

Swan Long Short Credit Sicav–SIF

July 2020

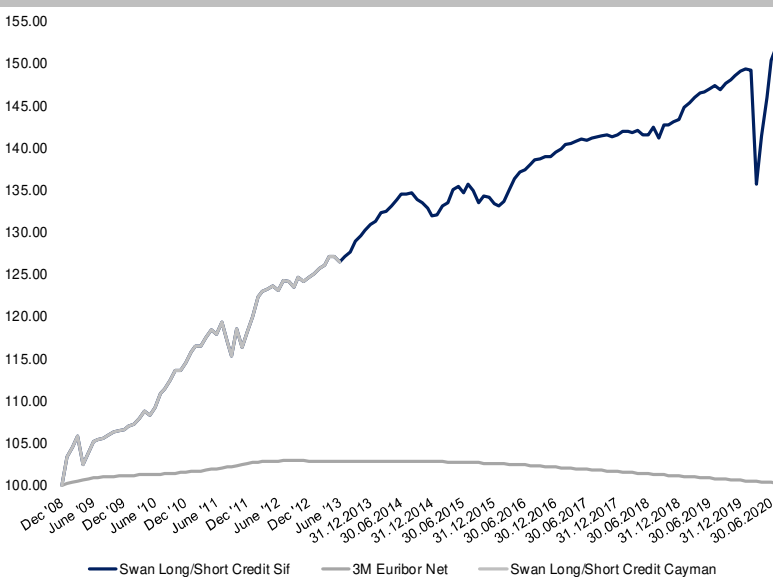


Strategy

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

During July European credit markets experienced a positive performance (H9PC Index +1.69%), in contrast with the negative movement of the Eurostoxx 50 (-1.85%), while S&P 500 closed higher (+5.51%). In this context Swan funds continued to retrace the drawdown experienced during the 1st quarter, with a significant positive monthly performance ranging from +1.17% to 0.53%: our SIF funds are in positive territory (+1.97% SLSC and +1.44% for SBE) and also UCITS funds registered positive performance YTD (+0.35% USTB and +0.14% for STHY), while credit markets are still reporting negative returns YTD (European HY -3.50%, Emerging HY -0.39%, US HY -1.44% and EUR IG +0.20%). GDP releases confirmed the COVID-19 related disruption of the economy: during 2Q GDP contracted by 9.5% in US and 12.1% in Europe, with recovery expected to be long and painful as coronavirus cases continued to increase and US-China relations came back on the stage. Central banks and European Union confirmed their role in supporting ailing economies: EU leaders reached a deal on a €750bn plan (€390bn in the form of grants and the balance in loans) but the main result obtained was that for the first time EU will be able to run a federal deficit to respond to an economic shock, while the FED maintained its dovish tone, hoping that congress will renew fiscal stimulus. Government bond yields continued their downward movements (10yrs Bund @ -0.56% and 10yrs Treasury @ 0.53%) increasing the search for spread products, while gold reached \$1983 a troy ounce, a nominal record. 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 June (-2.20%). Fund's actual exposure (beta and duration adjusted) is 21.82%, lower relatively to last month (28.25%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 8.83% (net of funding cost in EUR), a low spread duration of 1.83 and a z spread of 1083. The short position on 10 years Bund future (-4.91%) generated a slightly negative performance.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 94% of the positions (103 out of 110) contributing positively. During the month we maintained stable invested

Performance

MTD :	1.13%	Fund Assets (mIn) :	47.0 €
Since inception	19.58%	1 Year Std Dev :	3.86%
Last 12 Months :	3.20%	1 Year Sharpe Ratio :	0.94
NAVps :	EUR 119.58	% of positive months :	75%

* Returns from January 2009 to July2013 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	1.13%	# of Securities	163
YTD	1.97%	% Weight	193.55%
6 months	1.78%	Int Dur	1.56
1 year	3.20%	Yield (gross)	8.83%
2019	3.97%	Spread Duration	1.83
2018	1.36%	Z-spread	1083
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	47.54%
EUR	30.63%
NOK	13.24%
SEK	6.74%
CHF	1.85%
GBP	0.00%
TOTAL	100.00%

Geographic breakdown

EU	23.37%
US	1.57%
Oth DEV	27.44%
LATAM	6.21%
EMEA	25.04%
ASIA	16.37%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	1.20%
BBB	13.17%
tot IG	14.36%
BB	24.50%
B	24.12%
CCC	1.46%
tot HY	50.09%
NR	35.55%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	20.15%
Services	18.39%
Real Estate	17.69%
Basic Industry	6.96%
Energy	5.97%
Financial Services	5.92%
Foreign Sovereign	5.18%
Transportation	3.80%
Capital Goods	2.95%
Healthcare	2.20%

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 0.71), combined with a z-spread of 856 basis points and a yield of 7.53%. The fund is levered, being invested at about 194% currently.

Strategical & Tactical buckets

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