

Swan Long Short Credit Sicav–SIF

March 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.

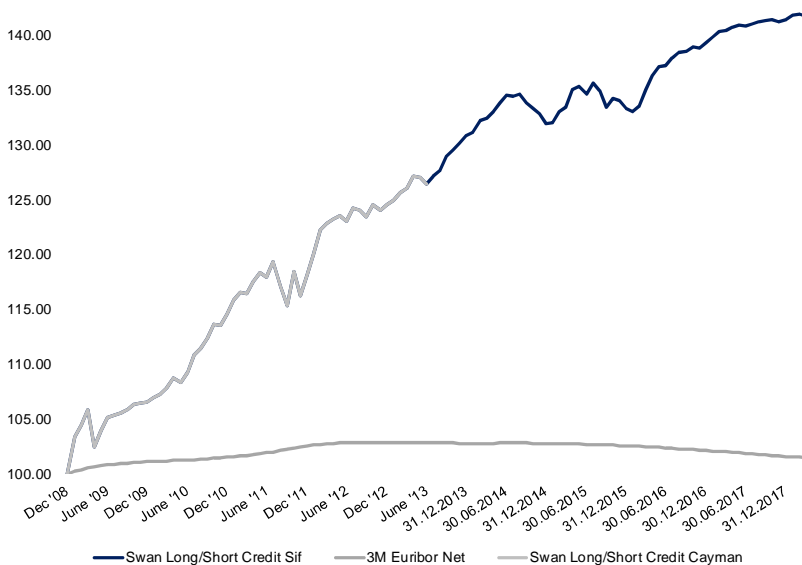
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Risk Profile

Conservative

Intermediate

High Reward



Global Market Picture

During March, European credit markets experienced a negative performance (H9PC Index - 0.19%), in tandem with a negative movement of the Eurostoxx 50 (-2.25%); also S&P500 realized negative performance (-2.69%), continuing the correction started in February. The main theme of the month was the surge in rhetoric about new trading sanctions imposed by the US that culminated in additional duties on \$50bio imports from China. China retaliatory action was not significant (sanctions on \$3bio of US products using 2017 trade data), and President Xi is willing to negotiate, although wide gaps between the two sides suggest trade tensions will impact markets in the next weeks. Additional worries on global growth were signaled by a sharp fall in PMI indexes from January highs: consequently growth expectation in Eurozone was revised down to 2.4% in 2018, while in US it is forecasted at 2.7%. A possible sluggish growth influenced the 10 years Bund yield that moved down by 16bps to 0.50%, and also the 10 years Treasury yield retraced at 2.74% from its recent highs of 2.93%. On central banks' side, March was a busy month with meetings at both FED and ECB level, but with no significant surprises: the FOMC hiked Fed Funds by 25bps to 1.5%-1.75% and steepened the policy rate path, with dots now signaling 3 hikes for 2018, 3 for 2019 and 2 for 2020. On the opposite Mario Draghi sounded dovish in his post meeting conference, indicating how ECB next moves will be data dependent: QE taper could probably start in Q4 2018, while first rate hike will likely be postponed to 2Q19 from 1Q19. Emerging markets credit performance was negative (EMHB index -0.22%), influenced by concerns on trade wars, while spread to worst was just 9bps wider at 353bps.

Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of -2.35%, flat relatively to the end of February (-2.35%). Fund's actual exposure (beta and duration adjusted) is 14.96%, lower relatively to last month (15.28%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 3.04% (net of funding cost), a low spread duration of 1.26 and a z spread of 393. A long position on XOVER S28 (short risk), is present in the portfolio with a weight of 4.50%, in addition to a short position on 10 years Bund future.

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 :	-0.12%	Fund Assets (mln) :	34.1 €
Since inception	11.54%	1 Year Std Dev :	0.41%
Last 12 Months :	0.98%	1 Year Sharpe Ratio :	3.19
NAVps :	EUR 111.54	% 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	-0.12%	# of Securities	122
YTD	0.23%	% Weight	188.67%
6 months	0.31%	Int Dur	0.44
1 year	0.98%	Yield (gross)	3.04%
2017	1.49%	Spread Duration	1.26
2016	4.53%	Z-spread	393
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	54.63%
EUR	14.75%
NOK	17.38%
GBP	2.49%
SEK	7.14%
SGD	0.00%
CHF	3.60%
TOTAL	100.00%

Geographic breakdown

EU	5.35%
US	0.58%
Oth DEV	28.74%
LATAM	9.76%
EMEA	36.70%
ASIA	18.87%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	1.35%
BBB	17.02%
tot IG	18.38%
BB	29.80%
B	19.94%
CCC	0.74%
tot HY	50.47%
NR	31.15%
TOTAL	100.00%

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, thanks to 87% of the positions (89 out of 102) contributing positively. The average life of the yield-type portfolio is very short (8 months or average spread duration of 0.64), combined with a yield of 2.47% and z-spread of 320 basis points.

Strategical & Tactical buckets

Tactical bucket generated a positive performance during the month, with no significant contribution, the only negative exception being DLLTD 09/20. Geographical allocation in EM was neutral, while there was a significant positive picking 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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