

Swan Long Short Credit Sicav–SIF

March 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.

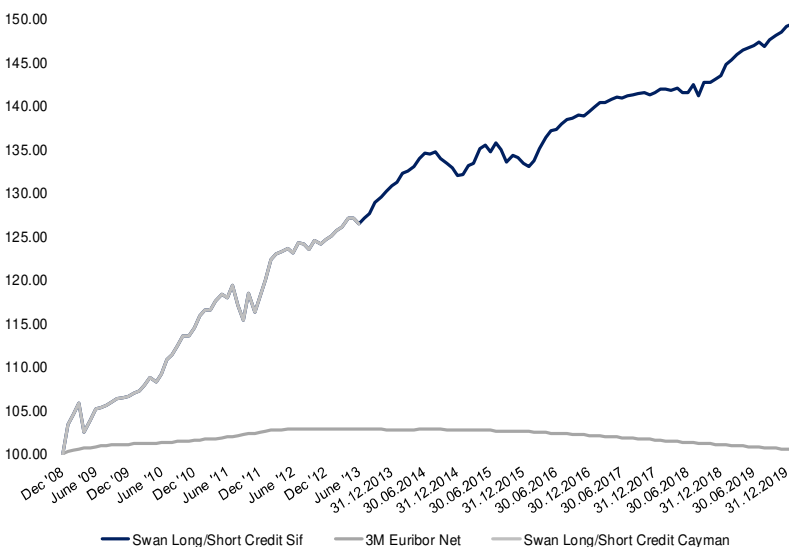
Risk Profile

Conservative Intermediate **High Reward**

Performance

MTD :	-9.04%	Fund Assets (mln) :	42.9 €
Since inception :	6.71%	1 Year Std Dev :	3.18%
Last 12 Months :	-7.04%	1 Year Sharpe Ratio :	-2.07
NAVps :	EUR 106.71	% of positive months :	74%

* 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.
MTD	-9.04%
YTD	-9.00%
6 months	-8.09%
1 year	-7.04%
2019	3.97%
2018	1.36%
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%

Portfolio info	
# of Securities	150
% Weight	180.03%
Int Dur	1.58
Yield (gross)	23.17%
Spread Duration	1.55
Z-spread	2426

FX breakdown (fully hedged)	
USD	52.45%
EUR	24.28%
NOK	16.13%
SEK	6.48%
CHF	0.66%
GBP	0.00%
TOTAL	100.00%

Geographic breakdown	
EU	15.23%
US	0.00%
Oth DEV	28.36%
LATAM	4.49%
EMEA	32.14%
ASIA	19.78%
TOTAL	100.00%

Global Market Picture

During March European credit markets experienced a negative performance (H9PC Index -13.10%), in tandem with a negative movement of the Eurostoxx 50 (-16.30%) and the S&P 500 (-12.51%). In this context Swan Long Short Credit contained the loss at -9.04%, thanks to its low duration: bond price movement was too fast and the carry generated did not compensate it. The catalysts were the Covid-19 global diffusion and the Oil price shock, that changed the global growth outlook to a possible recession in only two weeks, influencing investor sentiment and global financial conditions. On top of the macro considerations, a very bad technical picture hurt credit markets, due to strong outflows from credit funds and ETFs: market participants sold bonds to generate liquidity. The price action was indiscriminate, penalizing also short-term bonds and quality credits; apparently, company fundamentals were not considered by investors, who sold quality bonds only because they had a lower drawdown. Conditions are extremely attractive now in the short-term part of the credit curve because of this huge movement and markets could rebound quickly, as happened during GFC, when it took just 9 months for credit markets to recover from the bottom to the previous peak. Portfolio is mainly composed by good credit stories: some companies are buying back bonds at discounted prices, while others have already refinanced their near-term maturities. At the moment none of the credits in our portfolio is in default; in the next months credit selection will be one of the key drivers of performance that in connection with the low duration will help to get back quickly the YTD losses. This is an extremely attractive entry point also considering the strongest ever measures delivered by central banks to support credit markets.

Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of -2.20%, lower relatively to the end of February (+1.45%). Fund's actual exposure (beta and duration adjusted) is 26.05%, higher relatively to last month (16.37%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 23.17% (net of funding cost in EUR), a low spread duration of 1.55 and a z spread of 2426. The short position on 10 years Bund future (-4.44%) generated a positive performance.

Yield-type bucket

The bucket generated a negative gross contribution to the monthly performance, with 19% of the positions (20 out of 106) contributing positively. During the month we significantly increased our

invested capital: conditions are much more attractive now in the short-term part of the credit curve. The average life of the yield-type portfolio is very short (7 months or average spread duration of 0.60), combined with a z-spread of 1420 basis points and a yield of 13.79%. The fund is levered, being invested at about 180% currently.

Strategical & Tactical buckets

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

Rating breakdown	
AAA	0.00%
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A	1.48%
BBB	7.37%
tot IG	8.85%
BB	19.52%
B	34.05%
CCC	0.83%
tot HY	54.40%
NR	36.76%
TOTAL	100.00%

Sector breakdown - Top 10	
Banking	22.07%
Real Estate	21.10%
Services	18.59%
Energy	6.28%
Foreign Sovereign	5.40%
Capital Goods	4.85%
Basic Industry	4.76%
Financial Services	3.85%
Telecommunications	2.85%
Healthcare	2.10%

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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