

Swan Long Short Credit Sicav–SIF

April 2022

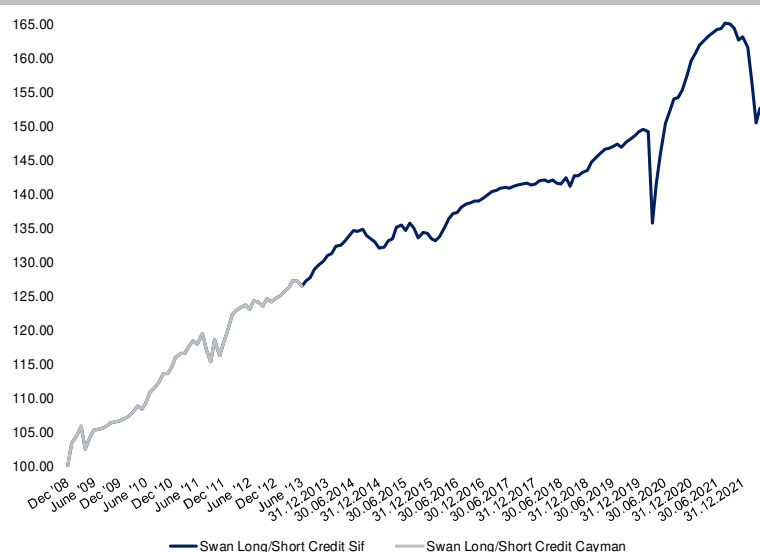


Strategy

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

Credit markets remained extremely negative with year to date performances ranging from -12.90% for EM corp HY to -7.04% of the EU HY component in tandem with the movement of the Eurostoxx 50 (-18.04% YTD) and S&P 500 (-13.3% YTD). The IG EUR market is also negative by 7.89% YTD, mainly due to the rates component. The short-term (1-3 year) H1WN global HY index also reports a performance of -7.35% YTD while the Global unconstrained (in terms of maturity) HY lost 9.02%. The Russian invasion of Ukraine remained the main theme of the month: peace talks did not reach significant results, while on the ground Ukrainian troops continued their resistance thanks to the continuous support of weapons provided by NATO members. Inflation did not stop rising: FED tone was increasingly hawkish, with Jerome Powell saying that "it is appropriate in my view to be moving a little more quickly" and market now pricing 50bps hike during both May and June meeting. There were no signs of panic at the ECB meeting notwithstanding the 7.5% inflation print, with the only material change being a higher probability of QE ending in 3Q22. In this context, the 10 years bund yield was higher at +0.94% (+39bps in the month, highest level since 2015) in tandem with the 10 years Treasury at 2.93% (+60bps in the month), mainly due to concerns on inflationary pressure linked to energy cost, with oil prices closing the month at 109 per barrel. 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 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 March (1.45%). Fund's actual exposure (beta and duration adjusted) is 30.45%, lower relatively to last month (31.30%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 11.03% (net of funding cost in EUR), a low spread duration of 1.80 and a z spread of 1163.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 86% of the positions (74 out of 86) contributing positively. During the month we slightly decreased our invested capital: conditions are always attractive in the short-term part of the credit curve. The

Performance

MTD :	1.45%	Fund Assets (mln) :	53.3 €
Since inception	19.93%	1 Year Std Dev :	4.99%
Last 12 Months :	-6.61%	1 Year Sharpe Ratio :	-1.2
NAVps :	EUR 119.93	% 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	1.45%	# of Securities	145
YTD	-6.44%	% Weight	179.88%
6 months	-7.20%	Int Dur	0.87
1 year	-6.61%	Yield (gross)	11.03%
2021	2.20%	Spread Duration	1.80
2020	6.96%	Z-spread	1163
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	45.58%
EUR	14.79%
NOK	19.49%
SEK	15.42%
CHF	2.52%
GBP	2.20%
TOTAL	100.00%

Geographic breakdown

EU	14.67%
US	5.99%
Oth DEV	49.46%
LAT AM	2.97%
EMEA	17.47%
ASIA	9.45%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	3.42%
tot IG	3.42%
BB	19.70%
B	16.88%
CCC	3.09%
tot HY	39.68%
NR	56.90%
TOTAL	100.00%

Sector breakdown - Top 10

Services	29.52%
Real Estate	19.33%
Energy	8.16%
Basic Industry	7.63%
Banking	7.03%
Leisure	5.70%
Financial Services	5.29%
Transportation	3.52%
Agency	2.41%
Consumer Goods	2.34%

average life of the yield-type portfolio is very short (7 months or average spread duration of 0.61). The fund is levered, being invested at about 180% 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 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

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