

Swan Long Short Credit Sicav-SIF

December 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

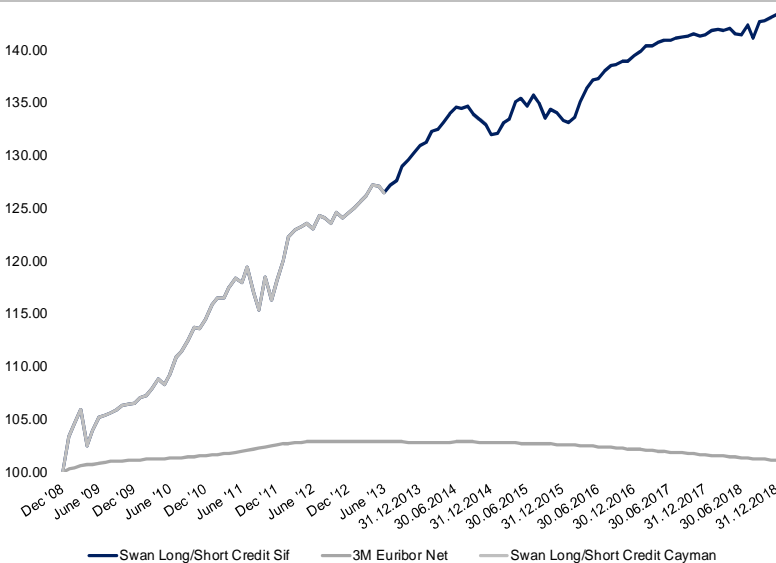
Intermediate

High Reward

Performance

MTD :	0.20%	Fund Assets (mIn) :	30.5 €
Since inception	12.79%	1 Year Std Dev :	1.15%
Last 12 Months :	1.36%	1 Year Sharpe Ratio :	1.47
NAVps :	EUR 112.79	% 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.



Global Market Picture

December was another volatile month: European credit markets were negative (H9PC Index -0.72%), likewise equity markets with Eurostoxx 50 and S&P 500 losing respectively 5.41% and 9.18%. The FED meeting on 19th of December was the main catalyst of the month. Markets approached the event already in a sell-off mode and Jerome Powell's speech did not send a "reassuring" message: FED funds rate hike to 2.375% was accompanied by a reduction in dots that now forecast only two hikes for 2019, but investors hoped for a more dovish action. Markets are now pricing a FED on hold for 2019, but economic uncertainty remains a drag for risky assets: CESI Indexes (that measures economic data surprises relative to market expectations) are all in negative territory and downward trend while also ISM and PMI surveys suggest that the economy is slowing. Global growth is expected at around 3% for the first half of 2019, but this outlook looks increasingly challenging and rates movement in December was in line with this skeptical outlook: yield on 10 Years German Bund went under further pressure (-7bps at 0.24%) in tandem with yield on 10 years Treasury down to 2.68% (-30bps in December). The only positive events during the month were the agreement between the EU and the Italian government regarding the fiscal deficit (fixed at 2.04%), that should save Italy from an infringement procedure, and a more constructive in tone in the dialogue between US and China on trade war dispute. Emerging markets reported a positive performance (+0.70%) with Asia being the best performer during the month, partially recovering 2018 underperformance. EM resilience was mainly due to lower US rates and possible truce between US and China.

Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of -2.35%, flat relatively to the end of November (-2.35%). Fund's actual exposure (beta and duration adjusted) is 8.49%, lower relatively to last month (8.78%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 5.05% (net of funding cost), a low spread duration of 1.23 and a z spread of 595. A long position on XOVER S29 (short risk), is present in the portfolio with a weight of 4.85%, 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, with 75% of the positions (61 out of 81) contributing positively. Positive contributions were homogeneously

Period	Perf.	Portfolio info	
MTD	0.20%	# of Securities	93
YTD	1.36%	% Weight	178.03%
6 months	1.36%	Int Dur	0.31
1 year	1.36%	Yield (gross)	5.05%
2017	1.49%	Spread Duration	1.23
2016	4.53%	Z-spread	595
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	43.57%
EUR	18.95%
NOK	19.43%
GBP	0.00%
SEK	12.82%
SGD	0.00%
CHF	5.23%
TOTAL	100.00%

Geographic breakdown

EU	8.58%
US	0.67%
Oth DEV	36.52%
LATAM	8.84%
EMEA	31.64%
ASIA	13.75%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	1.62%
BBB	11.33%
tot IG	12.95%
BB	19.99%
B	26.48%
CCC	0.00%
tot HY	46.47%
NR	40.58%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	24.73%
Services	24.06%
Real Estate	22.53%
Financial Services	5.65%
Energy	4.95%
Foreign Sovereign	3.28%
Basic Industry	2.88%
Consumer Goods	2.54%
Transportation	2.33%
Capital Goods	1.80%

distributed, the only exceptions being TPHL 01/20 and EVERRE 03/20, while significant negative contributions were generated by AABAR 03/20 and DNONO 06/20. The average life of the yield-type portfolio is very short (8 months or average spread duration of 0.70), combined with a z-spread of 559 basis points and a yield of 4.99%. The fund is levered, being invested at about 178% currently.

Strategical & Tactical buckets

Tactical bucket generated a positive performance during the month. Geographical allocation in EM was positive, while a significant positive picking was generated both in EUR HY and EM space.

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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