

Swan Long Short Credit Sicav–SIF

December 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.

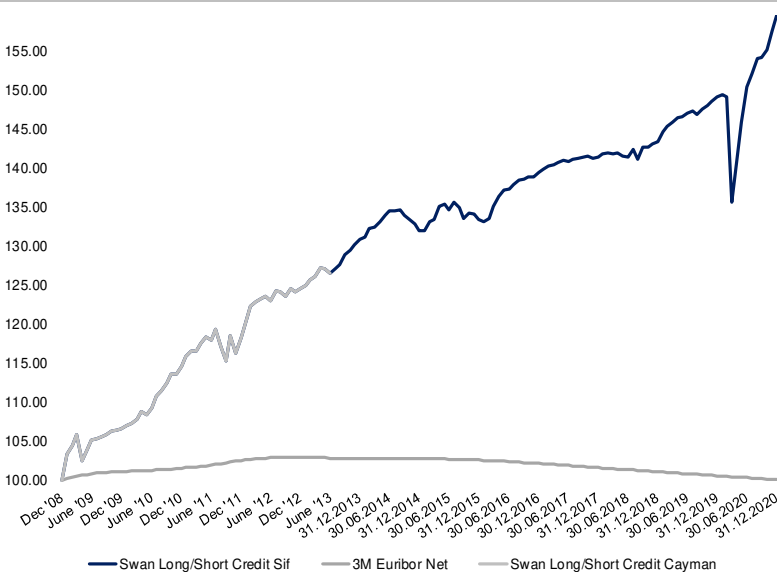
Risk Profile

Conservative Intermediate **High Reward**

Performance

MTD :	1.23%	Fund Assets (mIn) :	48.0 €
Since inception	25.43%	1 Year Std Dev :	3.89%
Last 12 Months :	6.96%	1 Year Sharpe Ratio :	1.91
NAVps :	EUR 125.43	% 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.



Global Market Picture

During December European credit markets experienced a positive performance (H9PC Index +0.80%), in tandem with the movement of the Eurostoxx 50 (+1.72%) and S&P 500 (3.71%). In this context Swan funds continued to move higher with a positive monthly performance ranging between +0.47% and 1.23%: SIF funds closed the year in positive territory (+6.96% SLSC and +6.12% for SBE), UCITS funds registered significant positive performance in 2020 (+2.2% USTB and +2.65% for STHY), while credit markets reported low single digit positive returns (European HY +2.76%, Emerging HY +7.23%, US HY +4.31% and EUR IG +2.65%). Mass vaccinations campaigns started all around the world: US was the first to move, followed by UK and European countries, but several obstacles (vaccine availability and willingness of the population to participate being the major ones) appeared to threaten the objective of a quick herd immunity. On the political side, the EU-UK deal on Brexit reached in the last days of the year, avoided a no deal scenario that would have hurt severely both economies; expectations for Euro area GDP are -10% q/q in 4Q followed by a significant rebound, especially in 2Q21 (+10%) and 3Q21 (+9%). In the United States an agreement was reached on fiscal stimulus, with an additional 900bn\$ plan approved, while Donald Trump continued to challenge elections' results. In this context, the 10 years bund yield was substantially flat at -0.57%, while the 10 years Treasury moved higher 7bps to 0.91%. 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 November (1.45%). Fund's actual exposure (beta and duration adjusted) is 24.64%, higher relatively to last month (18.94%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 5.19% (net of funding cost in EUR), a low spread duration of 1.57 and a z spread of 642. The short position on 10 years Bund future (-4.77%) generated a slightly positive performance.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 94% of the positions (101 out of 107) contributing positively. During the month we slightly decreased our

Period	Perf.	Portfolio info	
MTD	1.23%	# of Securities	158
YTD	6.96%	% Weight	184.86%
6 months	6.08%	Int Dur	0.85
1 year	6.96%	Yield (gross)	5.19%
2019	3.97%	Spread Duration	1.57
2018	1.36%	Z-spread	642
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	55.01%
EUR	19.04%
NOK	17.49%
SEK	6.33%
CHF	1.16%
GBP	0.96%
TOTAL	100.00%

Geographic breakdown

EU	14.14%
US	3.63%
Oth DEV	32.95%
LATAM	4.05%
EMEA	30.65%
ASIA	14.57%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	9.36%
tot IG	9.36%
BB	22.33%
B	24.02%
CCC	1.59%
tot HY	47.95%
NR	42.69%
TOTAL	100.00%

Sector breakdown - Top 10

Services	24.21%
Real Estate	18.59%
Banking	18.31%
Basic Industry	8.07%
Energy	3.31%
Financial Services	2.98%
Foreign Sovereign	2.96%
Gaming	2.69%
Telecommunications	2.42%
Capital Goods	2.40%

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 0.65), combined with a z-spread of 485 basis points and a yield of 4.00%. The fund is levered, being invested at about 185% 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 positive 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

ISIN: LU0849750954

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