

Swan Long Short Credit Sicav–SIF

September 2021

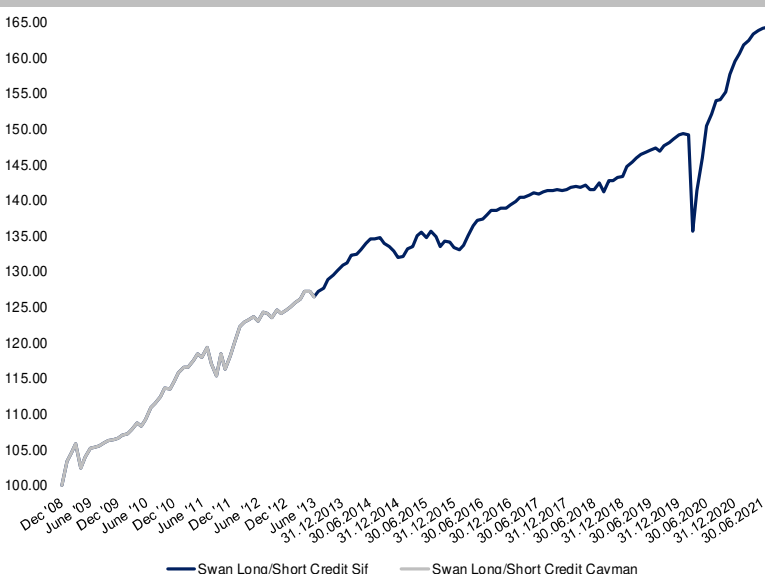


Strategy

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 September, European credit markets experienced a negative performance (H9PC Index -0.07%), in tandem with the movement of the Eurostoxx 50 (-3.53%) and S&P 500 (-4.76%). The liquidity crisis that hit Evergrande, the biggest China Property developer, negatively impacted both equity and credit markets: the company has close to \$300bn in liabilities and missed payment on a coupon the 28th of September. While the Chinese Government did not release any statement suggesting a possible bail-out of bondholders, the PBOC injected substantial liquidity in the financial system in order to support the economy. In the end, we think the government will act to prevent a domino effect on the sector and on the financial system, facilitating an orderly restructuring of Evergrande liabilities avoiding an immediate potential systemic risk. Strong inflation data in US and Europe further raised concerns that the move up in prices could not be transitory as widely expected: inflation is raising in many countries due to post pandemic reopening and pressure is mounting on central banks to start winding down stimulus launched in 2020. Norwegian Central Bank was the first to raise rates, indicating another rate hike in December this year and BOE said the case for tightening policy has "strengthened" recently; the FED expects tapering before the end of the year and a first rate hike in 2022, while the ECB said it will buy less bonds in a sign of confidence that economic recovery will not derail. In this context, the 10 years bund yield was higher at -0.20% (+18bps in the month), in tandem with the 10 years Treasury at 1.49% (+18bps in the month). Gold was lower at 1758 \$ per ounce, while oil was up at 79 USD per barrel, highest level since 2018. 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.

Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 1.45%, flat relatively to the end of August (1.45%). Fund's actual exposure (beta and duration adjusted) is 28.98%, higher relatively to last month (23.63%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 4.14% (net of funding cost in EUR), a low spread duration of 1.51 and a z spread of 533. The short position on 10 years Bund future (-7.57%) generated a positive performance.

Yield-type bucket

The bucket generated a negative gross contribution to the monthly performance, with 56% of the

Performance

MTD :	-0.15%	Fund Assets (mln) :	58.4 €
Since inception	29.66%	1 Year Std Dev :	1.05%
Last 12 Months :	6.96%	1 Year Sharpe Ratio :	7.13
NAVps :	EUR 129.66	% of positive months :	76%

* 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	-0.15%	# of Securities	152
YTD	3.37%	% Weight	170.15%
6 months	1.50%	Int Dur	0.24
1 year	6.96%	Yield (gross)	4.14%
2020	6.96%	Spread Duration	1.51
2019	3.97%	Z-spread	533
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	56.42%
EUR	16.45%
NOK	14.95%
SEK	8.34%
CHF	1.88%
GBP	1.97%
TOTAL	100.00%

Geographic breakdown

EU	14.55%
US	3.31%
Oth DEV	35.77%
LATAM	1.95%
EMEA	29.29%
ASIA	15.14%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	6.84%
tot IG	6.84%
BB	19.53%
B	23.58%
CCC	1.38%
tot HY	44.48%
NR	48.68%
TOTAL	100.00%

Sector breakdown - Top 10

Services	24.87%
Real Estate	22.24%
Banking	13.97%
Basic Industry	6.18%
Financial Services	5.38%
Energy	4.16%
Leisure	3.77%
Consumer Goods	2.74%
Agency	2.15%
Healthcare	2.06%

positions (54 out of 96) contributing positively. During the month we slightly increased our invested capital and conditions remain attractive in the short-term part of the credit curve. The average life of the yield-type portfolio is very short (7 months or average spread duration of 0.57), combined with a z-spread of 277 basis points and a yield of 2.22%. The fund is levered, being invested at about 170% currently.

Strategical & Tactical buckets

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

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.