

Swan Long Short Credit Sicav–SIF

September 2017



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.

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Risk Profile

Conservative

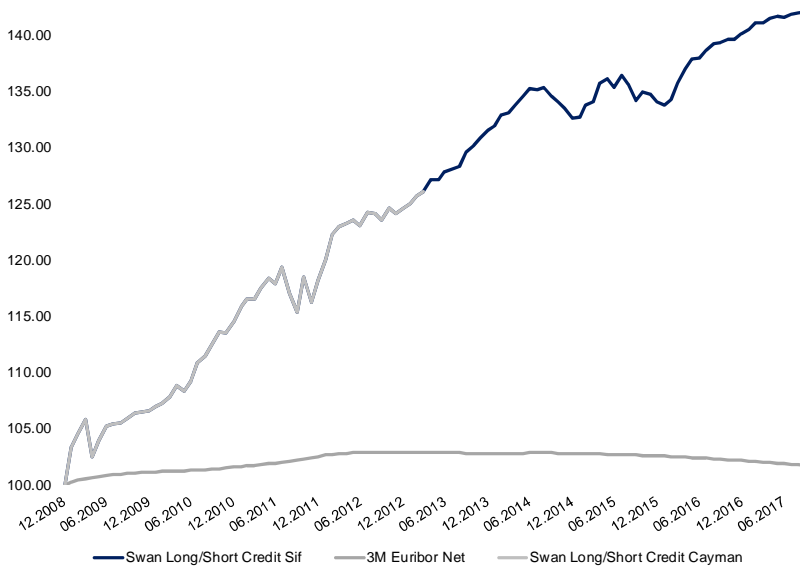
Intermediate

High Reward

Performance

MTD :	0.07%	Fund Assets (mIn) :	34.8 €
Since inception	11.19%	1 Year Std Dev :	0.46%
Last 12 Months :	1.98%	1 Year Sharpe Ratio :	5.04
NAVps :	EUR 111.19	% of positive months :	74%

* 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.
MTD	0.07%
YTD	1.40%
6 months	0.66%
1 year	1.98%
2016	4.53%
2015	1.03%
2014	0.84%
2013	5.05%
2012	5.44%
2011	3.19%
2010	7.47%
2009	6.56%

Portfolio info	
# of Securities	124
% Weight	151.73%
Int Dur	0.55
Yield (gross)	1.74%
Spread Duration	1.17
Z-spread	265

FX breakdown (fully hedged)	
USD	51.76%
EUR	15.12%
NOK	18.93%
GBP	3.87%
SEK	6.84%
SGD	0.60%
CHF	2.89%
TOTAL	100.00%

Geographic breakdown	
EU	7.04%
US	0.08%
Oth DEV	27.09%
LATAM	12.44%
EMEA	39.60%
ASIA	13.75%
TOTAL	100.00%

Global Market Picture

During September, European credit markets experienced a positive performance (H9PC Index +0.51%) in tandem with a positive movement of the Eurostoxx 50 (+5.07%), while S&P500 reached new historical highs at 2'519 (+1.93% during the month) thanks also to reduced noise from North Korea. Central banks meetings were the main topic of the month: ECB did not surprise the market, postponing any decision on tapering to October and reassuring investors that rates will remain low even after the end of central bank's purchases; due to Draghi's dovish tone, consensus is now pricing the first hike for 1Q19. On the other side both the FED and BoE launched hawkish signals: Janet Yellen clearly indicated December 2017 as the next date to continue its tightening policy (median dots now calling for 3 hikes in 2018), while the BoE gave an hint of possible rate hikes in the next months; both statements surprised the market as it was expecting a more dovish message due to absent wage pressure despite tight labor markets and generally weak inflation. EM credit market had a positive return this month, continuing the recent trend and benefiting from the continuous inflows and pursuit of attractive yield from investors.

Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of -2.35%, flat relatively to the end of August (-2.35%). Fund's actual exposure (beta and duration adjusted) is 9.44%, higher relatively to last month (6.17%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 1.74% (net of funding cost), a low spread duration of 1.17 and a z spread of 265.

Yield-type bucket

The bucket generated a positive contribution to the monthly performance, thanks to 86% of the positions (86 out of 100) contributing positively. Positive contributions were homogeneously distributed, while there were not significant negative contributions. The average life of the yield-type portfolio is very short (8 months or average spread duration of 0.67), combined with a yield of 1.55% and z-spread of 219 basis points. The fund is levered being invested at about 152% currently.

Rating breakdown

AAA	0.00%
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A	0.16%
BBB	23.08%
tot IG	23.24%
BB	31.78%
B	15.23%
CCC	0.36%
tot HY	47.37%
NR	29.40%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	30.95%
Services	20.27%
Real Estate	14.37%
Basic Industry	8.22%
Energy	7.49%
Foreign Sovereign	5.53%
Financial Services	4.58%
Transportation	2.04%
Supranational	2.02%
Utility	1.75%

Strategical & Tactical buckets

Tactical bucket generated a positive performance with homogeneously distributed contribution and a slightly negative geographical allocation in EM much more than compensated by picking in EM and EUR HY space.

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

Contacts at Swan Asset Management SA:

E-mail: info@swan-am.ch - Tel: +41 91 986 31 90

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