

# Swan Long Short Credit Sicav–SIF

## October 2020



### Strategy

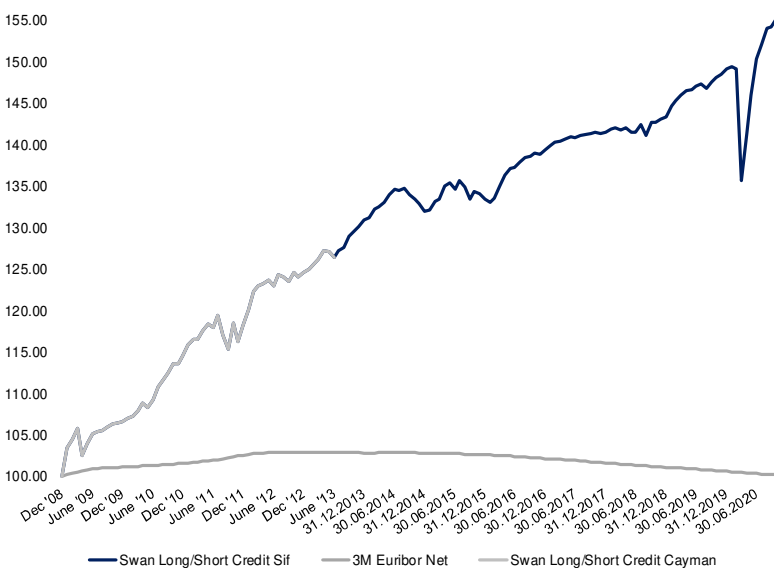
The sub-fund aims to generate significant excess return vs 3m Euribor in combination with extremely low volatility. The strategy combines the “buy and hold” investment in a highly diversified and granular portfolio of liquid short-term fixed income securities with the “opportunistic” allocation to a 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 October European credit markets experienced a positive performance (H9PC Index +0.42%), in contrast with the movement of the Eurostoxx 50 (-7.37%) and S&P 500 (-2.77%). In this context Swan funds continued to move higher with a positive monthly performance ranging from +0.28% to 0.91%; our SIF funds are in positive territory (+4.07% SLSC and +3.80% for SBE) and also UCITS funds registered positive performance YTD (+1.41% USTB and +1.50% for STHY), while credit markets are still reporting mixed returns YTD (European HY -2.32%, Emerging HY +0.24%, US HY -1.27% and EUR IG +1.45%). Monthly data continue to indicate a moderating but still above trend growth with significant regional differences: in China economy continued its recovery, with strong trade terms signaling strength of export sector, while in the US, notwithstanding strong PMIs, there are more risks of slowdown if Congress will not approve a fiscal stimulus package before the elections. Europe was the region with the most problematic situation: after a strong Q3, expectations for Q4 are for zero growth due to a massive resurgence of Covid-19 infections; France announced a semi-Lockdown lasting till December and other countries could quickly follow this path, especially Spain and Italy. The ECB remained extremely dovish during its meeting, announcing further monetary easing before year end to counter risks “clearly tilted to the downside”. In this environment 10yrs Bund yields moved lower to -0.63%, while 10yrs Treasury jumped higher to 0.87%, while gold continued its retracement from August peak. We think that this is an interesting entry point for our strategy: current YTM combined with an average maturity of the bonds around 1 year give us confidence on the capability to generate positive performance in line with targets during 2020 and give us the opportunity to build portfolios with attractive returns on a 1 year horizon.

### Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 1.45%, flat relatively to the end of September (1.45%). Fund’s actual exposure (beta and duration adjusted) is 24.69%, higher relatively to last month (20.17%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 8.48% (net of funding cost in EUR), a low spread duration of 1.63 and a z spread of 1004. The short position on 10 years Bund future (-4.77%) generated a negative performance.

### Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 85% of the

### Performance

MTD :	0.68%	Fund Assets (mIn) :	48.1 €
Since inception	22.04%	1 Year Std Dev :	3.85%
Last 12 Months :	4.79%	1 Year Sharpe Ratio :	1.37
NAVps :	EUR 122.04	% 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	0.68%	# of Securities	166
YTD	4.07%	% Weight	195.68%
6 months	9.76%	Int Dur	1.12
1 year	4.79%	Yield (gross)	8.48%
2019	3.97%	Spread Duration	1.63
2018	1.36%	Z-spread	1004
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	51.91%
EUR	23.05%
NOK	15.55%
SEK	6.89%
CHF	1.96%
GBP	0.65%
<b>TOTAL</b>	<b>100.00%</b>

### Geographic breakdown

EU	17.80%
US	1.24%
Oth DEV	33.33%
LATAM	5.11%
EMEA	25.79%
ASIA	16.73%
<b>TOTAL</b>	<b>100.00%</b>

### Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	10.98%
<b>tot IG</b>	<b>10.98%</b>
BB	22.37%
B	24.64%
CCC	1.52%
<b>tot HY</b>	<b>48.54%</b>
NR	40.49%
<b>TOTAL</b>	<b>100.00%</b>

### Sector breakdown - Top 10

Automotive	1.18%
Banking	14.12%
Basic Industry	9.54%
Transportation	3.01%
Capital Goods	2.19%
Consumer Goods	1.74%
Energy	5.29%
Financial Services	5.53%
Supranational	1.59%
Retail	1.54%

positions (95 out of 112) contributing positively. During the month we slightly decreased our invested capital even if conditions remain attractive 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 0.63), combined with a z-spread of 747 basis points and a yield of 6.91%. The fund is levered, being invested at about 196% currently.

### Strategical & Tactical buckets

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

ISIN: LU0849750954

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