

Swan Long Short Credit Sicav–SIF

August 2022

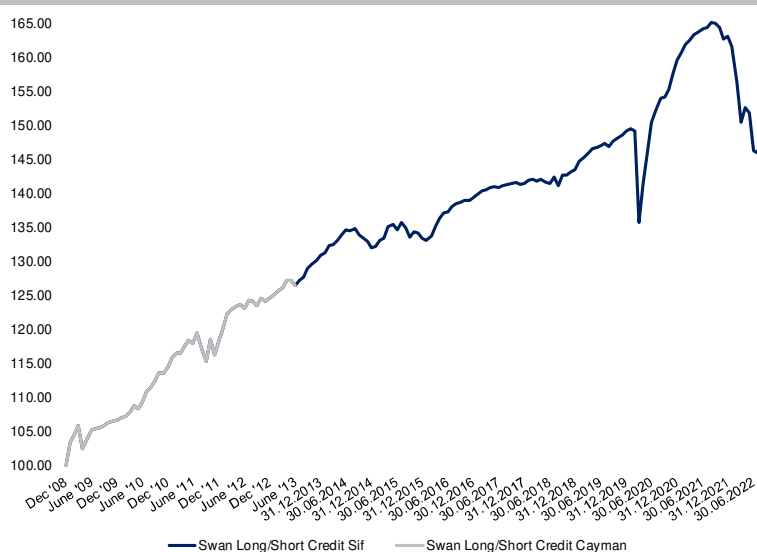


Strategy

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 -18.43% for EM corp HY to -11.49% of the EU HY component in tandem with the movement of the Eurostoxx 50 (-18.17% YTD) and S&P 500 (-17.01% YTD). The IG EUR market is also negative by -12.01% YTD, mainly due to the rates component. The short-term (1-3 year) H1WN global HY index also reports a performance of -10.56% YTD while the Global unconstrained (in terms of maturity) HY lost -13.26%. US entered technical recession, with growth of -0.9% during the 2nd quarter following the 1Q22 contraction of 1.6%. Inflation and consequently the ECB and FED members comments were the main drivers of the month: in US, a CPI print at 8.5%, a slower annual increase compared with June, initially eased concerns on next FED movements but during his speech at Jackson Hole Powell declared that interest rate will stay at a level that restrains growth "for some time". The ECB officials also sent a hawkish message to the markets, that are now pricing 75bps hike at September meeting to fight inflation. Higher energy prices were the main reason of a high CPI print in Eurozone at 8.9%, and the possible stop of flows from Nordstream1 pipeline from Russia, caused further rise in gas price and additional worries of possible stop in production at several manufacturers. In this context, the 10 years bund yield was higher at +1.54% (+72bps in the month) while the 10 years Treasury closed the month at 3.20% (+54bps). Oil price corrected lower, with Brent now at 96\$ per barrel, due to increased concerns on global recession. Thanks to recent volatility spike we have been able to add several new credit stories at very interesting level of credit spreads. The combination of higher diversification, higher credit quality and higher expected yields paves the way for attractive returns in the next future.

Active portfolio

Credit Allocation Scoring (CAS) indicates a medium-long-dated allocation of 1.45%, flat relatively to the end of July (1.45%). Fund's actual exposure (beta and duration adjusted) is 47.06%, higher relatively to last month (45.14%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 14.05% (net of funding cost in EUR), a low spread duration of 2.46 and a z spread of 1295.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 82% of the positions (82 out of 100) contributing positively. During the month we decreased our invested capital: conditions remain attractive in the short-term part of the credit curve. The average life of

Performance

MTD :	2.54%	Fund Assets (mln) :	47.5 €
Since inception	17.69%	1 Year Std Dev :	5.30%
Last 12 Months :	-9.37%	1 Year Sharpe Ratio :	-1.68
NAVps :	EUR 117.69	% of positive months :	73%

* 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	2.54%	# of Securities	172
YTD	-8.19%	% Weight	222.58%
6 months	-4.25%	Int Dur	1.39
1 year	-9.37%	Yield (gross)	14.05%
2021	2.20%	Spread Duration	2.46
2020	6.96%	Z-spread	1295
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	32.60%
EUR	27.45%
NOK	23.01%
SEK	13.31%
CHF	1.52%
GBP	2.10%
TOTAL	100.00%

Geographic breakdown

EU	22.80%
US	7.06%
Oth DEV	43.35%
LAT AM	2.62%
EMEA	17.69%
ASIA	6.48%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	4.08%
tot IG	4.08%
BB	27.82%
B	17.86%
CCC	2.83%
tot HY	48.51%
NR	47.40%
TOTAL	100.00%

Sector breakdown - Top 10

Services	24.46%
Real Estate	18.26%
Basic Industry	10.00%
Financial Services	5.53%
Leisure	5.39%
Banking	5.14%
Energy	4.86%
Transportation	4.75%
Telecommunications	3.81%
Consumer Goods	3.39%

the yield-type portfolio is very short (9 months or average spread duration of 0.72). The fund is levered, being invested at about 223% currently.

Strategical & Tactical buckets

Tactical bucket generated a positive performance during the month, with homogeneous contributions. Geographical allocation in EM was flat; 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

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.