

Swan Long Short Credit Sicav–SIF

December 2019



Strategy

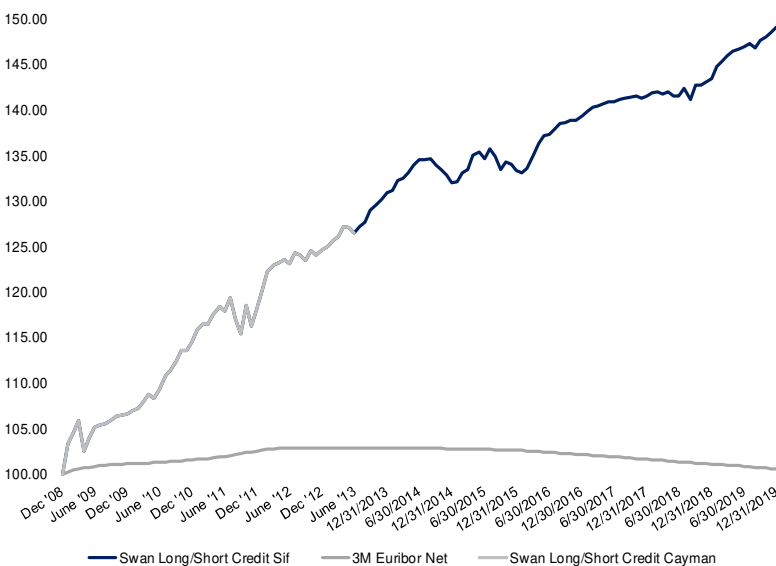
The sub-fund aims to generate significant excess return vs 3m Euribor in combination with extremely low volatility. The strategy combines the “buy and hold” investment in a highly diversified and granular portfolio of liquid short-term fixed income securities with the “opportunistic” allocation to a 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

December was a positive month for financial markets: European credit markets were positive (H9PC Index +1.10%), and equity markets were positive both in Europe (Eurostoxx 50 +1.12%) and in US (S&P 500 +2.86%). The month started with US Manufacturing ISM still below 50 (48.1), while the PMI was better than expected at 52.6; labor market confirmed its resiliency with strong change in nonfarm payrolls figures and unemployment rate at 3.5%. Due to the US data strength, the FED left rates unchanged at 1.62%, with dots signaling no rate change for 2020. Christine Lagarde took her first press conference after the ECB meeting: the event did not give significant information, and markets are still trying to understand how the ECB will move in the next months (maybe more QE). On the data side, PMI composite release at 50.6 was consistent with a 0.9% growth in 4Q19, (expectation for 2020 growth is 1%), while manufacturing sector remains the weak spot of the economy (PMI at 46.9). One significant movement in monetary policy had been taken by Riksbank (the Swedish central bank): it ended its era of negative rates amid growing concerns that “the behavior of economic agents may change and negative effects may arise”. German 10 years Bund closed the month at -0.19% (+17bps during the month) in tandem with 10 Years Treasury +1.92% (+14bps during the month). Markets bullish sentiment was due to optimism regarding the US-China negotiations progress on a potential deal, further supported by a clear victory of Boris Johnson in the UK general election that should accelerate the Brexit process. Emerging markets reported a positive performance (+1.70%) with LATAM being the best performer during the month. Oil was up 5.72% in the month, closing at 66.00 USD per barrel.

Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of +1.45%, flat relatively to the end of November (+1.45%). Fund's actual exposure (beta and duration adjusted) is 13.10%, lower relatively to last month (18.34%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 2.06% (net of funding cost in EUR), a low spread duration of 1.07 and a z spread of 307. The short position on 10 years Bund future (-4.73%) generated a positive performance.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 98% of the positions (89 out of 91) contributing positively. Positive contributions were homogeneously

Performance

MTD :	0.38%	Fund Assets (mIn) :	46.6 €
Since inception	17.27%	1 Year Std Dev :	0.99%
Last 12 Months :	3.97%	1 Year Sharpe Ratio :	4.36
NAVps :	EUR 117.27	% 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	0.38%	# of Securities	119
YTD	3.97%	% Weight	122.36%
6 months	1.44%	Int Dur	0.32
1 year	3.97%	Yield (gross)	2.06%
2018	1.36%	Spread Duration	1.07
2017	1.49%	Z-spread	307
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	51.23%
EUR	18.21%
NOK	21.75%
SEK	6.68%
CHF	0.89%
GBP	1.24%
TOTAL	100.00%

Geographic breakdown

EU	10.04%
US	0.00%
Oth DEV	33.47%
LATAM	4.58%
EMEA	26.31%
ASIA	25.59%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	7.74%
tot IG	7.74%
BB	20.33%
B	30.46%
CCC	0.41%
tot HY	51.21%
NR	41.05%
TOTAL	100.00%

Sector breakdown - Top 10

Real Estate	27.78%
Services	24.10%
Banking	17.31%
Foreign Sovereign	7.00%
Energy	6.40%
Financial Services	4.97%
Capital Goods	3.27%
Basic Industry	2.23%
Media	1.65%
Transportation	1.52%

distributed, 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 0.65), combined with a z-spread of 218 basis points and a yield of 1.73%. The fund is levered, being invested at about 122% currently.

Strategical & Tactical buckets

Tactical bucket generated a positive performance during the month, with significant contributions from RECIB 10/21 and DARALA 03/23. Geographical allocation in EM was negative, 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

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