

# Swan Long Short Credit Sicav–SIF

## February 2022

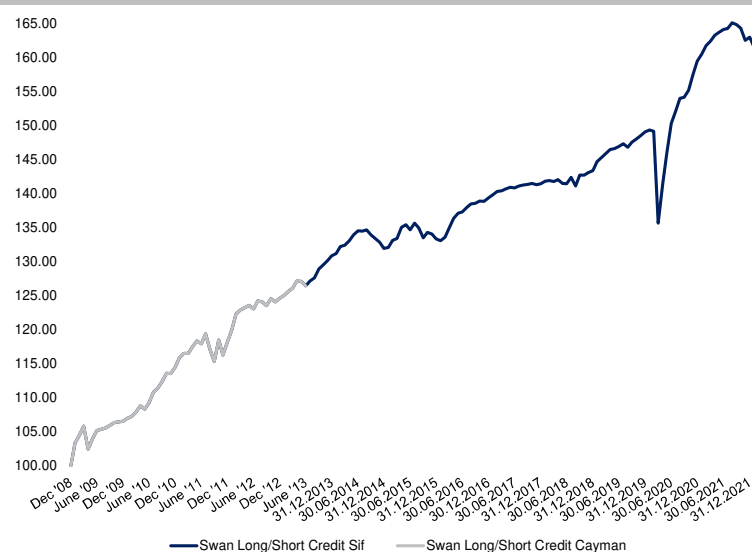


### Strategy

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 February European credit markets experienced a negative performance (H9PC Index -2.98%), in tandem with the movement of the Eurostoxx 50 (-6.00%) and S&P 500 (-3.14%). In particular, the credit market environment was extremely negative with year to date performances ranging from -7.5% for EM corp HY to -3.78% of the EU HY component. The IG EUR market is also negative by about 3.93% YTD, mainly due to the rates component. The short-term (1-3 year) H1WN global HY index also reports a performance of -4.64% YTD while the Global unconstrained HY lost 4.59%. Sell-off intensified in the last week of February following Russian invasion of Ukraine: at the moment objectives of the operation are not clear yet, but market did not expect a full invasion and immediately started pricing in very negative scenarios. In this context, the 10 years bund yield was higher at +0.13% (+12bps in the month) in tandem with the 10 years Treasury at 1.82% (+5bps in the month), mainly due to concerns on inflationary pressure linked to energy cost, with oil prices reaching highest level (101\$ per barrel) since 2014. The funds' strategy remains focused on the short term: we remain committed to our investment philosophy of constant and significant excess returns, coupled with low volatility (last period was an extraordinary one). Excluding specific idiosyncratic situations (China real estate and Russia/Ukraine), the rest of the portfolio has continued to behave in line with expectations, generating a slightly negative performance compared with a context of extreme negativity in the market. The expected return of the portfolio (excluding China and Russia/Ukraine), will be able to generate a significant performance during 2022 which, added to the potential recovery of the two idiosyncratic components, will allow a significant rebound from current levels.

### Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 1.45%, flat relatively to the end of January (1.45%). Fund's actual exposure (beta and duration adjusted) is 31.06%, higher relatively to last month (22.34%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 14.26% (net of funding cost in EUR), a low spread duration of 1.74 and a z spread of 1486. The short position on 10 years Bund future (-7.66%) generated a positive performance.

### Yield-type bucket

The bucket generated a negative gross contribution to the monthly performance, with 43% of the positions (41 out of 95) contributing positively.

### 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 :	<b>-3.27%</b>	Fund Assets (mIn) :	56.4 €
Since inception	<b>22.92%</b>	1 Year Std Dev :	3.63%
Last 12 Months :	<b>-3.39%</b>	1 Year Sharpe Ratio :	-0.76
NAVps :	EUR 122.92	% of positive months :	75%

\* 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>-3.27%</b>	# of Securities	156
YTD	<b>-4.11%</b>	% Weight	179.12%
6 months	<b>-5.34%</b>	Int Dur	0.13
1 year	<b>-3.39%</b>	Yield (gross)	14.26%
2021	<b>2.20%</b>	Spread Duration	1.74
2020	<b>6.96%</b>	Z-spread	1486
2019	<b>3.97%</b>		
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	49.03%
EUR	15.16%
NOK	19.04%
SEK	13.83%
CHF	1.90%
GBP	1.04%
<b>TOTAL</b>	<b>100.00%</b>

### Geographic breakdown

EU	13.14%
US	4.53%
Oth DEV	51.80%
LAT AM	1.39%
EMEA	18.36%
ASIA	10.78%
<b>TOTAL</b>	<b>100.00%</b>

### Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	3.12%
<b>tot IG</b>	<b>3.12%</b>
BB	16.34%
B	21.10%
CCC	2.60%
<b>tot HY</b>	<b>40.04%</b>
NR	56.84%
<b>TOTAL</b>	<b>100.00%</b>

### Sector breakdown - Top 10

Services	31.49%
Real Estate	21.56%
Energy	7.06%
Basic Industry	6.18%
Banking	6.16%
Leisure	5.02%
Financial Services	5.02%
Transportation	3.30%
Agency	2.15%
Supranational	2.08%

The average life of the yield-type portfolio is very short (8 months or average spread duration of 0.64), combined with a z-spread of 585 basis points and a yield of 5.25%. The fund is levered, being invested at about 179% 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 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

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