

# Swan Long Short Credit Sicav–SIF

## July 2021



### Strategy

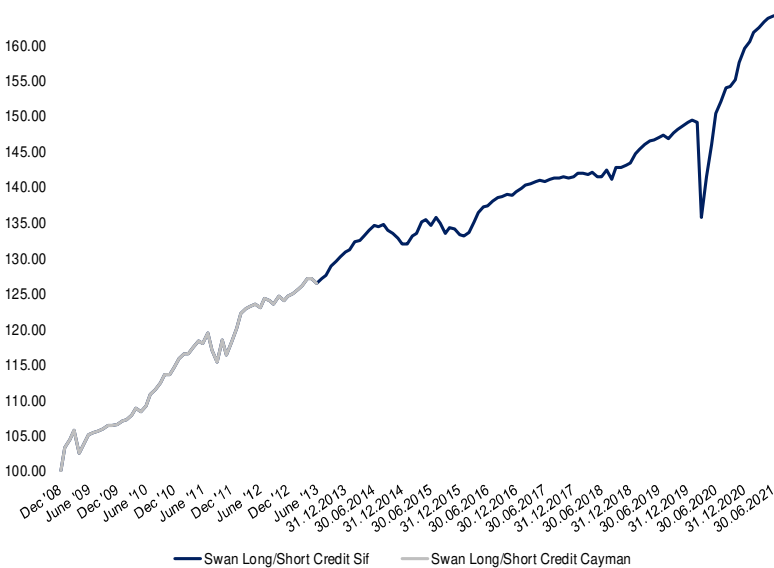
Swan Long Short Credit SIF is the alternative version of our Fixed Income High Reward risk profile. Depending on market conditions, the strategy combines an highly diversified buy and hold portfolio of liquid short-term fixed income securities, in a levered format, with an opportunistic allocation to 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 July European credit markets experienced a positive performance (H9PC Index +0.41%), in tandem with the movement of the Eurostoxx 50 (+0.62%) and S&P 500 (+2.27%). PCE core deflator was up 4% YoY in US, while consumer price rose 5.4% YoY (fastest pace since 2008), challenging the view that high inflation will be temporary. FOMC statement indicated that economy is moving toward the goals that FED set out to begin tapering, but the tone used by Jerome Powell during the press conference was less hawkish: he told that the labor market is still "some way away" from justifying tapering, postponing any decision to September/November meeting. European Central Bank did not change its monetary policy; changes were only made on the forward guidance but nothing on the QE or the PEPP: ECB will continue buy bonds and maintain its deeply negative rates in an effort to bring Eurozone out of its persistent pattern of sluggish inflation. In addition ECB terminated its strategy review (the first for 18 years) setting a new 2% inflation targets where "negative and positive deviation of inflations from target are equally undesirable", a shift that gives policymakers flexibility to keep rates at historic lows for longer. In this context, the 10 years bund yield was significantly lower at -0.46% (-25bps in the month), in tandem with the 10 years Treasury at 1.22% (-25bps in the month). Gold rose to 1814 \$ per ounce, while oil was stable at 76 USD per barrel supported by OPEC+ deal that limited increase in production. 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 June (1.45%). Fund's actual exposure (beta and duration adjusted) is 25.36%, higher relatively to last month (29.42%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 3.78% (net of funding cost in EUR), a low spread duration of 1.36 and a z spread of 484. The short position on 10 years Bund future (-8.06%) generated a negative performance.

### Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 76% of the positions (72 out of 95) contributing positively. During the month we slightly decreased our

### Performance

MTD :	<b>0.09%</b>	Fund Assets (mln) :	56.9 €
Since inception :	<b>29.20%</b>	1 Year Std Dev :	1.13%
Last 12 Months :	<b>8.04%</b>	1 Year Sharpe Ratio :	7.6
NAVps :	EUR 129.20	% 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	<b>0.09%</b>	# of Securities	134
YTD	<b>3.01%</b>	% Weight	149.53%
6 months	<b>2.33%</b>	Int Dur	0.23
1 year	<b>8.04%</b>	Yield (gross)	3.78%
2020	<b>6.96%</b>	Spread Duration	1.36
2019	<b>3.97%</b>	Z-spread	484
2018	<b>1.36%</b>		
2017	<b>1.49%</b>		
2016	<b>4.53%</b>		
2015	<b>1.03%</b>		
2014	<b>0.84%</b>		
2013	<b>5.05%</b>		
2012	<b>5.44%</b>		
2011	<b>3.19%</b>		
2010	<b>7.47%</b>		
2009	<b>6.56%</b>		

### FX breakdown (fully hedged)

USD	57.49%
EUR	17.74%
NOK	14.67%
SEK	6.38%
CHF	2.20%
GBP	1.51%
<b>TOTAL</b>	<b>100.00%</b>

### Geographic breakdown

EU	13.96%
US	3.93%
Oth DEV	30.57%
LATAM	2.69%
EMEA	30.76%
ASIA	18.10%
<b>TOTAL</b>	<b>100.00%</b>

### Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	7.38%
<b>tot IG</b>	<b>7.38%</b>
BB	23.47%
B	23.14%
CCC	1.16%
<b>tot HY</b>	<b>47.77%</b>
NR	44.85%
<b>TOTAL</b>	<b>100.00%</b>

### Sector breakdown - Top 10

Services	25.03%
Real Estate	22.21%
Banking	12.18%
Basic Industry	7.91%
Financial Services	5.11%
Energy	3.80%
Leisure	3.31%
Consumer Goods	2.96%
Agency	2.48%
Capital Goods	2.33%

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 0.63), combined with a z-spread of 268 basis points and a yield of 2.17%. The fund is levered, being invested at about 150% currently.

### Strategical & Tactical buckets

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

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