

Swan Long Short Credit Sicav–SIF November 2019

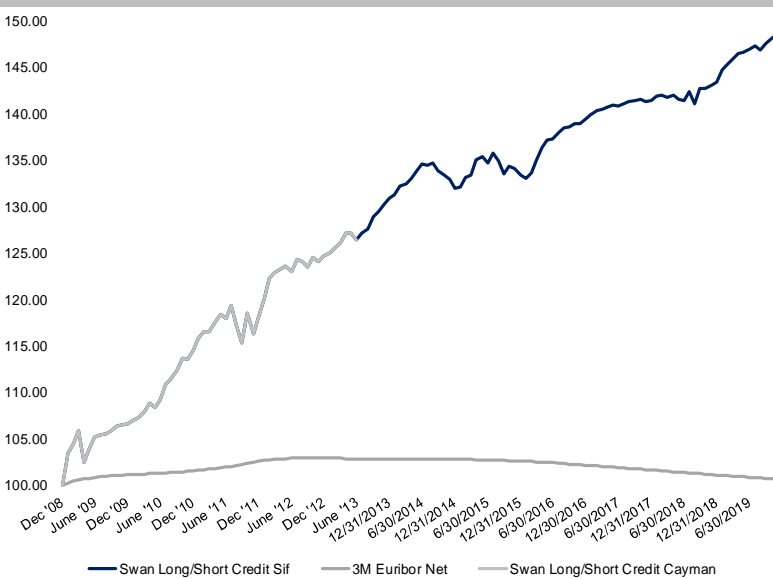


Strategy

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

November was a positive month for financial markets: European credit markets were positive (H9PC Index +1.11%), and equity markets were positive both in Europe (Eurostoxx 50 +2.75%) and in US (S&P 500 +3.40%). The month started with a small rebound in the US Manufacturing ISM, signaling that the economy could be close to a bottom: GDP release confirmed that US economy grew at around 2% in 3Q, while unemployment remained low at 3.6%. With the resilience demonstrated by US data, the FED seems to consider monetary policy in a "good place" and markets are forecasting slightly more than one cut until December 2020. Christine Lagarde started her mandate as ECB president during November: her speeches did not send clear signals about an imminent action on monetary policy, that we expect to remain supportive for markets. Data from Eurozone were slightly positive, with flash PMI rebounding and 3Q19 lackluster growth in Germany linked to a drag from inventories. German 10 years Bund closed the month at -0.36% (+5bps during the month) in tandem with 10 Years Treasury +1.78% (+8bps during the month). Bullish sentiment on the markets was mainly due to optimism coming from progress in the US-China negotiations on a potential deal: we saw several headlines announcing a possible Phase One deal, immediately followed by denials and postponements, and we think this dispute will not be resolved anytime soon. Emerging markets reported a positive performance (+0.73%) with ASIA being the best performer during the month thanks mainly to China; in Argentina Fernandez still has to approach investors for a possible debt restructuring, while pressure is mounting in LEBANON, where government resigned after harsh public protests. Oil was up 3.65% in the month, closing at 62.43 USD per barrel.

Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of +1.45%, flat relatively to the end of October (+1.45%). Fund's actual exposure (beta and duration adjusted) is 18.34%, lower relatively to last month (20.26%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 2.45% (net of funding cost in EUR), a low spread duration of 1.27 and a z spread of 363. The short position on 10 years Bund future (-5.11%) generated a positive performance.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 90% of the positions (83 out of 92) contributing positively. Positive contributions were homogeneously

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)

Performance

MTD :	0.32%	Fund Assets (mIn) :	43.5 €
Since inception	16.83%	1 Year Std Dev :	0.99%
Last 12 Months :	3.79%	1 Year Sharpe Ratio :	4.18
NAVps :	EUR 116.83	% 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	0.32%	# of Securities	120
YTD	3.58%	% Weight	138.12%
6 months	1.28%	Int Dur	0.41
1 year	3.79%	Yield (gross)	3.26%
2018	1.36%	Spread Duration	1.26
2017	1.49%	Z-spread	445
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	53.42%
EUR	17.41%
NOK	20.09%
SEK	7.05%
CHF	0.85%
GBP	1.18%
TOTAL	100.00%

Geographic breakdown

EU	9.51%
US	0.00%
Oth DEV	32.56%
LATAM	4.43%
EMEA	26.81%
ASIA	26.69%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	7.38%
tot IG	7.38%
BB	20.31%
B	32.78%
CCC	0.40%
tot HY	53.49%
NR	39.13%
TOTAL	100.00%

Sector breakdown - Top 10

Real Estate	29.44%
Services	22.39%
Banking	16.05%
Energy	6.76%
Foreign Sovereign	6.71%
Financial Services	4.73%
Transportation	3.36%
Capital Goods	3.11%
Basic Industry	2.19%
Media	1.59%

distributed, the only exceptions being COFP 05/21 and IPFLN 04/21, 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 0.69), combined with a z-spread of 284 basis points and a yield of 2.29%. The fund is levered, being invested at about 139% currently.

Strategical & Tactical buckets

Tactical bucket generated a positive performance during the month, with homogeneous contributions. Geographical allocation in EM was slightly positive, while picking was neutral (positive in EM and negative in EUR HY).

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

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