

Swan Long Short Credit Sicav–SIF

September 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.

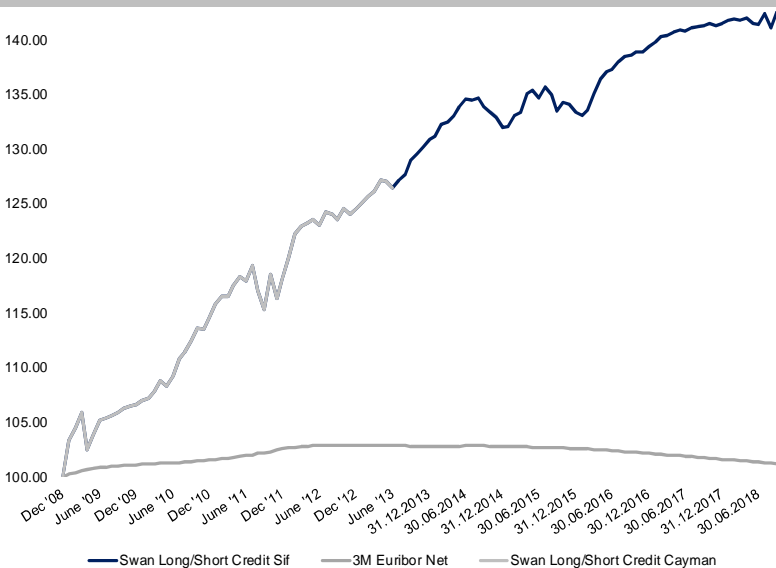
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Risk Profile

Conservative

Intermediate

High Reward



Global Market Picture

August was a very volatile month for markets. European credit markets were flat (H9PC Index 0%), while equity markets experienced a divergent performance with Eurostoxx 50 losing -3.8% while S&P 500 gaining +3%. The FOMC released July/August minutes with no major surprises, indicating more risks on the horizon (Trade, Emerging Markets, Fiscal and Housing) and continuing to be set on hiking rates gradually (other two hikes this year, and probably two more next year). 10 years Bund yield compressed to 0.33% from 0.44% on general fly to quality movement, due to risks arising in Emerging Markets and uncertainty over Italian budget, while 10 years Treasury yield was lower at 2.86% (from 2.96%) with US curve experiencing a flattening to 23 bps. Emerging markets were on the spotlight, due to many uncertainties arising from different countries, with Turkey and Argentina suffering the most, for different reasons: Turkey's dispute over Pastor Brunson with the US and its reaction with sanctions on two ministers and tariffs on Turkish steel and aluminium, let the Turkish lira weakening almost 30% since the beginning of the year, arising uncertainties over inflation and the actual response and independence of its central bank to calm markets; while Argentina requested an early disbursement of the agreed IMF 50bn plan, scaring market of possible needs that were not priced in, and intervening with a hike of interest rates to a record level of 60%, to stem the currency depreciation. On the back of this, ongoing talks with China on trade, US sanctions to Russia on chemical use and a brand new deal with Mexico replacing NAFTA were other relevant topic of the month. As said, Emerging markets credit performance was negative again (EMHB Index -2.56%) after July positive relief..

Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of -2.35%, flat relatively to the end of August (-2.35%). Fund's actual exposure (beta and duration adjusted) is 11.13%, lower relatively to last month (17.61%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 5.75% (net of funding cost), a low spread duration of 1.35 and a z spread of 691. A long position on XOVER S29 (short risk), is present in the portfolio with a weight of 5.29%, in addition to a short position on 10 years Bund future.

Yield-type bucket

The bucket generated a negative gross contribution to the monthly performance, with 75% of the positions (62 out of 82) contributing positively. Positive contributions were homogeneously

Performance

MTD :	1.14%	Fund Assets (mln) :	29.0 €
Since inception	12.25%	1 Year Std Dev :	1.12%
Last 12 Months :	0.95%	1 Year Sharpe Ratio :	1.15
NAVps :	EUR 112.25	% 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	1.14%	# of Securities	102
YTD	0.87%	% Weight	212.15%
6 months	0.64%	Int Dur	0.40
1 year	0.95%	Yield (gross)	5.75%
2017	1.49%	Spread Duration	1.35
2016	4.53%	Z-spread	691
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	47.19%
EUR	19.00%
NOK	17.58%
GBP	0.09%
SEK	10.69%
SGD	0.00%
CHF	5.45%
TOTAL	100.00%

Geographic breakdown

EU	8.18%
US	0.58%
Oth DEV	31.43%
LATAM	8.64%
EMEA	31.05%
ASIA	20.13%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	1.39%
BBB	10.16%
tot IG	11.55%
BB	24.12%
B	26.59%
CCC	0.58%
tot HY	51.29%
NR	37.16%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	27.51%
Real Estate	26.00%
Services	25.42%
Financial Services	4.39%
Energy	3.73%
Basic Industry	2.51%
Foreign Sovereign	1.86%
Capital Goods	1.50%
Leisure	1.45%
Consumer Goods	1.39%

distributed, while negative contributions where concentrated mostly on Turkish banks (senior) exposure that more than offset the positive contribution from the rest of the portfolio. The average life of the yield-type portfolio is very short (7 months or average spread duration of 0.59), combined with a z-spread of 731 basis points and a yield of 6.42%. The fund is levered, being invested at about 216% currently

Strategical & Tactical buckets

Tactical bucket generated a positive performance during the month. Geographical allocation in EM was positive, while picking was neutral (positive in EM and negative in 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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