

Swan Long Short Credit Sicav–SIF

July 2023

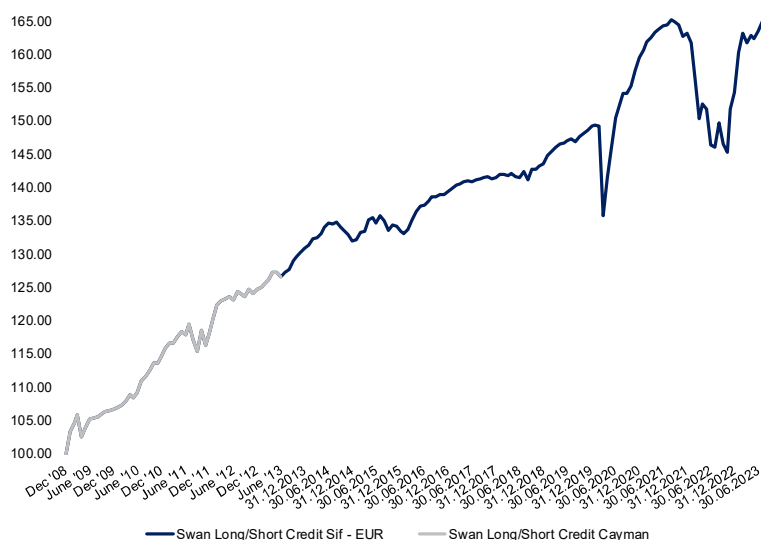


Strategy

Swan Long Short Credit SIF is the alternative version of our Fixed Income High Reward risk profile. Depending on market conditions, the strategy combines an highly diversified buy and hold portfolio of liquid short-term fixed income securities, in a levered format, with an opportunistic allocation to longer dated securities in Global HY markets. Leverage is normally included between 0% and 150% of the NAV. Target Return is 3 months LIBOR + 450 bps.

Risk Profile

Conservative Intermediate **High Reward**



Global Market Picture

High Yield Credit markets reported a positive performance in July ranging from +1.22% for EM corp HY to +1.09% of the EU HY in tandem with the movement of the S&P500 (+3.11%) and Eurostoxx50 (+1.64%). The IG EUR market was positive by +1.00% and the short-term (1-3 year) H1WN global HY index reports a positive performance of +0.67%. The Global unconstrained (in terms of maturity) HY gained +1.23%. Data from US confirmed the resilience of economy: strong ADP numbers were followed by softening inflation, increasing the possibilities of a soft landing; this scenario was reinforced by a strong 2Q GDP print @ 2.4% YoY vs estimates of just +1.8%. In this environment the FED raised its benchmark interest rate by 0.25%, to the highest level in 22 years, adding they would take a more gradual approach in next meetings. The FED is now closer to a "sufficiently restrictive" monetary policy that should bring inflation under control in next months. The ECB raised all policy rates by 25bps, not giving any guidance about the future path for rates and keeping all options open: the September meeting will be "live" and the decision will depend on incoming data. Also the BOJ decided to introduce greater flexibility to its operation with a 100bps cap on the 10yrs yield, a step toward a future removal of YCC. Oil moved higher to 75\$ per barrel, while US dollar lost some ground with DXY at 102.91. Thanks to the recent volatility spike we have been able to add several new credit stories at very interesting levels of credit spreads: our funds have a yield to maturity between 7.8% and 11%, combined with an average spread duration around 16 months. The combination of higher diversification, higher credit quality and higher expected yields paves the way for extremely attractive returns in the next future.

Active portfolio

Fund's actual exposure (beta and duration adjusted) is 47.59%, lower relatively to last month (56.64%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 10.09% (net of funding cost in EUR), a low spread duration of 2.08 and a z spread of 647.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 79% of the positions (84 out of 106) contributing positively. During the month we decreased our invested capital but conditions remain attractive in the short-term part of the credit curve. The average life of the yield-type portfolio is very short (9 months or average spread duration of 0.74). The fund is

Performance

MTD :	0.85%	Fund Assets (mln) :	58.3 €
Since inception	29.64%	1 Year Std Dev :	2.94%
Last 12 Months :	12.96%	1 Year Sharpe Ratio :	3.62
NAVps :	EUR 129.64	% 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	0.85%	# of Securities	185
YTD	6.85%	% Weight	174.03%
6 months	2.87%	Int Dur	1.43
1 year	12.96%	Yield (gross) in EUR	10.09%
2022	-5.35%	Spread Duration	2.08
2021	2.20%	Z-spread	647
2020	6.96%		
2019	3.97%		
2018	1.36%		
2017	1.49%		
2016	4.53%		
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	25.76%
EUR	39.71%
NOK	20.91%
SEK	10.87%
CHF	1.56%
GBP	1.19%
TOTAL	100.00%

Geographic breakdown

EU	35.15%
US	6.74%
Oth DEV	45.13%
LATAM	0.76%
EMEA	10.19%
ASIA	2.02%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	9.03%
tot IG	9.03%
BB	25.82%
B	11.52%
CCC	2.52%
tot HY	39.85%
NR	51.12%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	8.50%
Shipping - Gas	6.39%
Oil and gas E&P - All	5.15%
Real Estate - Mgmt Res	4.99%
Gaming - Online Gaming	3.81%
Oil Field Equipment & Se	3.42%
Air Transportation	3.28%
Finance - NPL collector	3.14%
Shipping - Crude	3.13%
Specialty Retail	3.03%
* Portfolio 100%	

levered, being invested at about 174% currently.

Strategical & Tactical buckets

Tactical bucket generated a positive gross performance during the month, with homogeneous contributions. Geographical allocation in EM was positive; picking was negative in EM and positive in EUR HY (overall positive).

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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