

Swan Long Short Credit Sicav–SIF

January 2023



Strategy

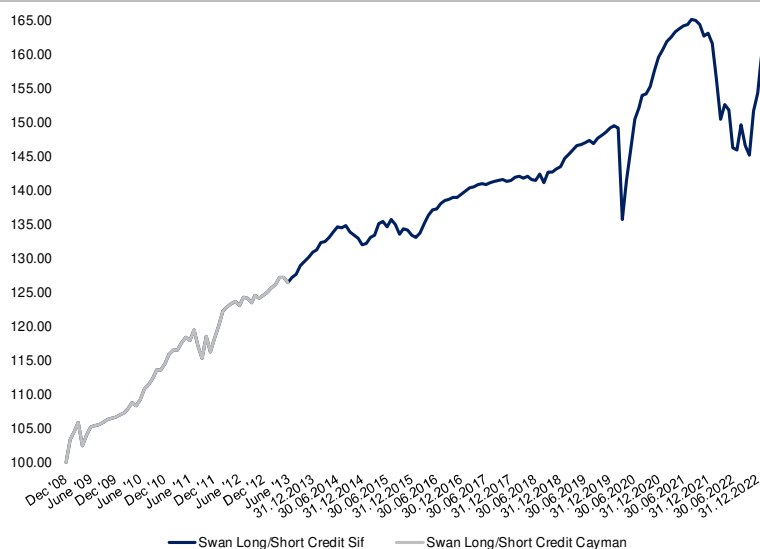
Swan Long Short Credit SIF is the alternative version of our Fixed Income High Reward risk profile. Depending on market conditions, the strategy combines an highly diversified buy and hold portfolio of liquid short-term fixed income securities, in a levered format, with an opportunistic allocation to 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 started 2023 with positive performances ranging from +3.91% for EM corp HY to +3.26% of the EU HY. The IG EUR market is also positive by +2.01% YTD. The short-term (1-3 year) H1WN global HY index also reports a performance of 2.71% YTD while the Global unconstrained (in terms of maturity) HY gained +3.59%. US CPI continued its march lower in December at 6.5% YoY, in tandem with European inflation that came back to single digit level at 9.2%. Inflation seems to have peaked in developed countries but central bankers on both side of the Atlantic remarked that they will "stay the course" on interest rate increases to cool their economies and fight higher prices level. Christine Lagarde was very vocal saying that financial markets "should revise their position" that ECB would slow down its rate rise, but market started the year on a very strong note thanks to better than expected economic outlooks: economists signaled a U-turn in sentiment that coupled with gas rationing fears ease should give Eurozone the opportunity to avoid recession in 2022, while a soft landing scenario could be the case for US. The 10 years bund yield was lower at +2.30% (-27bps in the month) in tandem with the 10 years Treasury that closed the month at 3.53% (-34bps). Oil was stable around 85\$ per barrel, while US dollar continued to weaken with DXY at 102. 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 7.5% and 12%, 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 December (1.45%). Fund's actual exposure (beta and duration adjusted) is 53.51%, higher relatively to last month (53.26%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 13.38% (net of funding cost in EUR), a low spread duration of 2.63 and a z spread of 1061.

Yield-type bucket

The bucket generated a positive gross contribution to the monthly performance, with 98% of the positions (93 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 (8 months or average spread duration of 0.67). The fund is levered, being invested at about 235% 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 :	3.87%	Fund Assets (mln) :	45.2 €
Since inception	26.02%	1 Year Std Dev :	5.10%
Last 12 Months :	-0.83%	1 Year Sharpe Ratio :	-0.25
NAVps :	EUR 126.02	% 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	3.87%	# of Securities	181
YTD	3.87%	% Weight	235.38%
6 months	9.80%	Int Dur	1.78
1 year	-0.83%	Yield (gross)	13.38%
2022	-5.35%	Spread Duration	2.63
2021	2.20%	Z-spread	1061
2020	6.96%		
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	29.18%
EUR	34.84%
NOK	21.62%
SEK	11.02%
CHF	0.09%
GBP	3.24%
TOTAL	100.00%

Geographic breakdown

EU	29.53%
US	7.30%
Oth DEV	43.84%
LATAM	2.00%
EMEA	12.54%
ASIA	4.80%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	5.24%
tot IG	5.24%
BB	25.19%
B	17.83%
CCC	2.19%
tot HY	45.21%
NR	49.55%
TOTAL	100.00%

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 in EM and negative in EUR HY (overall negative).

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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