

Swan Long Short Credit Sicav–SIF

March 2023

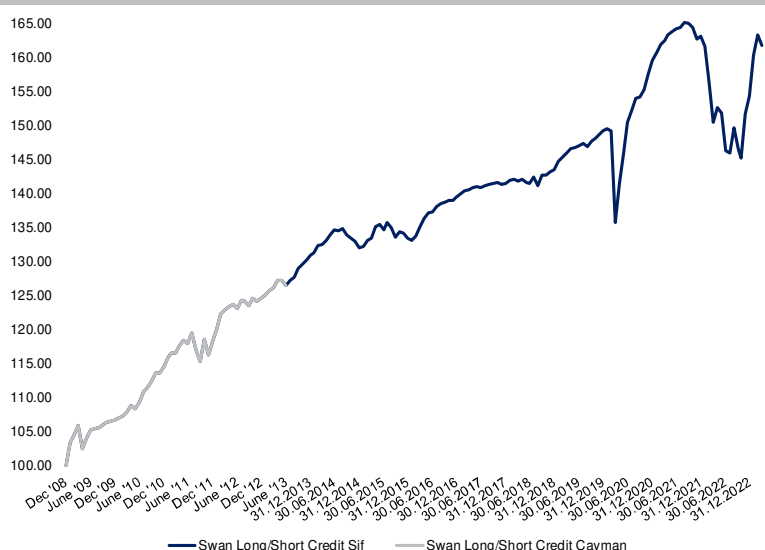


Strategy

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

High Yield Credit markets reported a mixed performance in March ranging from -0.16% for EM corp HY to -0.13% of the EU HY in contrast with the movement of the S&P500 (+3.51%) Eurostoxx50 (+1.8%). The IG EUR market was positive by 1.02%. The short-term (1-3 year) H1WN global HY index also reports a negative performance of -0.14% YTD while the Global unconstrained (in terms of maturity) HY gained +0.42%. The month was dominated by news on banking crisis from both US and EU. First signs of deterioration came from US, where Silicon Valley Bank was hit by a bank run after the news of a possible capital increase due to heavy loss on its Treasury positions. The FED had to set up a special liquidity line for the banking system, in addition to full guarantee on all deposits, in order to avoid a possible collapse of the entire regional banking system in the US. In Europe, after an interview of Saudi National Bank CEO, Credit Suisse fell in a negative spiral, forcing the Swiss National Bank to orchestrate an acquisition of CS by UBS, with a consequent bail in of AT1 bonds that surprised the market. In this negative context, both the FED and the ECB continued their hiking cycle, due to inflation that did not show significant sign of weakness: the FED raised rates by 25bps while the ECB added 50bps to its main refinancing rate. Oil was stable at around 75\$ per barrel, while US dollar lost some ground with DXY at 102.5. 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 12.5%, 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

Fund's actual exposure (beta and duration adjusted) is 69.17%, higher relatively to last month (60.88%). The mix between Strategic and Tactical positions is 0% Strategic and 100% Tactical. The fund has an estimated yield of 12.45% (net of funding cost in EUR), a low spread duration of 2.74 and a z spread of 944.

Yield-type bucket

The bucket generated a negative gross contribution to the monthly performance, with 64% of the positions (58 out of 91) 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 228% 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 :	-0.92%	Fund Assets (mln) :	46.8 €
Since inception	27.11%	1 Year Std Dev :	3.47%
Last 12 Months :	7.52%	1 Year Sharpe Ratio :	1.86
NAVps :	EUR 127.11	% 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	-0.92%	# of Securities	203
YTD	4.76%	% Weight	227.98%
6 months	10.35%	Int Dur	1.94
1 year	7.52%	Yield (gross)	12.45%
2022	-5.35%	Spread Duration	2.74
2021	2.20%	Z-spread	944
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	37.83%
NOK	18.86%
SEK	11.22%
CHF	0.55%
GBP	2.35%
TOTAL	100.00%

Geographic breakdown

EU	32.25%
US	7.91%
Oth DEV	42.78%
LATAM	1.89%
EMEA	12.14%
ASIA	3.02%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	0.00%
BBB	5.58%
tot IG	5.58%
BB	26.04%
B	17.66%
CCC	2.09%
tot HY	45.80%
NR	48.62%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	7.21%
Real Estate - Mgmt Res	5.42%
Shipping - Gas	5.10%
Gaming - Online Gaming	5.07%
Real Estate - Dev Res	4.54%
Shipping - Chemicals	4.24%
Real Estate - Mgmt Comr	4.00%
Chemicals	3.95%
Oil and gas E&P - All	3.89%
Investments & Misc Finar	3.79%
<i>* Portfolio 100%</i>	

Strategical & Tactical buckets

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

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

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