

Swan Long Short Credit Sicav–SIF

May 2021

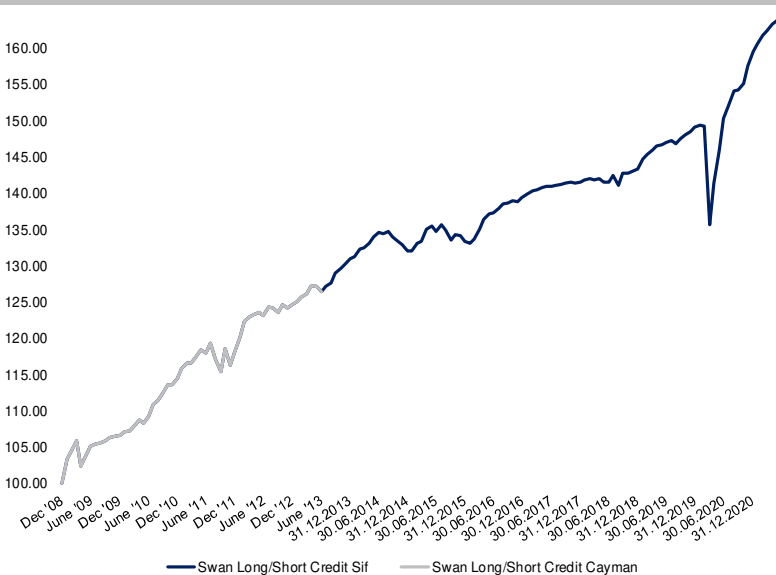


Strategy

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

During May European credit markets experienced a positive performance (H9PC Index +0.20%), in tandem with the movement of the Eurostoxx 50 (+1.63%) and S&P 500 (+0.55%). Main topic of the month was inflation and its possible impact on monetary policy and markets: US CPI rose 4.2% YoY in April, while consensus was much lower at 3.6%, feeding concerns that world's main economy is overheating. On the same tone, the PCE core deflator printed a 3.1% increase YoY, biggest jump since the 1990's, while the FED confirmed through its members that it will look through transitory inflation moves, focusing on long run inflation expectations. Higher prints in inflation indicators are linked to relaxed anti covid measures adopted in DM countries: mass vaccination campaigns are producing positive results with both new case and deaths significantly lower than last month; global growth is booming with high single digit growth forecasted for 2Q both in US and Western Europe. Additional boost to recovery could be provided by a suspension of intellectual property rights for vaccines, but Angela Merkel refused the proposal advanced by Joe Biden and supported by Vladimir Putin. In this context, the 10 years bund yield was substantially flat at -0.19% (+1bps in the month), while the 10 years Treasury was lower at 1.59% (-4bps in the month). Oil jumped to 69 USD per barrel, gold rebounded to 1906 \$ per ounce, while copper reached highest level of the last 5 years close to 500\$ level. We think that this is still an interesting entry point for our strategy: current YTM gives us confidence on the capability to generate positive performance in line with targets during 2021; average maturity of the bonds in our portfolios is still around 1 year and should help reduce volatility in case of new episodes of market stress.

Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 1.45%, flat relatively to the end of April (1.45%). Fund's actual exposure (beta and duration adjusted) is 24.2%, higher relatively to last month (22.62%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 3.58% (net of funding cost in EUR), a low spread duration of 1.45 and a z spread of 471. The short position on 10 years Bund future (-4.09%) generated a positive performance.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 88% of the positions (87 out of 98) contributing positively. During the month we slightly decreased our

Performance

MTD :	0.26%	Fund Assets (mIn) :	54.0 €
Since inception	28.75%	1 Year Std Dev :	1.67%
Last 12 Months :	12.16%	1 Year Sharpe Ratio :	7.6
NAVps :	EUR 128.75	% of positive months :	77%

* 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	0.26%	# of Securities	139
YTD	2.65%	% Weight	156.35%
6 months	3.91%	Int Dur	0.70
1 year	12.16%	Yield (gross)	3.58%
2020	6.96%	Spread Duration	1.45
2019	3.97%	Z-spread	471
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	57.77%
EUR	18.25%
NOK	15.00%
SEK	5.30%
CHF	2.17%
GBP	1.50%
TOTAL	100.00%

Geographic breakdown

EU	14.72%
US	4.11%
Oth DEV	30.92%
LATAM	4.03%
EMEA	27.80%
ASIA	18.41%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	5.52%
tot IG	5.52%
BB	25.28%
B	23.23%
CCC	0.97%
tot HY	49.48%
NR	45.01%
TOTAL	100.00%

Sector breakdown - Top 10

Services	25.90%
Real Estate	20.06%
Banking	11.12%
Basic Industry	8.19%
Financial Services	4.70%
Energy	3.87%
Leisure	3.82%
Capital Goods	3.48%
Telecommunications	2.53%
Agency	2.42%

invested capital even if conditions remain attractive in the short-term part of the credit curve. 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 260 basis points and a yield of 2.09%. The fund is levered, being invested at about 156% currently.

Strategical & Tactical buckets

Tactical bucket generated a positive performance during the month, with homogeneous contributions. Geographical allocation in EM was slightly negative, while picking was positive 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

This is an advertising document. The state of the origin of the fund is Luxembourg. In Switzerland, this document may only be provided to qualified investors within the meaning of art. 10 para. 3 and 3ter CISA. In Switzerland, the representative is ACOLIN Fund Services AG, Leutschenbachstrasse 50, CH-8050 Zurich, whilst the paying agent is Cornèr Banca SA, Via Canova 16, CH – 6900 Lugano. The basic documents of the fund as well as the annual and, if applicable, semi-annual report may be obtained free of charge from the representative. Past performance is no indication of current or future performance. The performance data do not take account of the commissions and costs incurred on the issue and redemption of units.