

Swan Long Short Credit Sicav–SIF

November 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.

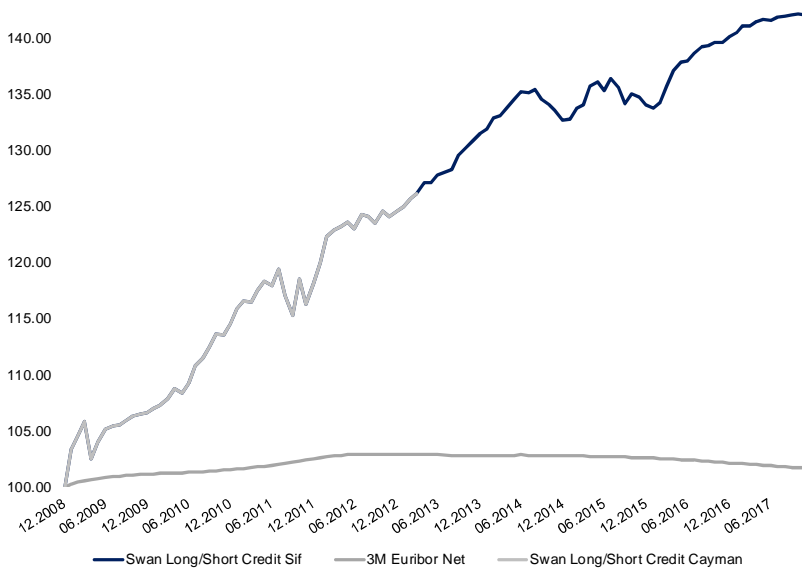
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Risk Profile

Conservative

Intermediate

High Reward



Global Market Picture

During November, European credit markets experienced a negative performance (H9PC Index -0.44%) in tandem with a negative movement of the Eurostoxx 50 (-2.83%), while S&P500 reached new historical highs at 2'648 (+2.81% during the month). With the ECB on autopilot until mid-2018 after October meeting, the FED took center stage: at the beginning of the month President Donald Trump nominated Jerome Powell to run the FED, in a move widely expected and unlikely to disturb the rally in stock markets. Also the 1st November FOMC meeting confirmed expectations, with a December hike now fully priced by the market, while expectations for 2018 are more mixed: indeed market consensus expects three to four hikes, while market just prices in only one or two full hikes. On the political front, there was a decent progress on the tax bill reform, with increasing probability of a successful scenario. EM credit markets generated negative returns this month (EMHB Index -0.40%), due mainly to stretched valuations and idiosyncratic events: PDVSA repaid in full the bond matured the 2nd of November, but at the same time President Nicolas Maduro announced the intention to restructure foreign debt of the country, while tensions mounted in Lebanon after Hariri resignation. On a positive note the OPEC/non OPEC summit extended production cuts by nine months to end-2018.

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 7.53%, lower relatively to last month (10.11%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 2.42% (net of funding cost), a low spread duration of 1.16 and a z spread of 323.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, thanks to 78% of the positions (77 out of 99) contributing positively. Positive contributions were homogeneously distributed, while there were not significant negative contributions, the only exceptions being LEBAN bonds (exposure closed during the month) and DOFSUB 05/18,

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)

Performance

| | | | |
|------------------|---------------|------------------------|--------|
| MTD : | -0.13% | Fund Assets (mln) : | 34.7 € |
| Since inception | 11.15% | 1 Year Std Dev : | 0.40% |
| Last 12 Months : | 1.75% | 1 Year Sharpe Ratio : | 5.23 |
| NAVps : | EUR 111.15 | % 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. | Portfolio info | |
|----------|---------------|-----------------|---------|
| MTD | -0.13% | # of Securities | 112 |
| YTD | 1.37% | % Weight | 157.97% |
| 6 months | 0.25% | Int Dur | 0.52 |
| 1 year | 1.75% | Yield (gross) | 2.42% |
| 2016 | 4.53% | Spread Duration | 1.16 |
| 2015 | 1.03% | Z-spread | 323 |
| 2014 | 0.84% | | |
| 2013 | 5.05% | | |
| 2012 | 5.44% | | |
| 2011 | 3.19% | | |
| 2010 | 7.47% | | |
| 2009 | 6.56% | | |

FX breakdown (fully hedged)

| | |
|--------------|----------------|
| USD | 53.48% |
| EUR | 14.66% |
| NOK | 17.81% |
| GBP | 3.38% |
| SEK | 6.45% |
| SGD | 0.00% |
| CHF | 4.23% |
| TOTAL | 100.00% |

Geographic breakdown

| | |
|--------------|----------------|
| EU | 5.49% |
| US | 0.71% |
| Oth DEV | 25.95% |
| LATAM | 10.74% |
| EMEA | 43.73% |
| ASIA | 13.38% |
| TOTAL | 100.00% |

Rating breakdown

| | |
|---------------|----------------|
| AAA | 0.00% |
| AA | 0.00% |
| A | 1.97% |
| BBB | 21.77% |
| tot IG | 23.73% |
| BB | 31.13% |
| B | 15.51% |
| CCC | 1.13% |
| tot HY | 47.77% |
| NR | 28.49% |
| TOTAL | 100.00% |

Sector breakdown - Top 10

| | |
|--------------------|--------|
| Banking | 31.09% |
| Services | 20.01% |
| Real Estate | 14.76% |
| Basic Industry | 7.72% |
| Energy | 7.51% |
| Foreign Sovereign | 4.91% |
| Financial Services | 3.74% |
| Transportation | 2.40% |
| Supranational | 2.27% |
| Consumer Goods | 1.49% |

under pressure after company's request of maturity extension. The average life of the yield-type portfolio is very short (8 months or average spread duration of 0.67), combined with a yield of 2.12% and z-spread of 285 basis points. The fund is levered being invested at about 158% currently.

Strategical & Tactical buckets

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

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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