

# Swan Long Short Credit Sicav–SIF

## December 2022

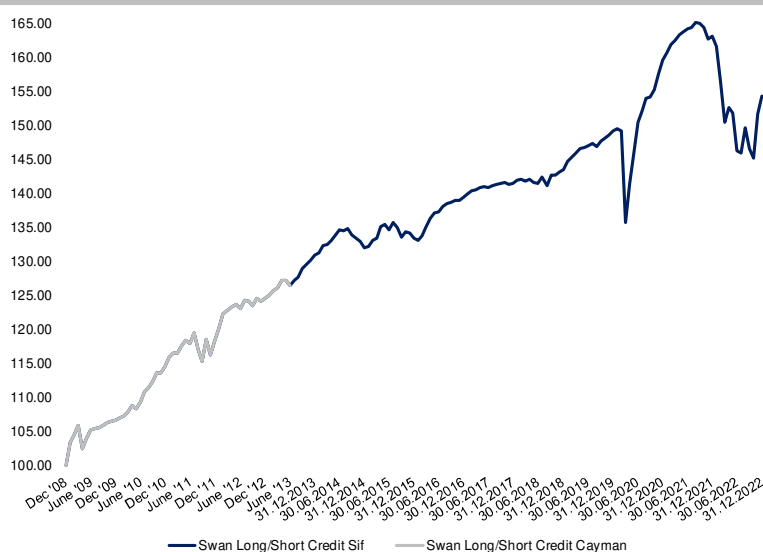


### Strategy

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 returns in 2022 were extremely negative with performances ranging from -17.01% for EM corp HY to -11.22% of the EU HY. The IG EUR market is also negative by -13.94% YTD, mainly due to the rates component. The short-term (1-3 year) H1WN global HY index also reports a performance of -10.07% YTD while the Global unconstrained (in terms of maturity) HY lost -13.60%. US CPI came lower than expected again in November at 7.1% YoY, giving the FED the possibility to raise rates by 50bps only, ending a months-long string of 0.75% rate increases. The revised "dots plot" signals fed funds rate at 5.1% by the end of 2023, 50bps higher than previous forecasts, a clear signal that the battle against inflation is not finished yet. The ECB also raised its deposit rate by 50bps to 2%, followed by very hawkish declarations by Christine Lagarde, who affirmed that the ECB will "raise interest rates at a 50bps pace for a period of time". Both the FED and the ECB warned that further actions are needed to curb prices rise and that inflation could take a long time to return to target levels of 2%. The 10 years bund yield was lower at +2.57% (+64bps in the month) in tandem with the 10 years Treasury that closed the month at 3.88% (+27bps). Thanks to the recent volatility spike we have been able to add several new credit stories at very interesting levels of credit spreads: our funds have a yield to maturity between 8% and 15%, combined with an average spread duration of below 16 months. The combination of higher diversification, higher credit quality and higher expected yields paves the way for extremely 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 November (1.45%). Fund's actual exposure (beta and duration adjusted) is 53.26%, lower relatively to last month (60.12%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 14.87% (net of funding cost in EUR), a low spread duration of 2.86 and a z spread of 1227.

### Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 88% of the positions (87 out of 95) 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 the yield-type portfolio is very short (10 months or average spread duration of 0.84). The fund is levered, being invested at about 238% currently.

### Performance

MTD :	1.74%	Fund Assets (mln) :	44.0 €
Since inception	21.33%	1 Year Std Dev :	5.23%
Last 12 Months :	-5.35%	1 Year Sharpe Ratio :	-1.07
NAVps :	EUR 121.33	% 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	1.74%	# of Securities	175
YTD	-5.35%	% Weight	238.12%
6 months	5.49%	Int Dur	1.75
1 year	-5.35%	Yield (gross)	14.87%
2021	2.20%	Spread Duration	2.86
2020	6.96%	Z-spread	1227
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	30.93%
EUR	32.75%
NOK	21.86%
SEK	11.14%
CHF	0.10%
GBP	3.22%
<b>TOTAL</b>	<b>100.00%</b>

### Geographic breakdown

EU	27.74%
US	8.49%
Oth DEV	43.59%
LATAM	2.03%
EMEA	13.49%
ASIA	4.67%
<b>TOTAL</b>	<b>100.00%</b>

### Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	4.00%
<b>tot IG</b>	<b>4.00%</b>
BB	24.81%
B	17.72%
CCC	4.00%
<b>tot HY</b>	<b>46.53%</b>
NR	49.48%
<b>TOTAL</b>	<b>100.00%</b>

### Sector breakdown - Top 10

Real Estate - Dev Res	15.58%
Banking	14.48%
Shipping - Chemicals	12.42%
Real Estate - Mgmt Res	10.46%
Gaming - Online Gaming	9.26%
Shipping - Crude	8.95%
Real Estate - Mgmt Comr	8.72%
Investments & Misc Finar	8.58%
Shipping - Gas	8.31%
Telecom - Wireline Integr	7.11%

### Strategical & Tactical buckets

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