

Swan Long Short Credit Sicav–SIF

December 2021

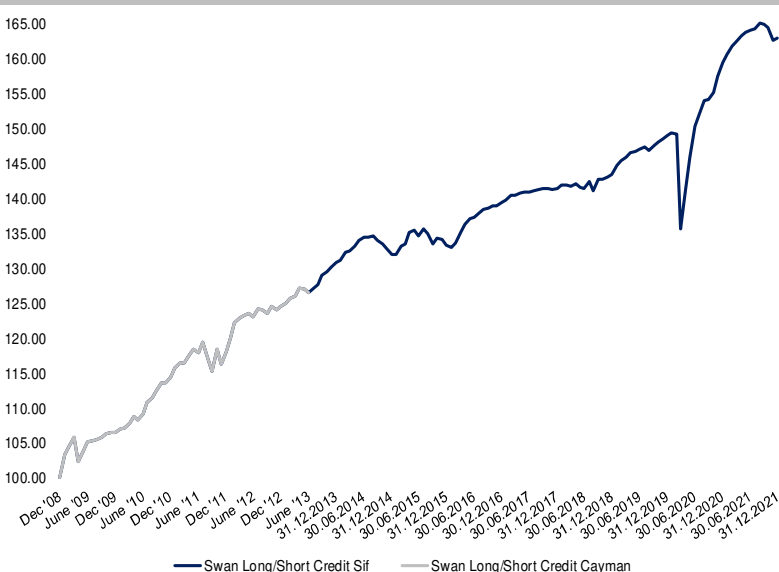


Strategy

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 December, European credit markets experienced a positive performance (H9PC Index +0.86%), in tandem with the movement of the Eurostoxx 50 (+5.79%) and S&P 500 (+4.36%). Surging COVID-19 cases linked to Omicron variant continued to impact economies: some European countries imposed new lock-down measures to limit impact on hospitals, while more vaccinated countries like Italy were still reluctant to issue fresh restrictions. Notwithstanding this new Covid wave, US economy should grow close to 7% in 4Q21 thanks to growth in inventories, while high vaccination rate should help Euro area GDP to return to the pre-pandemic levels by the end of 2022. During its meeting the FED announced that it will double the monthly pace of tapering: median forecast now signals three rate hikes in 2022. The ECB was not as hawkish as the FED, reiterating the view that inflation pressures are only transitory and that rates are unlikely to be raised in 2022. Inflation prints continued their march higher: in US CPI was 6.8% YoY (core +4.9% YoY), while Eurozone reached 4.9% and 2.6% respectively. In next months a significant increase to European inflation could come from energy prices: gas delivered Europe reached new highs in December, with prices up more than 800% in 2021. In this context, the 10 years bond yield was higher at -0.18% (+17bps in the month), in tandem with the 10 years Treasury at 1.51% (+7bps in the month). Oil partially recovered the loss experienced in November and closed the month at 78 USD per barrel. After a strong 2020, performances of our funds were below target, but we honored our mandate to generate positive performance for the 13th year in a row, since inception. Funds offers attractive returns for 2022, even if market volatility could persist in the first half of the year.

Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 1.45%, flat relatively to the end of November (1.45%). Fund's actual exposure (beta and duration adjusted) is 28.72%, lower relatively to last month (31.68%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 6.70% (net of funding cost in EUR), a low spread duration of 1.53 and a z spread of 730. The short position on 10 years Bund future (-7.60%) generated a positive performance.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 63% of the positions (62 out of 98) contributing positively. During the month we slightly decreased our

Performance

MTD : **0.29%** Fund Assets (mln) : 58.8 €
 Since inception : **28.19%** 1 Year Std Dev : 2.56%
 Last 12 Months : **2.20%** 1 Year Sharpe Ratio : 1.09
 NAVps : EUR 128.19 % 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	0.29%	# of Securities	138
YTD	2.20%	% Weight	155.02%
6 months	-0.70%	Int Dur	0.09
1 year	2.20%	Yield (gross)	6.70%
2021	2.20%	Spread Duration	1.53
2020	6.96%	Z-spread	730
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)		Geographic breakdown	
USD	51.42%	EU	14.60%
EUR	13.93%	US	3.06%
NOK	17.07%	Oth DEV	47.14%
SEK	13.21%	LATAM	1.20%
CHF	2.14%	EMEA	18.51%
GBP	2.22%	ASIA	15.50%
TOTAL	100.00%	TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	3.87%
tot IG	3.87%
BB	19.92%
B	20.17%
CCC	2.04%
tot HY	42.14%
NR	53.99%
TOTAL	100.00%

Sector breakdown - Top 10

Services	27.98%
Real Estate	25.65%
Basic Industry	7.55%
Banking	6.44%
Energy	6.26%
Leisure	5.14%
Financial Services	3.96%
Agency	2.37%
Supranational	2.29%
Automotive	1.94%

invested capital even if conditions are always 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 520 basis points and a yield of 4.60%. The fund is levered, being invested at about 155% 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 in EM and negative 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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