

Swan Long Short Credit Sicav-SIF

January 2018



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

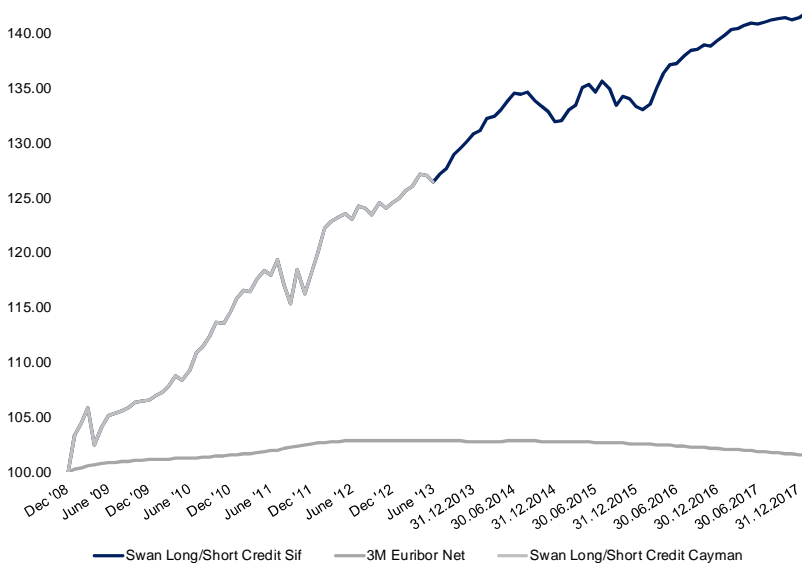
Intermediate

High Reward

Performance

MTD :	0.28%	Fund Assets (mln) :	34.1 €
Since inception	11.59%	1 Year Std Dev :	0.39%
Last 12 Months :	1.45%	1 Year Sharpe Ratio :	4.52
NAVps :	EUR 111.59	% 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	0.28%
YTD	0.28%
6 months	0.53%
1 year	1.45%
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%

Portfolio info	
# of Securities	126
% Weight	175.51%
Int Dur	0.62
Yield (gross)	2.25%
Spread Duration	1.32
Z-spread	315

FX breakdown (fully hedged)	
USD	52.69%
EUR	16.53%
NOK	18.11%
GBP	2.68%
SEK	4.69%
SGD	0.00%
CHF	5.30%
TOTAL	100.00%

Geographic breakdown	
EU	6.20%
US	0.62%
Oth DEV	23.03%
LATAM	10.23%
EMEA	42.17%
ASIA	17.76%
TOTAL	100.00%

Global Market Picture

During January, European credit markets experienced a positive performance (H9PC Index +0.35%) in tandem with a positive movement of the Eurostoxx 50 (+3.01%), while S&P500 reached new historical highs at 2'823 (+5.62% during the month). The main theme of the month was the impressive movement in risk free rates: 10 years Bund rose 27bps to 0.7%, while 10 years Treasury rose 30bps to 2.71%; also the short term part of the rates curve experienced a significant upward movement with yield of US 2Y near decade highs at 2.14%. In Europe the movement was fueled by an hawkish interpretation of the December minutes, even if Mario Draghi, during the January meeting, completely excluded the possibility of a rate hike in 2018 (base case for first movement remains 2Q/3Q of 2019). On the FED side, January meeting signed the end of Yellen's presidency: it was relatively uneventful, but the forward guidance reinforced the case for multiple hikes. Market is actually pricing just two full hikes and 70% of a possible a third hike, while consensus calls between three and four hikes, so the risk that the FED derails markets with a more aggressive policy path remains a concern. Other potential concerns could arise in the coming months from political tensions: in US, President Trump reached with difficulty an agreement to interrupt the Government Shutdown, while at the beginning of March elections will take place in Italy. Emerging markets credit performance was positive (EMHB index +0.60%), thanks in particular to the general weakness of USD.

Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of -2.35%, flat relatively to the end of December (-2.35%). Fund's actual exposure (beta and duration adjusted) is 12.03%, higher relatively to last month (6.93%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 2.25% (net of funding cost), a low spread duration of 1.32 and a z spread of 315.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, thanks to 98% of the positions (103 out of 105) contributing positively. Positive contributions were homogeneously distributed, while there were not significant negative contributions.

Rating breakdown	
AAA	0.00%
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A	1.73%
BBB	22.19%
tot IG	23.92%
BB	31.37%
B	17.69%
CCC	0.55%
tot HY	49.61%
NR	26.47%
TOTAL	100.00%

Sector breakdown - Top 10	
Banking	29.56%
Services	21.59%
Real Estate	18.42%
Energy	7.87%
Basic Industry	6.44%
Foreign Sovereign	4.82%
Financial Services	3.37%
Supranational	1.94%
Transportation	1.78%
Agency	1.35%

The average life of the yield-type portfolio is very short (7 months or average spread duration of 0.61), combined with a yield of 2.00% and z-spread of 253 basis points. The fund is levered being invested at about 176% currently.

Strategical & Tactical buckets

Tactical bucket generated a positive performance during the month, with a significant positive contribution from AABAR 03/20. Geographical allocation in EM was neutral, while there was a significant positive picking in EUR HY.

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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The State of the origin of the Fund is Luxembourg. This Fund may only be distributed in or from Switzerland to qualified investors within the meaning of Art. 10 Para. 3, 3bis and 3ter CISA. In Switzerland, the Representative is ACOLIN Fund Services AG, Affolternstrasse 56, CH-8050 Zurich, whilst the Paying agent is Cornèr Banca SA, Via Canova 16, CH – 6900 Lugano. In respect of the units distributed in Switzerland, the competent Courts shall be at the registered office of the Representative in Switzerland. The Basic documents of the Fund as defined in Art. 13a CISO as well as the annual and, if applicable, semi-annual reports may be obtained free of charge at the office of the Swiss Representative. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming shares. Past performance may not be reliable guide to future performance. The current document is intended for information purposes only and shall not to be used as an offer to buy and/or sell shares.