

Swan Long Short Credit Sicav–SIF

November 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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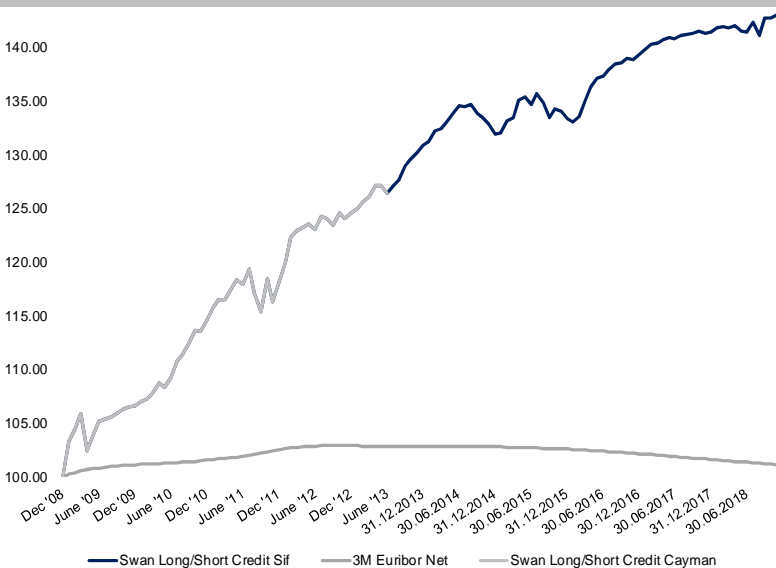
Risk Profile

Conservative **Intermediate** High Reward

Performance

| | | | |
|------------------|---------------|------------------------|--------|
| MTD : | 0.27% | Fund Assets (mIn) : | 30.0 € |
| Since inception | 12.56% | 1 Year Std Dev : | 1.14% |
| Last 12 Months : | 1.27% | 1 Year Sharpe Ratio : | 1.4 |
| NAVps : | EUR 112.56 | % of positive months : | 73% |

* 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

November was another volatile month: European credit markets were negative (H9PC Index - 2.08%), while equity markets delivered mixed performance with Eurostoxx 50 losing 0.76% and S&P 500 gaining 1.79%. Jerome Powell's speech sent a dovish message: comments on FED Funds neutral rates were changed from a “long way from neutral” to just below neutral. This change raised questions on how many rate hikes are forecasted for 2019, with markets now pricing only two and a half hikes until December 2019, far from the four hikes implied in the dots. Economic data showed that US exceptionalism could have reached its peak, with the latest data pointing to a growth of around 2.5% in Q4 and 2% in first half of 2019. More FED speakers indicated that next rates moves will be data dependent, adding uncertainty on an already complicated macro environment and pushing yield on 10 years Treasury down to 3%. Weakness in recent data continued in the Euro area, providing challenges for the first rate hike in 2H19: yield on 10 Years German Bund went under further pressure (-8bps at 0.31%) and reduced tensions between Italy and EU commission (Italian government seems more interested in reaching a compromise) were not sufficient to avoid a sell off movement on all European markets (both credit and equity). Emerging markets reported a negative performance (-0.32%) with homogenous contribution between regions. December will likely start with a positive tone, after the positive talks between Trump and Xi at G20 meeting, even if details were not provided, keeping uncertainties on how trade war will evolve in the future.

Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of -2.35%, flat relatively to the end of October (-2.35%). Fund's actual exposure (beta and duration adjusted) is 8.78%, lower relatively to last month (13.61%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 4.60% (net of funding cost), a low spread duration of 1.19 and a z spread of 552. A long position on XOVER S29 (short risk), is present in the portfolio with a weight of 4.96%, in addition to a short position on 10 years Bund future.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 80% of the positions (63 out of 79) contributing positively. Positive contributions were concentrated mostly on Turkish banks (senior) exposure and China high yield space, in addition to MAMANO 07/19 and

| Period | Perf. | Portfolio info | |
|----------|--------------|-----------------|---------|
| MTD | 0.27% | # of Securities | 92 |
| YTD | 1.15% | % Weight | 179.18% |
| 6 months | 1.12% | Int Dur | 0.27 |
| 1 year | 1.27% | Yield (gross) | 4.60% |
| 2017 | 1.49% | Spread Duration | 1.19 |
| 2016 | 4.53% | Z-spread | 552 |
| 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 | 42.37% |
| EUR | 20.78% |
| NOK | 19.04% |
| GBP | 0.00% |
| SEK | 12.58% |
| SGD | 0.00% |
| CHF | 5.23% |
| TOTAL | 100.00% |

Geographic breakdown

| | |
|--------------|----------------|
| EU | 9.48% |
| US | 0.67% |
| Oth DEV | 37.37% |
| LATAM | 10.08% |
| EMEA | 28.72% |
| ASIA | 13.67% |
| TOTAL | 100.00% |

Rating breakdown

| | |
|---------------|----------------|
| AAA | 0.00% |
| AA | 0.00% |
| A | 1.63% |
| BBB | 12.19% |
| tot IG | 13.82% |
| BB | 20.10% |
| B | 24.16% |
| CCC | 0.00% |
| tot HY | 44.26% |
| NR | 41.92% |
| TOTAL | 100.00% |

Sector breakdown - Top 10

| | |
|--------------------|--------|
| Banking | 28.01% |
| Services | 26.44% |
| Real Estate | 22.16% |
| Financial Services | 5.09% |
| Energy | 4.41% |
| Basic Industry | 2.89% |
| Telecommunications | 1.81% |
| Capital Goods | 1.80% |
| Foreign Sovereign | 1.68% |
| Leisure | 1.65% |

AABAR 03/20, 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 z-spread of 501 basis points and a yield of 4.13%. The fund is levered, being invested at about 179% currently.

Strategical & Tactical buckets

Tactical bucket generated a slightly positive performance during the month. Geographical allocation in EM was flat, while a significant positive picking was generated both in EUR HY and EM 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
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