.66%
EMEA	24.23%
ASIA	28.00%
<b>TOTAL</b>	<b>100.00%</b>

### Rating breakdown

AAA	0.00%
AA	0.00%
A	1.11%
BBB	7.76%
<b>tot IG</b>	<b>8.87%</b>
BB	22.52%
B	31.32%
CCC	0.41%
<b>tot HY</b>	<b>54.25%</b>
NR	36.88%
<b>TOTAL</b>	<b>100.00%</b>

### Sector breakdown - Top 10

Real Estate	28.06%
Services	20.77%
Banking	16.36%
Foreign Sovereign	7.01%
Energy	5.85%
Financial Services	4.93%
Capital Goods	3.27%
Transportation	2.82%
Basic Industry	2.28%
Media	1.67%

distributed, the only exceptions being EVERRE 03/20 and IPFLN 04/21, while a negative contribution was generated by DOFSUB 05/20. 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 284 basis points and a yield of 2.29%. The fund is levered, being invested at about 138% currently.

### Strategical & Tactical buckets

Tactical bucket generated a positive performance during the month, with significant positive contribution from CRBKMO 11/21. Geographical allocation in EM was slightly, while picking was positive 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  
 Contacts at Swan Asset Management SA:  
 E-mail: info@swan-am.ch - Tel: +41 91 986 31 90

*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, Leutschenbachstrasse 50, 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.*