

# Swan Long Short Credit Sicav–SIF

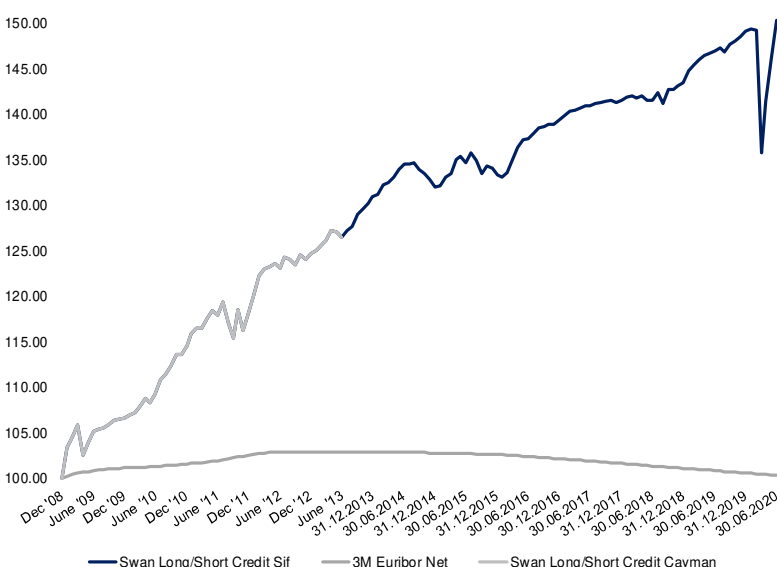
## June 2020



### 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



### Global Market Picture

During June European credit markets experienced a positive performance (H9PC Index +1.93%), in tandem with a positive movement of the Eurostoxx 50 (+6.03%) and the S&P 500 (+1.84%). In this context Swan funds continued to retrace the drawdown experienced during the 1st quarter, with a significant positive monthly performance ranging from +3.18% to 1.66%: our SIF funds are now in positive territory and UCITS funds are just some basis points below zero, while credit markets are still reporting deep negative returns YTD (EUR HY -5.10%, EM HY -2.94%, US HY -5.66% and EUR IG -1.28%). During the month, most data releases beat expectations: flash PMIs reported, for the second month in a row, double digit gains and retail sales in US bounced by 18% in May (but still 6.1% lower than a year ago). During his speech at the Senate FED Chairman Powell took a cautious tone with regards to economy warning of “significant uncertainty” threatening the “timing and strength” of the recovery, and the still elevated COVID-19 infection rates in US poses consistent risks for the next months. The IMF outlook on global economy worsened by 1.9% to a 4.9% from last release in April: biggest downgrades were for France and Spain and deterioration was driven by the more severe lockdown measures applied in previous months and a more gradual recovery forecasted for 2H2020. In Europe negotiations are still ongoing on structure and size of the Recovery Fund and the extraordinary meeting of 17th July will possibly be the final round of the match. Brent strongly recovered reaching 40 USD per barrel (+16% monthly performance) even if strong inventories remain a major concern. 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 generate positive performance in line with targets during 2020.

### Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of -2.20%, flat relatively to the end of May (-2.20%). Fund's actual exposure (beta and duration adjusted) is 28.25%, lower relatively to last month (38.18%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 10.05% (net of funding cost in EUR), a low spread duration of 2.08 and a z spread of 1173. The short position on 10 years Bund future (-5.01%) generated a slightly negative performance.

### Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 91% of the.

### Performance

MTD :	<b>3.01%</b>	Fund Assets (mln) :	47.0 €
Since inception	<b>18.24%</b>	1 Year Std Dev :	3.85%
Last 12 Months :	<b>2.27%</b>	1 Year Sharpe Ratio :	0.71
NAVps :	EUR 118.24	% 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	<b>3.01%</b>	# of Securities	173
YTD	<b>0.83%</b>	% Weight	207.74%
6 months	<b>0.83%</b>	Int Dur	1.86
1 year	<b>2.27%</b>	Yield (gross)	10.05%
2019	<b>3.97%</b>	Spread Duration	2.08
2018	<b>1.36%</b>	Z-spread	1173
2017	<b>1.49%</b>		
2016	<b>4.53%</b>		
2015	<b>1.03%</b>		
2014	<b>0.84%</b>		
2013	<b>5.05%</b>		
2012	<b>5.44%</b>		
2011	<b>3.19%</b>		
2010	<b>7.47%</b>		
2009	<b>6.56%</b>		

### FX breakdown (fully hedged)

USD	50.30%
EUR	29.16%
NOK	12.68%
SEK	6.14%
CHF	1.72%
GBP	0.00%
<b>TOTAL</b>	<b>100.00%</b>

### Geographic breakdown

EU	21.48%
US	1.46%
Oth DEV	26.03%
LATAM	6.30%
EMEA	26.70%
ASIA	18.03%
<b>TOTAL</b>	<b>100.00%</b>

### Rating breakdown

AAA	0.00%
AA	0.00%
A	1.17%
BBB	12.75%
<b>tot IG</b>	<b>13.91%</b>
BB	26.01%
B	25.40%
CCC	1.74%
<b>tot HY</b>	<b>53.15%</b>
NR	32.94%
<b>TOTAL</b>	<b>100.00%</b>

### Sector breakdown - Top 10

Real Estate	20.45%
Banking	19.48%
Services	17.42%
Basic Industry	7.20%
Financial Services	6.75%
Energy	5.77%
Foreign Sovereign	5.09%
Transportation	2.84%
Healthcare	2.45%
Capital Goods	2.36%

positions (104 out of 114) 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 (9 months or average spread duration of 0.72), combined with a z-spread of 910 basis points and a yield of 8.51%. 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 slightly positive, and also picking was overall positive (negative in EM and positive in 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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