

Swan Long Short Credit Sicav–SIF

July 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.

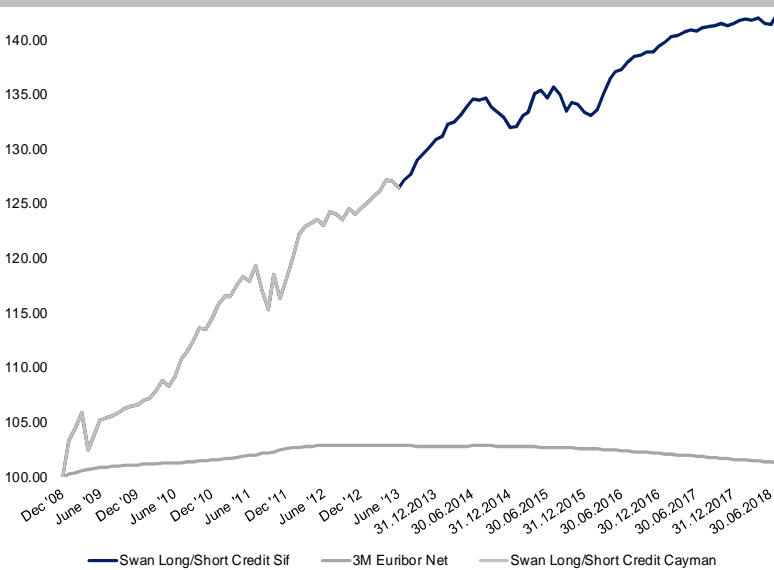
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Risk Profile

Conservative

Intermediate

High Reward



Global Market Picture

During July European credit markets experienced a positive performance (H9PC Index 1.55%), in tandem with a positive movement of the Eurostoxx 50 and S&P500 that gained respectively 3.83% and 3.60%. Central banks were really uneventful this month: ECB meeting did not signal changes to the tapering path (expected in 4Q18, with first rate hike at end summer 2019) while FED minutes confirmed the monetary policy expressed in previous meetings (market prices an 82% probability of 2 more hikes in 2018). Interest Rates market was more influenced by positive macro data: US expansion is pointing to become one of the longest in post war history, while in Europe economic data signaled stabilization in growth trajectory. 10 years Bund yield rebounded from 0.30% to 0.44%, while 10 years Treasury approached the 3% area (2.96%). July was also the month when the first round of US trade sanctions against China started (on \$35bn of goods), even if market was more worried about the possibility of an increase to \$200bn of goods threatened by President Trump. Emerging markets credit performance was positive (EMHB index +1.96% during July) after five consecutive months of negative results, notwithstanding a significant correction in oil price (Brent -6.53% @ 74.25 USD per barrel) and no signs of an agreement between US and China on trade war.

Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of -2.35%, flat relatively to the end of June (-2.35%). Fund's actual exposure (beta and duration adjusted) is 17.54%, higher relatively to last month (11.68%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 5.26% (net of funding cost), a low spread duration of 1.61 and a z spread of 618. A long position on XOVER S29 (short risk), is present in the portfolio with a weight of 5.23%, in addition to a short position on 10 years Bund future.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, thanks to 96% of the positions (80 out of 83) contributing positively. Positive contributions were homogeneously distributed, the only exceptions being PKSTAN 04/19, ZENITH 04/19 thanks to a rebound in EM credit and IFIM 03/19; there were not significant negative contributions.

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 :	0.66%	Fund Assets (mIn) :	29.3 €
Since inception	12.01%	1 Year Std Dev :	0.59%
Last 12 Months :	0.91%	1 Year Sharpe Ratio :	2.1
NAVps :	EUR 112.01	% 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	0.66%	# of Securities	107
YTD	0.66%	% Weight	217.43%
6 months	0.38%	Int Dur	0.58
1 year	0.91%	Yield (gross)	5.26%
2017	1.49%	Spread Duration	1.61
2016	4.53%	Z-spread	618
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%

The average life of the yield-type portfolio is very short (8 months or average spread duration of 0.68), combined with a z-spread of 484 basis points and a yield of 4.27%. The fund is levered, being invested at about 217% currently.

Strategical & Tactical buckets

Tactical bucket generated a positive performance during the month, with a positive contribution from EVERRE 03/20. Geographical allocation in EM was positive, while picking was neutral (positive in EM and negative 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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