

Swan Long Short Credit Sicav–SIF November 2020

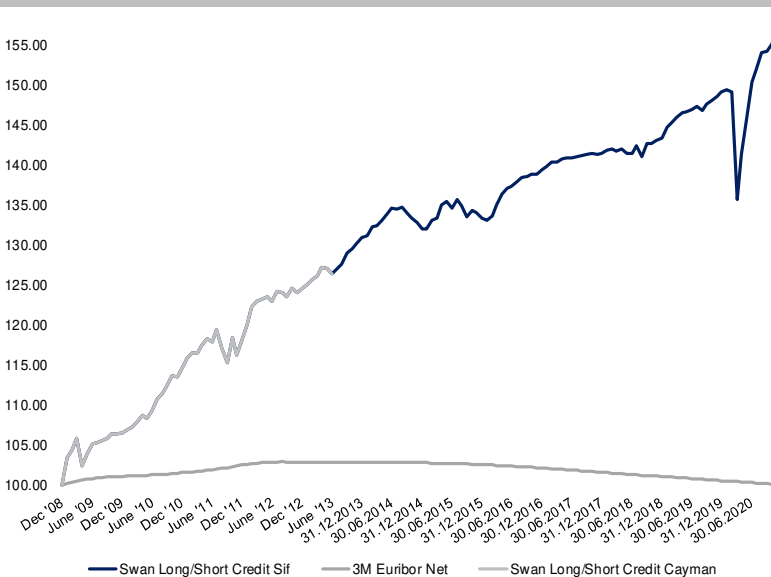


Strategy

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 November European credit markets experienced an extremely positive performance (H9PC Index +4.37%), in tandem with the movement of the Eurostoxx 50 (+18.06%) and S&P 500 (10.75%). In this context Swan funds continued to move higher with a positive monthly performance ranging from +0.78% to 1.52%: our SIF funds are in positive territory (+5.65% SLSC and +5.00% for SBE) and also UCITS funds registered significant positive performance YTD (+2.2% USTB and +2.65% for STHY), while credit markets are reporting low single digit positive returns YTD (European HY +1.94%, Emerging HY +4.52%, US HY +2.51% and EUR IG +2.49%). The massive resurgence of Covid-19 infections caused new, but less severe, lockdowns in Europe: Q4 contraction is estimated at -9% (2020 should deliver a negative GDP growth of -7%), while consensus in US is for a -3.6% YoY growth in 2020. Disappointing growth data were more than compensated by the announcement that several anti-Covid vaccines have been positively tested: mass vaccinations should start in late 2020 in US and in the first quarter in 2021 in Europe. November was also the US presidential election month: Joe Biden, as expected, won, but the Senate majority is still not defined yet; Donald Trump did not immediately accept the loss, and started preparing a hard transition to his rival. In this context, the 10 years bund yield moved higher by 5 bps to -0.57% while the 10 years Treasury moved lower 3bps to 0.84%. We think that this is still an interesting entry point for our strategy: current YTM, albeit reduced, give us confidence on the capability to generate positive performance in line with targets during 2021; average maturity of the bonds in our portfolios is still around 1 year and should help reduce volatility in case of new episodes of market stress.

Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 1.45%, flat relatively to the end of October (1.45%). Fund's actual exposure (beta and duration adjusted) is 18.94%, lower relatively to last month (24.69%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 5.65% (net of funding cost in EUR), a low spread duration of 1.59 and a z spread of 700. The short position on 10 years Bund future (-4.77%) generated a positive performance.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 91% of the positions (101 out of 111) contributing positively. During the month we slightly decreased our

Performance

MTD :	1.52%	Fund Assets (mIn) :	48.5 €
Since inception	23.90%	1 Year Std Dev :	3.89%
Last 12 Months :	6.05%	1 Year Sharpe Ratio :	1.68
NAVps :	EUR 123.90	% of positive months :	76%

* 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	1.52%	# of Securities	159
YTD	5.65%	% Weight	186.94%
6 months	7.94%	Int Dur	0.96
1 year	6.05%	Yield (gross)	5.65%
2019	3.97%	Spread Duration	1.59
2018	1.36%	Z-spread	700
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	53.39%
EUR	20.70%
NOK	15.61%
SEK	7.32%
CHF	2.03%
GBP	0.94%
TOTAL	100.00%

Geographic breakdown

EU	14.96%
US	1.46%
Oth DEV	35.35%
LATAM	5.19%
EMEA	28.75%
ASIA	14.28%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	10.51%
tot IG	10.51%
BB	21.58%
B	24.41%
CCC	1.58%
tot HY	47.57%
NR	41.93%
TOTAL	100.00%

Sector breakdown - Top 10

Services	23.77%
Real Estate	17.27%
Banking	16.84%
Basic Industry	10.70%
Financial Services	4.51%
Energy	4.30%
Foreign Sovereign	2.98%
Transportation	2.72%
Gaming	2.66%
Capital Goods	2.52%

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 (8 months or average spread duration of 0.67), combined with a z-spread of 519 basis points and a yield of 4.29%. The fund is levered, being invested at about 187% currently.

Strategical & Tactical buckets

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

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