

Swan Long Short Credit Sicav–SIF

July 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.

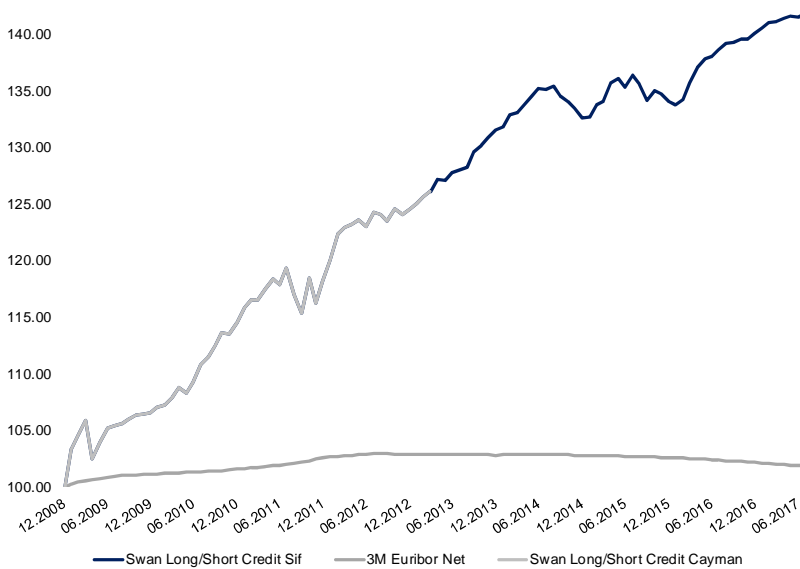
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Risk Profile

Conservative

Intermediate

High Reward



Global Market Picture

During July, European credit markets experienced a positive performance (Xover 13bps tighter at 234bps) notwithstanding a lackluster performance of Eurostoxx 50 (+0.22%), while S&P500 reached new historical highs around 2470 (+1.93% during the month). Central banks statements were one of the main topic of the month: official meetings delivered what market was expecting, with the ECB not signaling yet any sort of tapering (announcement now expected in autumn, with a reduction in monthly purchase from 60bn€ to 40bn€), while the FED seemed ready to announce the start of balance sheet normalization during its September meeting; on the rates side the 10 Treasury was flat at around 2.29%, while the yield on the 10 Year Bund rose to 0.54% (+8bps during the month). This rates divergence, caused also by lower than expected inflation data in US, paved the way for a strong rally of the EUR, that appreciated 3.37% versus USD at 1.1811. EM credit market had a positive return this month, recovering the negative performance of June.

Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of -3.15%, flat relatively to the end of June (-3.15%). Fund's actual exposure (beta and duration adjusted) is 9.05%, lower relatively to last month (12.68%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 2.04% (net of funding cost), a low spread duration of 1.28 and a breakeven spread of 228.

Yield-type bucket

The bucket generated a positive contribution to the monthly performance, thanks to 92% of the positions (90 out of 98) 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 (9 months or average spread duration of 0.75), combined with a yield of 1.77% and z-spread of 242 basis points. The fund is levered being invested at about 154% currently.

Performance

MTD :	0.18%	Fund Assets (mln) :	35.0 €
Since inception	11.00%	1 Year Std Dev :	0.49%
Last 12 Months :	2.29%	1 Year Sharpe Ratio :	5.29
NAVps :	EUR 111.00	% 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	0.18%
YTD	1.23%
6 months	0.91%
1 year	2.29%
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	129
% Weight	153.88%
Int Dur	0.98
Yield (gross)	2.04%
Spread Duration	1.28
Z-spread	292

FX breakdown (fully hedged)

USD	52.89%
EUR	16.82%
NOK	17.13%
GBP	3.73%
SEK	5.99%
SGD	0.59%
CHF	2.84%
TOTAL	100.00%

Geographic breakdown

EU	7.94%
US	0.08%
Oth DEV	25.04%
LATAM	12.22%
EMEA	40.98%
ASIA	13.74%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	26.16%
tot IG	26.16%
BB	31.20%
B	18.79%
CCC	0.00%
tot HY	49.99%
NR	23.85%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	32.05%
Services	18.12%
Real Estate	14.04%
Basic Industry	8.43%
Energy	8.02%
Financial Services	4.89%
Foreign Sovereign	4.17%
Supranational	2.93%
Transportation	2.01%
Utility	1.71%

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

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