

Swan Long Short Credit Sicav–SIF

May 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.

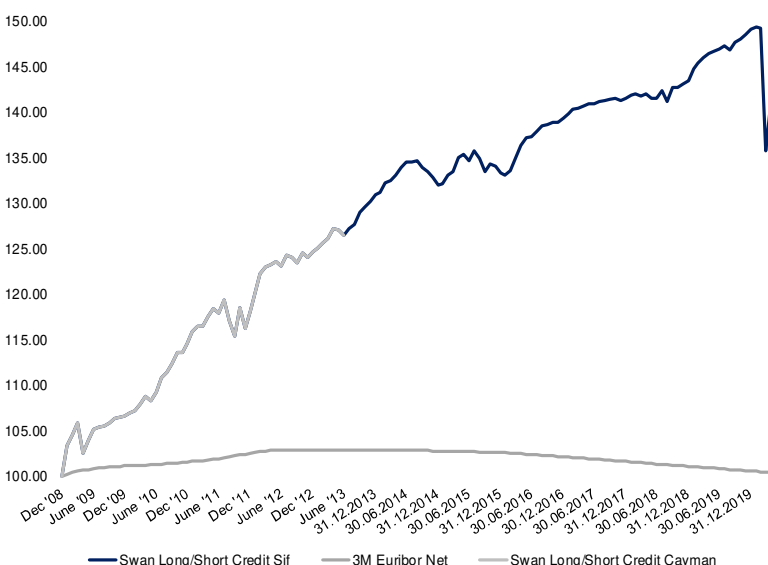
Risk Profile

Conservative Intermediate **High Reward**

Performance

MTD : **3.24%** Fund Assets (mIn) : 46.6 €
 Since inception **14.79%** 1 Year Std Dev : 3.64%
 Last 12 Months : **-0.49%** 1 Year Sharpe Ratio : -0.01
 NAVps : EUR 114.79 % 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.



Global Market Picture

During May European credit markets experienced a positive performance (H9PC Index +2.94%), in tandem with a positive movement of the Eurostoxx 50 (+4.18%) and the S&P 500 (+4.53%). In this context Swan funds continued to retrace the drawdown experienced during the 1st quarter, with a significant positive monthly performance ranging from +3.24% to 1.11%; YTD performance is between -1.81% and -3.04% while credit markets are still reporting deep negative returns YTD (EUR HY -6.89%, EM HY -5.91%, US HY -6.50% and EUR IG -2.54%). During the month, several European countries relaxed their lockdown measures with positive results: there has not been evidence of increasing infection rates, and further softening could come in the next weeks, while COVID infections are still high especially in LATAM countries. First print of Eurozone GDP for 1Q20 signaled a contraction of 3.8%, in line with estimates; to support the economy, EU commission reached an agreement for a Eur750bn recovery fund, where the so called “frugal four” countries (Netherlands, Austria, Finland and Sweden) plus France and Germany will contribute between 4% and 2% of their GDP to support the more fragile economies (Spain and Italy are the larger beneficiary, respectively 6.6% and 3.2% of their GDP). Negotiations on rules of this fund will be one of the main theme of the next months and we think the two factions will struggle to find an agreement, bringing volatility on markets. Brent strongly recovered reaching 35USD per barrel (+40% monthly performance) thanks to strict compliance to cuts agreed between OPEC+ countries. We still think that this is an interesting entry point for our strategy: attractive YTM combined with an average maturity of the bonds in portfolio around 1 year give us confidence on the capability to recover YTD losses and generate positive performance in 2020.

Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of -2.20%, flat relatively to the end of April (-2.20%). Fund's actual exposure (beta and duration adjusted) is 38.18%, lower relatively to last month (31.47%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 12.26% (net of funding cost in EUR), a low spread duration of 2.05 and a z spread of 1372. The short position on 10 years Bund future (-5.01%) generated a slightly positive performance.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 96% of the

Period	Perf.	Portfolio info	
MTD	3.24%	# of Securities	181
YTD	-2.11%	% Weight	213.44%
6 months	-1.75%	Int Dur	1.93
1 year	-0.49%	Yield (gross)	12.26%
2019	3.97%	Spread Duration	2.05
2018	1.36%	Z-spread	1372
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	48.46%
EUR	27.65%
NOK	14.90%
SEK	7.47%
CHF	1.53%
GBP	0.00%
TOTAL	100.00%

Geographic breakdown

EU	21.19%
US	0.97%
Oth DEV	28.67%
LATAM	6.94%
EMEA	24.36%
ASIA	17.88%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	1.17%
BBB	12.01%
tot IG	13.18%
BB	23.91%
B	24.26%
CCC	1.00%
tot HY	49.17%
NR	37.66%
TOTAL	100.00%

Sector breakdown - Top 10

Real Estate	22.12%
Banking	20.98%
Services	18.71%
Energy	6.81%
Basic Industry	6.27%
Financial Services	5.09%
Foreign Sovereign	4.51%
Transportation	2.59%
Healthcare	2.40%
Capital Goods	2.29%

positions (118 out of 123) contributing positively. During the month we maintained stable invested capital: conditions are always attractive in the short-term part of the credit curve. 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 1089 basis points and a yield of 10.52%. The fund is levered, being invested at about 213% currently.

Strategical & Tactical buckets

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

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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