

Swan Long Short Credit Sicav–SIF

December 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

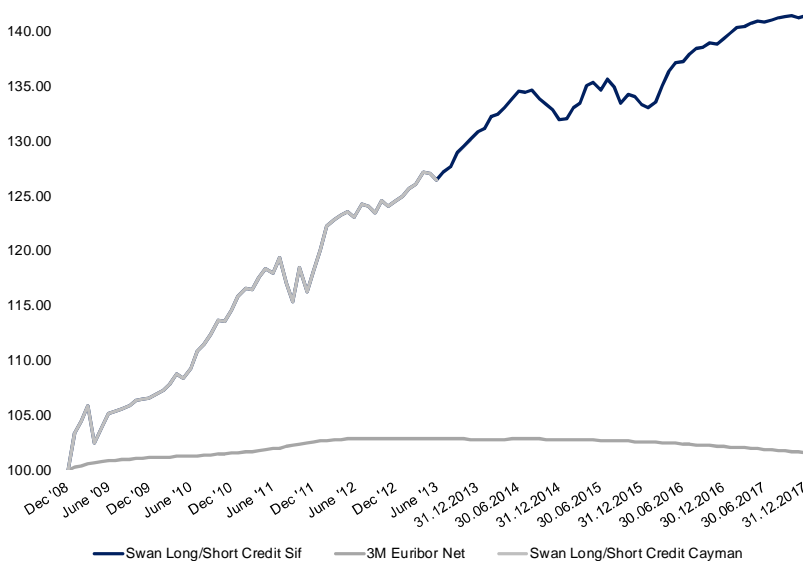
Intermediate

High Reward

Performance

MTD :	0.12%	Fund Assets (mIn) :	34.4 €
Since inception	11.28%	1 Year Std Dev :	0.40%
Last 12 Months :	1.49%	1 Year Sharpe Ratio :	4.54
NAVps :	EUR 111.28	% 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	0.12%
YTD	1.49%
6 months	0.43%
1 year	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%

Portfolio info	
# of Securities	101
% Weight	159.76%
Int Dur	0.51
Yield (gross)	2.05%
Spread Duration	1.16
Z-spread	298

FX breakdown (fully hedged)

USD	53.56%
EUR	16.22%
NOK	18.06%
GBP	3.36%
SEK	5.06%
SGD	0.00%
CHF	3.75%
TOTAL	100.00%

Geographic breakdown

EU	5.83%
US	0.71%
Oth DEV	24.37%
LATAM	10.76%
EMEA	44.39%
ASIA	13.94%
TOTAL	100.00%

Global Market Picture

During December, European credit markets experienced a slightly negative performance (H9PC Index -0.04%) in tandem with a negative movement of the Eurostoxx 50 (-1.85%), while S&P500 reached new historical highs at 2'674 (+0.98% during the month). Central banks meetings were once again one of the main events during the period: the ECB did not surprise the market, being on autopilot until mid-2018 with monetary policy, but revised its growth outlook higher for both 2018 and 2019 while remained cautious on inflation. On the other side the FED continued on its policy normalization, raising FED funds target range by 25bps to 1.25%/1.5%; the dots were little changed, still signaling three hikes for 2018, while markets consider a lower movement to rates. Tax Reform in US was the other main topic of the month: on Wednesday 20th of December the House of Representatives passed the most important tax overhaul since the 1980's (1.5tn USD tax cut in 10 years), a very important topic of Trump's agenda. Rates reaction was quite muted, with 10 years Treasury flat during the month around 2.41%, while 10 years Bund was 6bps higher to 0.43%. Emerging markets credit performance was slightly positive (EMHB index +0.28%); Brent Crude price reached its highest level since April 2015 (around 67USD per barrel).

Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of -2.35%, flat relatively to the end of November (-2.35%). Fund's actual exposure (beta and duration adjusted) is 6.93%, lower relatively to last month (7.53%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 2.05% (net of funding cost), a low spread duration of 1.16 and a z spread of 298.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, thanks to 85% of the positions (86 out of 101) contributing positively. Positive contributions were homogeneously distributed, while there were not significant negative contributions.

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)

Rating breakdown

AAA	0.00%
AA	0.00%
A	1.95%
BBB	24.33%
tot IG	26.28%
BB	30.16%
B	16.33%
CCC	1.12%
tot HY	47.61%
NR	26.11%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	32.93%
Services	20.55%
Real Estate	15.06%
Energy	7.44%
Basic Industry	7.30%
Foreign Sovereign	4.87%
Transportation	2.39%
Financial Services	2.37%
Supranational	2.19%
Consumer Goods	1.60%

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 2.15% and z-spread of 269 basis points. The fund is levered being invested at about 160% currently.

Strategical & Tactical buckets

Tactical bucket generated a slightly negative performance during the month (homogeneously distributed contributions), with a neutral geographical allocation in EM and a positive picking in EUR HY.

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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