

Swan Long Short Credit Sicav–SIF

February 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

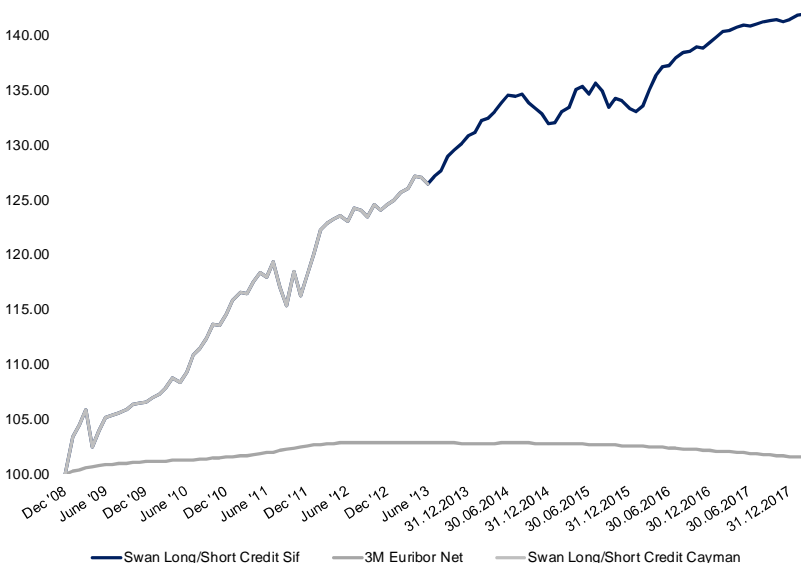
Intermediate

High Reward

Performance

MTD :	0.07%	Fund Assets (mln) :	33.6 €
Since inception	11.67%	1 Year Std Dev :	0.41%
Last 12 Months :	1.15%	1 Year Sharpe Ratio :	3.66
NAVps :	EUR 111.67	% of positive months :	75%

* 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	0.35%
6 months	0.50%
1 year	1.15%
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	127
% Weight	182.49%
Int Dur	0.42
Yield (gross)	2.81%
Spread Duration	1.22
Z-spread	364

FX breakdown (fully hedged)	
USD	56.88%
EUR	13.90%
NOK	18.03%
GBP	2.58%
SEK	4.93%
SGD	0.00%
CHF	3.68%
TOTAL	100.00%

Geographic breakdown	
EU	6.49%
US	0.61%
Oth DEV	25.15%
LATAM	10.25%
EMEA	37.91%
ASIA	19.59%
TOTAL	100.00%

Global Market Picture

During February, European credit markets experienced a negative performance (H9PC Index -0.67%), in tandem with a negative movement of the Eurostoxx 50 (-4.72%); also S&P500 interrupted its positive momentum lasting for ten straight months (-3.89% in February). The main theme of the month was the impressive surge in volatility experienced on the 2nd of February: an higher than expected print in average hourly Earnings YoY (2.9% vs 2.6%) brought inflation risk back to the attention, and investors got scared that the never ending rally in equity markets could terminate. Both S&P500 and Eurostoxx 50 lost 10% from their late January highs, yield on 10 Year Treasury soared to 2.95% and VIX index peaked at 37 (highest level since August 2015); some products linked to volatility, which took short exposure to VIX, have been closed due to losses that exceeded prospectus' limits, even if the VIX closed the month at 16. The 10 year Treasury yield closed the month at 2.86% (+16bps), while the 10 year Bund moved down by 4bps to 0.66% due to fly to quality movement and economic data a little bit weaker than expected. On central banks' side, February was a muted month, with no meetings: the most relevant event was Powell's slightly hawkish testimony to the congress, that strengthened the case for 2018 median dots to move from three to four hikes in March. Emerging markets credit performance was negative (EMHB index -0.88%), influenced by the spike in Treasury yields, while spread to worst was just 22bps wider at 344bps.

Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of -2.35%, flat relatively to the end of January (-2.35%). Fund's actual exposure (beta and duration adjusted) is 15.28%, higher relatively to last month (12.03%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 2.81% (net of funding cost), a low spread duration of 1.22 and a z spread of 352. During the month we bought protection on XOVER S28, with a weight of 4.60%.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, thanks to 83% of the positions (85 out of 102) contributing positively. Positive contributions were

Rating breakdown	
AAA	0.00%
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A	1.70%
BBB	16.92%
tot IG	18.62%
BB	31.79%
B	20.44%
CCC	0.55%
tot HY	52.78%
NR	28.60%
TOTAL	100.00%

Sector breakdown - Top 10	
Banking	27.99%
Services	23.22%
Real Estate	19.04%
Energy	7.27%
Basic Industry	7.06%
Foreign Sovereign	5.39%
Financial Services	4.02%
Supranational	1.92%
Agency	1.31%
Consumer Goods	0.95%

homogeneously distributed, while there were not significant negative contributions. 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 264 basis points. The fund is levered being invested at about 182% currently.

Strategical & Tactical buckets

Tactical bucket generated a positive performance during the month, with no significant contribution. 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.