

Swan Long Short Credit Sicav–SIF

October 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.

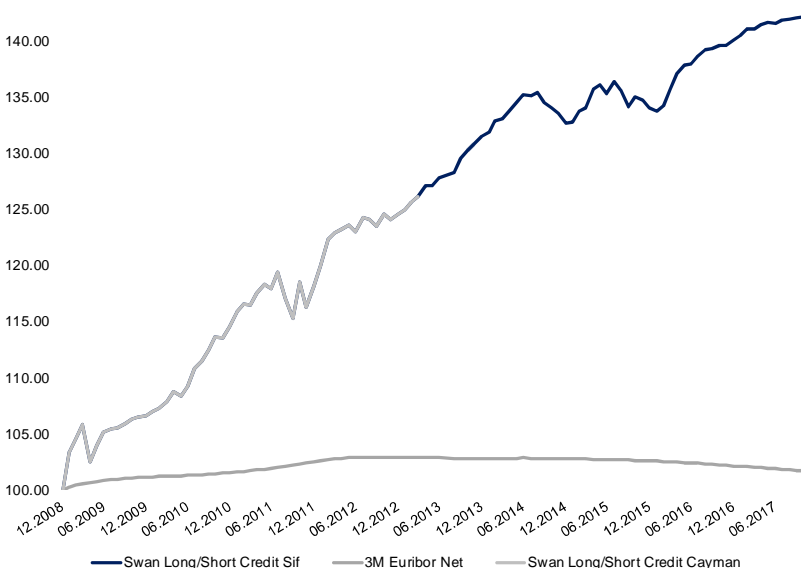
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Risk Profile

Conservative

Intermediate

High Reward



Performance

MTD :	0.10%	Fund Assets (mln) :	34.6 €
Since inception	11.30%	1 Year Std Dev :	0.45%
Last 12 Months :	1.85%	1 Year Sharpe Ratio :	4.83
NAVps :	EUR 111.30	% 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.	Portfolio info	
MTD	0.10%	# of Securities	125
YTD	1.50%	% Weight	167.75%
6 months	0.55%	Int Dur	0.63
1 year	1.85%	Yield (gross)	2.13%
2016	4.53%	Spread Duration	1.30
2015	1.03%	Z-spread	306
2014	0.84%		
2013	5.05%		
2012	5.44%		
2011	3.19%		
2010	7.47%		
2009	6.56%		

FX breakdown (fully hedged)

USD	55.50%
EUR	13.47%
NOK	18.00%
GBP	3.21%
SEK	5.80%
SGD	0.00%
CHF	4.02%
TOTAL	100.00%

Geographic breakdown

EU	5.22%
US	0.68%
Oth DEV	25.43%
LATAM	11.61%
EMEA	42.69%
ASIA	14.39%
TOTAL	100.00%

Global Market Picture

During October, European credit markets experienced a positive performance (H9PC Index +1.07%) in tandem with a positive movement of the Eurostoxx 50 (+2.20%), while S&P500 reached new historical highs at 2'575 (+2.22% during the month). The ECB meeting was one of the main topics of the month: Mario Draghi reiterated the ECB accommodative stance announcing a reduction in monthly purchases to €30bn from January to September 2018, with no sudden stop of the program thereafter. In US president Trump and his staff started discussions on next FED chairman: Yellen or Powell appointment would represent continuity, while Taylor or Warsh a more hawkish solution (final decision will be announced before the Presidential Asian trip). From a macro point of view, US economic data continued to confirm a solid path of growth, with Q3 GDP ahead of expectations at 3%, and the reporting season was strong globally with US, Europe and Japan posting EPS growth of 7%, 8% and 10% respectively. EM credit markets generated positive returns this month (EMHB Index +0.73%), helped also by Xi Jinping reappointment as General Secretary of the CPC after the party congress.

Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of -2.35%, flat relatively to the end of September (-2.35%). Fund's actual exposure (beta and duration adjusted) is 10.11%, higher relatively to last month (9.44%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 2.13% (net of funding cost), a low spread duration of 1.30 and a z spread of 306.

Yield-type bucket

The bucket generated a positive contribution to the monthly performance, thanks to 93% of the positions (98 out of 105) 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 (8 months or average spread duration of 0.7), combined with a yield of 1.86% and z-spread of 263 basis points. The fund is levered being invested at about 168% currently.

Rating breakdown

AAA	0.00%
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A	0.52%
BBB	22.21%
tot IG	22.73%
BB	32.42%
B	15.76%
CCC	1.54%
tot HY	49.71%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	31.18%
Services	20.17%
Real Estate	14.84%
Basic Industry	7.45%
Energy	7.42%
Foreign Sovereign	5.62%
Financial Services	2.81%
Transportation	2.29%
Supranational	2.18%
Consumer Goods	1.47%

Strategical & Tactical buckets

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