

Swan Long Short Credit Sicav–SIF

January 2022

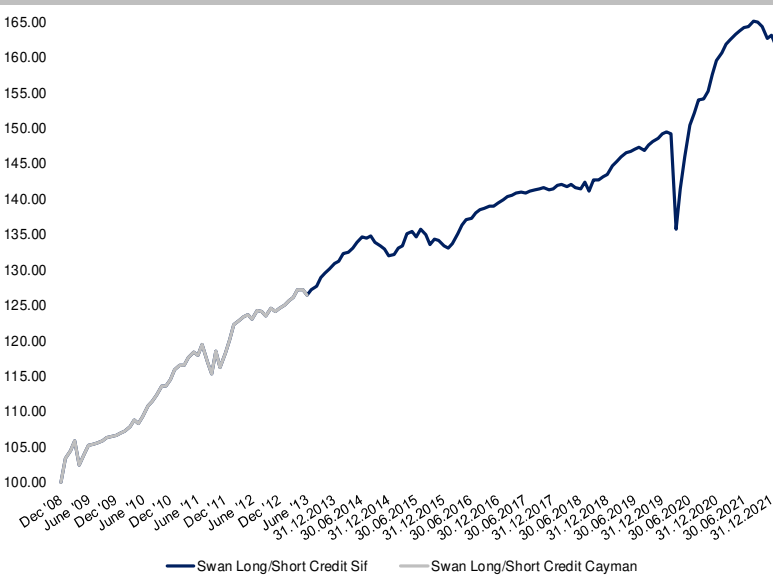


Strategy

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 January, European credit markets experienced a negative performance (H9PC Index -1.45%), in tandem with the movement of the Eurostoxx 50 (-2.88%) and S&P 500 (-5.26%). COVID-19 cases were still high around the world but pressure on hospital were diminishing, with several European country lifting quarantine period and restrictions. Significant increase in inventories was one of the main driver of US 6.9% QoQ GDP growth in 4Q2021, while 1Q22 should be significantly lower at just 1.5%. After a strong third quarter, growth in Europe moderate to 0.3% QoQ, with only a modest 2% forecasted for 1Q22. On the other side inflation continued its march higher: core inflation in US reached 5.5% with no suggestion in details of a future slowing, while in Europe it reached the 2.6% YoY. FOMC commented strength in job market and strong inflation, supporting the case for a 25bps hike in March, with market speculating about a possible double hike of 50bps at next meeting: cumulatively FED forecasted three hikes in 2022, with three more in 2023 and another two in 2024. Markets will wait for the ECB reaction at February meeting, even if significant movement could materialize only at March meeting, when new staff projections will be available. In this context, the 10 years bund yield was higher at +0.01% (+19bps in the month, above zero for the first time since 2019), in tandem with the 10 years Treasury at 1.78% (+27bps in the month). The movement in rates had significant impact on markets, especially on the tech sector in US, with NASDAQ index loosing close to 9% during the month. Increasing tension between Russia and Ukraine supported oil that started the year on a positive note, closing the month at 91 USD per barrel (+17% MoM). 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 December (1.45%). Fund's actual exposure (beta and duration adjusted) is 22.34%, lower relatively to last month (28.72%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 7.47% (net of funding cost in EUR), a low spread duration of 1.48 and a z spread of 807. The short position on 10 years Bund future (-7.51%) generated a positive performance.

Yield-type bucket

The bucket generated a negative gross contribution to the monthly performance, with 57% of the positions (54 out of 94) contributing positively. During the month we slightly decreased our

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)

Performance

| | | | |
|------------------|---------------|------------------------|--------|
| MTD : | -0.87% | Fund Assets (mIn) : | 58.8 € |
| Since inception | 27.08% | 1 Year Std Dev : | 2.98% |
| Last 12 Months : | 0.65% | 1 Year Sharpe Ratio : | 0.42 |
| NAVps : | EUR 127.08 | % of positive months : | 75% |

* Returns from January 2009 to July2013 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 | -0.87% | # of Securities | 137 |
| YTD | -0.87% | % Weight | 154.17% |
| 6 months | -1.64% | Int Dur | 0.05 |
| 1 year | 0.65% | Yield (gross) | 7.47% |
| 2021 | 2.20% | Spread Duration | 1.48 |
| 2020 | 6.96% | Z-spread | 807 |
| 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 | 51.96% |
| EUR | 13.52% |
| NOK | 16.77% |
| SEK | 13.36% |
| CHF | 2.13% |
| GBP | 2.25% |
| TOTAL | 100.00% |

Geographic breakdown

| | |
|--------------|----------------|
| EU | 14.54% |
| US | 3.60% |
| Oth DEV | 47.75% |
| LATAM | 1.20% |
| EMEA | 19.84% |
| ASIA | 13.07% |
| TOTAL | 100.00% |

Rating breakdown

| | |
|---------------|----------------|
| AAA | 0.00% |
| AA | 0.00% |
| A | 0.00% |
| BBB | 3.12% |
| tot IG | 3.12% |
| BB | 18.03% |
| B | 20.88% |
| CCC | 2.52% |
| tot HY | 41.43% |
| NR | 55.45% |
| TOTAL | 100.00% |

Sector breakdown - Top 10

| | |
|--------------------|--------|
| Services | 28.70% |
| Real Estate | 23.66% |
| Basic Industry | 7.53% |
| Energy | 7.38% |
| Banking | 6.96% |
| Leisure | 5.07% |
| Financial Services | 4.29% |
| Agency | 2.42% |
| Supranational | 2.33% |
| Automotive | 1.97% |

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 589 basis points and a yield of 5.29%. The fund is levered, being invested at about 154% currently.

Strategical & Tactical buckets

Tactical bucket generated a positive performance during the month. Geographical allocation in EM was negative, while picking was positive both in EM and EUR HY.

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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