

# Swan Long Short Credit Sicav–SIF

## October 2022

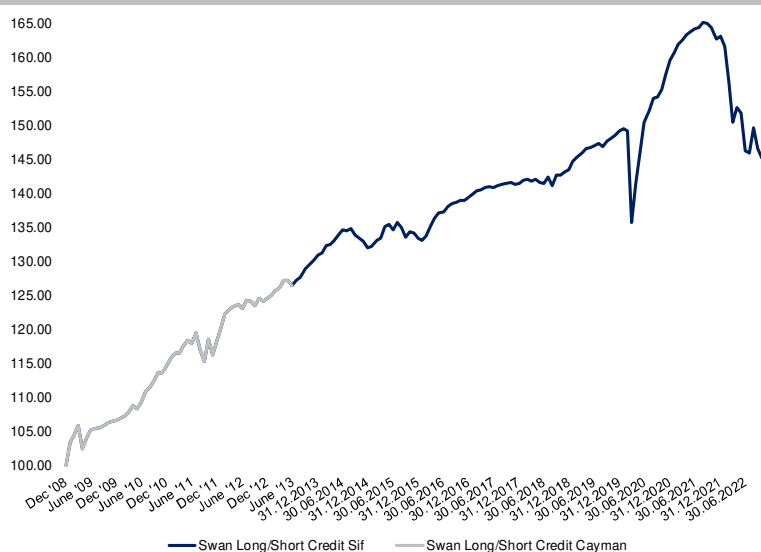


### Strategy

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 -24.24% for EM corp HY to -13.77% of the EU HY. The IG EUR market is also negative by -14.90% YTD, mainly due to the rates component. The short-term (1-3 year) H1WN global HY index also reports a performance of -12.76% YTD while the Global unconstrained (in terms of maturity) HY lost -15.82%. ECB raised its main rate by 75bps for the second time in a row to the highest since 2009: further increase will follow in next meeting to fight record eurozone inflation, despite a looming recession in the region. By the way the tone used by Christine Lagarde was dovish, saying that next move will be data dependent, leaving doors open for a quick pivot in case inflation should ease substantially in the future. US GDP rose 2.6% in 3Q22 (expectation of 0.4%), a sharp improvement on the 0.6% drop registered in the second quarter, even if the number has been considered weak in terms of signal about future strength of the economy. In UK Rishi Sunak replaced Liz Truss as prime minister, saying that he would prioritize "economic stability and confidence", in tandem with the new Italian cabinet lead by Giorgia Meloni that pose economic stability and loyalty to NATO alliance at the center of its program. The 10 years bund yield was higher at +2.14% (+4bps in the month) while the 10 years Treasury closed the month at 4.04% (+22bps). 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 September (1.45%). Fund's actual exposure (beta and duration adjusted) is 56.68%, higher relatively to last month (51.40%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 18.13% (net of funding cost in EUR), a low spread duration of 2.79 and a z spread of 1605.

### Yield-type bucket

The bucket generated a negative gross contribution to the monthly performance, with 72% of the positions (67 out of 93) 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 the yield-type portfolio is very short (8 months or average spread duration of 0.66). The fund is levered, being invested at about 252% currently.

### 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>-0.92%</b>	Fund Assets (mln) :	44.1 €
Since inception	<b>14.13%</b>	1 Year Std Dev :	5.33%
Last 12 Months :	<b>-11.69%</b>	1 Year Sharpe Ratio :	-2.15
NAVps :	EUR 114.13	% of positive months :	72%

\* 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>-0.92%</b>	# of Securities	181
YTD	<b>-10.97%</b>	% Weight	251.65%
6 months	<b>-4.84%</b>	Int Dur	1.66
1 year	<b>-11.69%</b>	Yield (gross)	18.13%
2021	<b>2.20%</b>	Spread Duration	2.79
2020	<b>6.96%</b>	Z-spread	1605
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>		
<b>FX breakdown (fully hedged)</b>		<b>Geographic breakdown</b>	
USD	30.28%	EU	27.12%
EUR	32.03%	US	8.94%
NOK	23.63%	Oth DEV	43.79%
SEK	11.59%	LAT AM	1.61%
CHF	0.09%	EMEA	13.79%
GBP	2.37%	ASIA	4.75%
<b>TOTAL</b>	<b>100.00%</b>	<b>TOTAL</b>	<b>100.00%</b>

### Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	3.32%
<b>tot IG</b>	<b>3.32%</b>
BB	26.46%
B	17.71%
CCC	3.08%
<b>tot HY</b>	<b>47.25%</b>
NR	49.43%
<b>TOTAL</b>	<b>100.00%</b>

### Strategical & Tactical buckets

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

### Sector breakdown - Top 10

Real Estate - Dev Res	5.22%
Shipping - Chemicals	5.06%
Real Estate - Mgmt Res	4.94%
Chemicals	4.91%
Banking	4.34%
Air Transportation	4.12%
Gaming - Online Gaming	3.57%
Real Estate - Mgmt Comr	3.54%
Shipping - Crude	3.37%
Shipping - Gas	2.78%

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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