

Swan Long Short Credit Sicav–SIF

September 2022

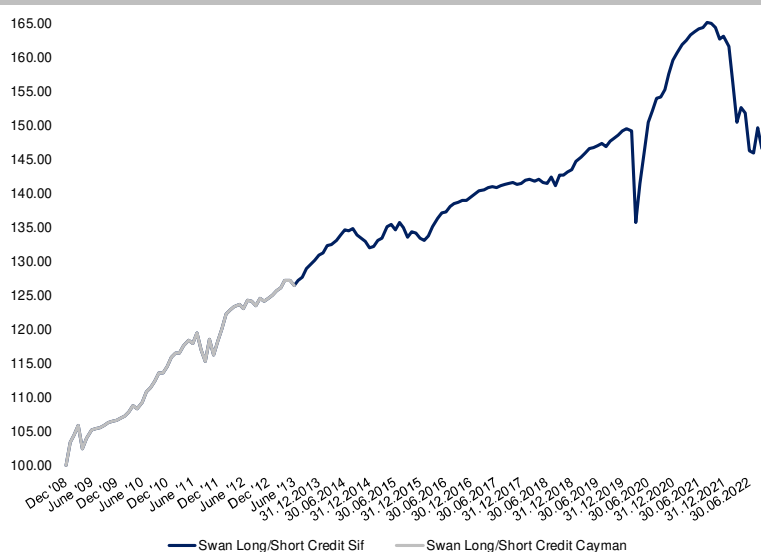


Strategy

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 -23.02% for EM corp HY to -15.32% of the EU HY. The IG EUR market is also negative by -15.07% YTD, mainly due to the rates component. The short-term (1-3 year) H1WN global HY index also reports a performance of -12.86% YTD while the Global unconstrained (in terms of maturity) HY lost -17.19%. Inflation continued its march higher around the globe with US core CPI printing 6.3% YoY (6.1% expected) in tandem with Eurozone that exceeded expectations by 0.2% at 4.3% YoY. Faced with faster than expected rise in prices, central bankers further tightened their position against inflation: FED raised rates by 75bps for the time in a row, reinforcing its commitment to "higher for longer" rates, clearly flagging its intention to keep monetary policy tight. ECB raised its main rate by 75bps, with Christine Lagarde saying that investors should not assume moves on this scale were "the norm", but there would be "several" rate rises in the coming months. The tension between Russia and Nato members further increased after the sabotage of both Nordstream 1 and 2, while Russia declared annexation of four Ukrainian regions. 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). Huge volatility was registered on UK Gilt market, where BOE was forced to intervene to avoid a "material risk to UK financial stability" after that Liz Truss' government announced a fiscal plan that caused a spike of the 30 years yield to 5%. 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 August (1.45%). Fund's actual exposure (beta and duration adjusted) is 51.40%, higher relatively to last month (47.06%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 17.43% (net of funding cost in EUR), a low spread duration of 2.64 and a z spread of 1572.

Yield-type bucket

The bucket generated a negative gross contribution to the monthly performance, with 57% of the positions (55 out of 96) contributing positively. During the month we increased our invested capital: conditions remain attractive in the short-term part of the credit curve. The average life of

Performance

MTD :	-2.12%	Fund Assets (mln) :	46.5 €
Since inception	15.19%	1 Year Std Dev :	5.36%
Last 12 Months :	-11.16%	1 Year Sharpe Ratio :	-2.01
NAVps :	EUR 115.19	% 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	-2.12%	# of Securities	173
YTD	-10.14%	% Weight	242.07%
6 months	-2.56%	Int Dur	1.54
1 year	-11.16%	Yield (gross)	17.43%
2021	2.20%	Spread Duration	2.64
2020	6.96%	Z-spread	1572
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	32.64%
EUR	29.13%
NOK	22.17%
SEK	12.38%
CHF	1.46%
GBP	2.23%
TOTAL	100.00%

Geographic breakdown

EU	23.22%
US	9.26%
Oth DEV	43.00%
LAT AM	2.79%
EMEA	15.53%
ASIA	6.20%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	4.42%
tot IG	4.42%
BB	27.75%
B	17.10%
CCC	3.21%
tot HY	48.06%
NR	47.52%
TOTAL	100.00%

Sector breakdown - Top 10

Services	25.87%
Real Estate	16.85%
Basic Industry	9.48%
Energy	5.74%
Transportation	5.71%
Leisure	5.65%
Financial Services	5.62%
Banking	4.77%
Telecommunications	4.25%
Automotive	3.40%

the yield-type portfolio is very short (8 months or average spread duration of 0.64). The fund is levered, being invested at about 242% currently.

Strategical & Tactical buckets

Tactical bucket generated a negative performance during the month, with homogeneous contributions. Geographical allocation in EM was positive; picking was negative in EM and positive in EUR HY (overall positive).

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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