

Swan Long Short Credit Sicav–SIF

June 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.

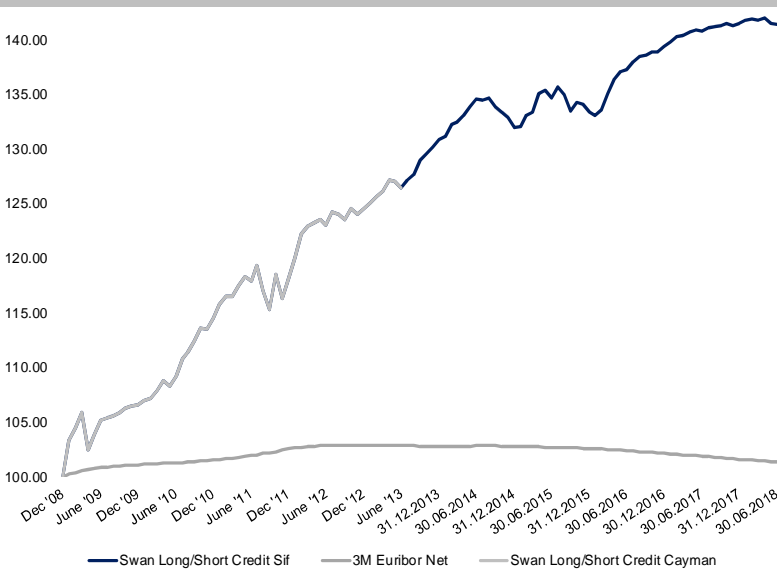
ersified and granular portfolio of liquid short-term fixed income securities with the “opportunistic” allocation to a number of credit active strategies. Leverage is normally included between 0% and 100% of the NAV with invested capital between 1x and 2x the NAV.

Risk Profile

Conservative

Intermediate

High Reward



Global Market Picture

European credit markets experienced a negative performance (H9PC Index -0.45%), in tandem with a negative movement of the Eurostoxx 50 (-0.32%), while S&P500 realized a positive performance (+0.48%). Main themes of the period were central bank meetings and economic data. After hawkish comments by ECB's speakers at the beginning of the month hinting at a possible QE tapering, the actual statement made by Mario Draghi sounded very dovish: on one side he announced that purchases will be reduced to EUR 15bn per month in 4Q18 until the end of the year, but on the other side he emphasized also that rates will remain on hold at least until September 2019. This dovish stance influenced Interest Rates market, with 10 years Bund yield reaching new lows of the year at 0.30%. The FOMC rate hike (25bps) was expected by the market, but the FED was more hawkish in its dot projections, signaling two more rate hikes as base case for 2018. The FED monetary policy is supported by strong economic data, with 2Q18 growth forecasted at 4%, while recovery in Europe seems to soften. President Donald Trump aggressive rhetoric against China combined with raising US rates put pressure on EM FX: ARS, TRY, BRL and ZAR were the worst performer against USD during 1H18, while PBoC cut reserve requirements in an indirect attempt to weaken the CNY. Emerging markets credit performance was influenced negatively by this movements (EMHB index -3.68% during 1H18), with spread to worst 44bps wider at 488bps during the month. On the positive side oil reached new highs, with Brent approaching 80USD per barrel, after OPEC meeting and expectation that US allies will reduce Iranian oil purchases to zero in November.

Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of -2.35%, flat relatively to the end of May (-2.35%). Fund's actual exposure (beta and duration adjusted) is 11.68%, lower relatively to last month (13.18%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 4.87% (net of funding cost), a low spread duration of 1.29 and a z spread of 575. A long position on XOVER S29 (short risk), is present in the portfolio with a weight of 4.26%, in addition to a short position on 10 years Bund future.

Performance

MTD :	-0.03%	Fund Assets (mIn) :	35.3 €
Since inception	11.28%	1 Year Std Dev :	0.54%
Last 12 Months :	0.43%	1 Year Sharpe Ratio :	1.4
NAVps :	EUR 111.28	% 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.

Period	Perf.	Portfolio info	
MTD	-0.03%	# of Securities	109
YTD	0.00%	% Weight	188.45%
6 months	0.00%	Int Dur	0.42
1 year	0.43%	Yield (gross)	4.87%
2017	1.49%	Spread Duration	1.29
2016	4.53%	Z-spread	575
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	42.79%
EUR	20.52%
NOK	19.63%
GBP	1.16%
SEK	10.89%
SGD	0.00%
CHF	5.00%
TOTAL	100.00%

Geographic breakdown

EU	7.80%
US	0.54%
Oth DEV	35.07%
LATAM	9.65%
EMEA	30.00%
ASIA	16.94%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.91%
BBB	15.01%
tot IG	15.92%
BB	27.58%
B	18.90%
CCC	0.74%
tot HY	47.22%
NR	36.86%
TOTAL	100.00%

Sector breakdown - Top 10

Services	26.71%
Banking	25.13%
Real Estate	22.75%
Financial Services	5.15%
Energy	4.41%
Basic Industry	3.51%
Foreign Sovereign	3.37%
Agency	1.56%
Supranational	1.31%
Transportation	1.19%

Yield-type bucket

77% of the positions (67 out of 87) contributing positively. Positive contributions were homogeneously distributed, while significant negative contributions were generated by PKSTAN 04/19 due to pressure on EM markets debt.

Strategical & Tactical buckets

Tactical bucket generated a positive performance during the month, with a positive contribution from AABAR 03/20. Geographical allocation in EM was neutral, while there was a significant positive picking both in EUR HY and EM.

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

Contacts at Swan Asset Management SA:

E-mail: info@swan-am.ch - Tel: +41 91 986 31 90

The State of the origin of the Fund is Luxembourg. This Fund may only be distributed in or from Switzerland to qualified investors within the meaning of Art. 10 Para. 3, 3bis and 3ter CISA. In Switzerland, the Representative is ACOLIN Fund Services AG, Affolternstrasse 56, CH-8050 Zurich, whilst the Paying agent is Cornèr Banca SA, Via Canova 16, CH – 6900 Lugano. In respect of the units distributed in Switzerland, the competent Courts shall be at the registered office of the Representative in Switzerland. The Basic documents of the Fund as defined in Art. 13a CISO as well as the annual and, if applicable, semi-annual reports may be obtained free of charge at the office of the Swiss Representative. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming shares. Past performance may not be reliable guide to future performance. The current document is intended for information purposes only and shall not to be used as an offer to buy and/or sell shares.