

# Swan Long Short Credit Sicav–SIF

## January 2020

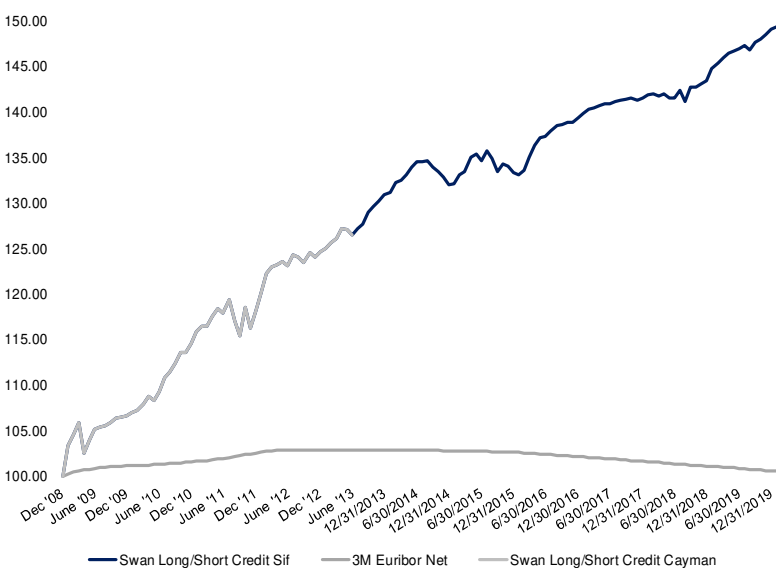


### Strategy

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

January was a muted month for financial markets: European credit markets were flat (H9PC Index +0.02%), and equity markets were negative both in Europe (Eurostoxx 50 -2.78%) and in US (S&P 500 -0.16%). The month started with the US Manufacturing ISM below consensus estimate (47.2 vs 49), at the lowest level since June 2009, while the 4Q19 US GDP at 2.1% was higher than consensus. The FED left rates unchanged, but expectations for a possible cut increased due to low print of core PCE at 1.6% and weak personal consumption. Similarly the ECB kept its policy rates unchanged, hinting that it could change its inflation target mandate during the toolkit review taking place this year. On the data front, the Eurozone PMI composite was stable at 50.9, while strong flash manufacturing PMI in Germany (45.2 vs 44.5), confirmed by the service index, suggested that the economy could have bottomed, notwithstanding the weak 4Q GDP print at 0.4%. Data release did not take into consideration any impact from the Corona Virus that spread in China during January: the fast expanding virus generated a sell-off movement with significant effects on German 10 years Bund that closed the month at -0.43% (-25bps during the month) in tandem with 10 Years Treasury at +1.51% (-41bps during the month). Emerging markets reported a positive performance (+1.20%) with EMEA area being the best performer during the month. Oil was volatile, with an initial spike close to 70 USD per barrel after the assassination of the general Soleimani by US and Iranian retaliation, followed by a sharp correction to 55 USD, due to renewed worries on global demand caused by the diffusion of the Corona Virus.

### Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of +1.45%, flat relatively to the end of December (+1.45%). Fund's actual exposure (beta and duration adjusted) is 18.84%, higher relatively to last month (13.10%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 2.43% (net of funding cost in EUR), a low spread duration of 1.13 and a z spread of 331. The short position on 10 years Bund future (-4.54%) generated a negative performance.

### Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 93% of the positions (89 out of 96) contributing positively. Positive contributions were homogeneously distributed, the only exception being IPFLN 05/21, while there were not significant negative

### Performance

MTD :	0.19%	Fund Assets (mln) :	50.0 €
Since inception	17.49%	1 Year Std Dev :	0.98%
Last 12 Months :	3.22%	1 Year Sharpe Ratio :	3.67
NAVps :	EUR 117.49	% 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	0.19%	# of Securities	130
YTD	0.19%	% Weight	122.97%
6 months	1.40%	Int Dur	0.39
1 year	3.22%	Yield (gross)	2.43%
2019	3.97%	Spread Duration	1.13
2018	1.36%	Z-spread	331
2017	1.49%		
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	55.18%
EUR	18.20%
NOK	18.34%
SEK	6.26%
CHF	0.85%
GBP	1.18%
<b>TOTAL</b>	<b>100.00%</b>

### Geographic breakdown

EU	10.19%
US	0.00%
Oth DEV	30.09%
LATAM	3.89%
EMEA	29.31%
ASIA	26.53%
<b>TOTAL</b>	<b>100.00%</b>

### Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	7.26%
<b>tot IG</b>	<b>7.26%</b>
BB	20.43%
B	33.17%
CCC	1.18%
<b>tot HY</b>	<b>54.78%</b>
NR	37.95%
<b>TOTAL</b>	<b>100.00%</b>

### Sector breakdown - Top 10

Real Estate	26.98%
Services	20.38%
Banking	17.19%
Foreign Sovereign	6.99%
Energy	6.95%
Financial Services	4.67%
Basic Industry	3.24%
Capital Goods	3.07%
Transportation	2.39%
Media	1.85%

contributions. The average life of the yield-type portfolio is very short (8 months or average spread duration of 0.68), combined with a z-spread of 239 basis points and a yield of 1.92%. The fund is levered, being invested at about 123% 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 negative in EM and positive EUR HY (overall positive).

### 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  
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*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.*