

Swan Long Short Credit Sicav–SIF

March 2022

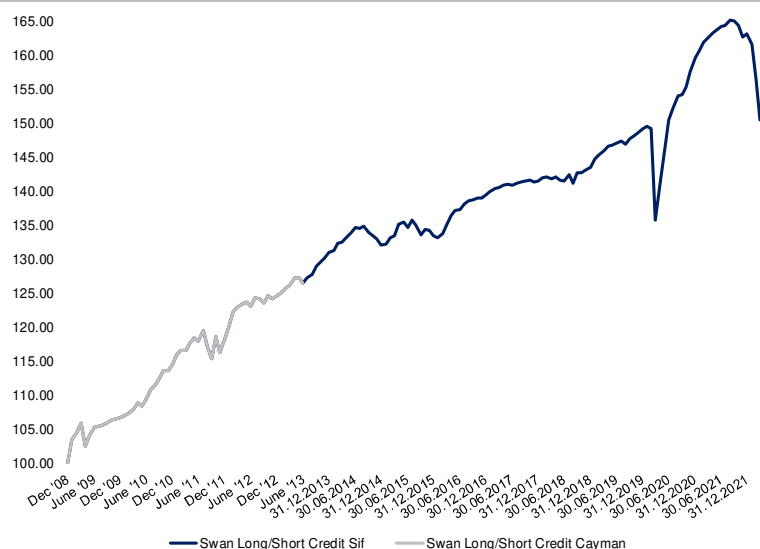


Strategy

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

The credit market environment remained extremely negative with year to date performances ranging from -10.5% for EM corp HY to -4.29% of the EU HY component. The IG EUR market is also negative by about 5.26% YTD, mainly due to the rates component. The short-term (1-3 year) H1WN global HY index also reports a performance of -6.25% YTD while the Global unconstrained (in terms of maturity) HY lost 5.76%. The Russian invasion of Ukraine remained the main theme of the month: there were several rounds of negotiations between the parties, but a ceasefire or any other sort of agreement seems unlikely to be reached immediately, even if sanctions imposed by western allies increased pressure on Russian economy. In this context, the 10 years bund yield was higher at +0.54% (+41bps in the month, highest level since 2018) in tandem with the 10 years Treasury at 2.34% (+51bps in the month), mainly due to concerns on inflationary pressure linked to energy cost, with oil prices reaching new year to date high at 108 per barrel. FOMC raised rates by 25bps during its march committee with Jerome Powell saying that FED need to move "expeditiously" towards tighter monetary policy, while ECB remained on hold notwithstanding mounting inflation pressure. 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 positive performance compared with a context of extreme negativity in the market. The expected return of the portfolio 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 February (1.45%). Fund's actual exposure (beta and duration adjusted) is 31.30%, higher relatively to last month (31.06%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 11.32% (net of funding cost in EUR), a low spread duration of 1.79 and a z spread of 1192. The short position on 10 years Bund future was closed during the month generating a positive performance.

Yield-type bucket

The bucket generated a negative gross contribution to the monthly performance, with 46% of the positions (42 out of 92) contributing positively. During the month we increased our invested capital: conditions are always attractive in the short-term part of the credit

Performance

MTD :	-3.82%	Fund Assets (mln) :	52.4 €
Since inception	18.22%	1 Year Std Dev :	4.87%
Last 12 Months :	-7.45%	1 Year Sharpe Ratio :	-1.4
NAVps :	EUR 118.22	% of positive months :	74%

* 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	-3.82%	# of Securities	143
YTD	-7.78%	% Weight	181.45%
6 months	-8.82%	Int Dur	0.86
1 year	-7.45%	Yield (gross)	11.32%
2021	2.20%	Spread Duration	1.79
2020	6.96%	Z-spread	1192
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	44.70%	EU	14.67%
EUR	15.87%	US	5.68%
NOK	19.96%	Oth DEV	49.73%
SEK	14.99%	LAT AM	2.97%
CHF	2.52%	EMEA	17.77%
GBP	1.96%	ASIA	9.19%
TOTAL	100.00%	TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	3.31%
tot IG	3.31%
BB	18.54%
B	19.16%
CCC	3.53%
tot HY	41.23%
NR	55.45%
TOTAL	100.00%

Sector breakdown - Top 10

Services	29.31%
Real Estate	20.66%
Energy	7.76%
Basic Industry	7.35%
Banking	6.77%
Leisure	5.41%
Financial Services	5.15%
Transportation	3.45%
Consumer Goods	2.32%
Agency	2.27%

curve. The average life of the yield-type portfolio is very short (7 months or average spread duration of 0.62), combined with a z-spread of 613 basis points and a yield of 5.53%. The fund is levered, being invested at about 181% 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 positive both in EM and EUR HY.

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.