

History of Defining Risk in Down Markets

How would your clients react if the market were to lose 5% or more in a month?

The table to the right shows the number of months in the past 20 years when the S&P 500 Index experienced a drop of 5% or more.

Ten of those months dropped more than 8%.

Over the same period, Swan's Defined Risk Strategy experienced only four months when it lost 5% and only one when it lost more than 8%.

The Defined Risk Strategy beat the S&P 500 25 out of the 27 months.

Biggest downs (8% or more)	
S&P 500	10 times
DRS	1 time

Performance in 2008	
S&P 500	-37.00%
DRS	-4.50%

Worst Month for S&P 500: October 2008	
S&P 500	-16.80%
DRS	-4.60%

Summary of Months of >5% Loss in S&P 500 Index since 7/97, Sorted by Year

Swan DRS Outperforms ■

Swan DRS Underperforms ■

Month/Year	S&P 500 Index	Swan DRS	Over/Under
Aug-97	-5.60%	-4.92%	0.68%
Aug-98	-14.46%	-16.15%	-1.69%
Jan-00	-5.02%	3.32%	8.34%
Sep-00	-5.28%	-0.86%	4.42%
Nov-00	-7.18%	-3.64%	3.54%
Feb-01	-9.12%	-2.23%	6.89%
Mar-01	-6.33%	-0.12%	6.21%
Aug-01	-6.26%	-0.52%	5.74%
Sep-01	-8.08%	-1.88%	6.20%
Apr-02	-6.06%	-0.31%	5.75%
Jun-02	-7.12%	-0.11%	7.01%
Jul-02	-7.79%	-2.03%	5.76%
Sep-02	-10.87%	13.46%	24.33%
Dec-02	-5.87%	1.88%	7.75%
Jan-08	-6.00%	-4.70%	1.30%
Jun-08	-8.43%	-2.66%	5.77%
Sep-08	-8.91%	-6.03%	2.88%
Oct-08	-16.79%	-4.57%	12.22%
Nov-08	-7.88%	-3.89%	3.99%
Jan-09	-8.43%	-1.87%	6.56%
Feb-09	-10.65%	-2.30%	8.35%
May-10	-7.99%	-4.64%	3.35%
Jun-10	-5.23%	-1.61%	3.62%
Aug-11	-5.43%	-7.69%	-2.26%
Sep-11	-7.03%	-0.78%	6.25%
May-12	-6.01%	-2.15%	3.86%
Aug-15	-6.03%	-5.22%	0.81%
Sum	-209.90%	-62.20%	
Average	-7.80%	-2.30%	5.50%

Source: Zephyr StyleADVISOR & Swan Global Investments. All data based on historical performance of the S&P Total Return Index and the Swan DRS Select Composite. Prior performance is not a guarantee of future results.

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The Swan Defined Risk Strategy Is Always Invested and Always Hedged

By actively seeking to not lose big, this distinct strategy, launched in 1997, seeks to minimize the impacts of bear markets, which may result in less volatile and more consistent results.

Investment Process

- 1 Equity**
ALWAYS INVESTED in low-cost equity ETFs to eliminate stock picking, market timing, and sector rotation.
- 2 Protection**
ALWAYS HEDGED using long-term put options, seeking to protect against large market declines.
- 3 Option Premium**
ALWAYS seeking to generate regular cash flow by selling market-neutral puts and calls to improve total portfolio return.

When the market drops and the equity loses value, the put option increases in value, and vice versa.



This counter-balancing investment approach is engineered to NOT lose big.

Disclosures: Performance results are presented in U.S. dollars and are net-of-actual-fees and trading expenses and reflect the reinvestment of dividends and capital gains. Actual fees may vary based on, among other factors, account size and custodial relationship. No current or prospective client should assume future performance of any specific investment strategy will be profitable or equal to past performance levels. All investment strategies have the potential for profit or loss. Changes in investment strategies, contributions or withdrawals may cause the performance results of a client's investment portfolio to differ materially from the reported composite performance. Different types of investments involve varying degrees of risk and there can be no assurance that any specific investment will either be suitable or profitable for a client's investment portfolio. Historical performance results for market indices and/or categories generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance results. All Swan products utilize the Defined Risk Strategy ("DRS"), but may vary by asset class, regulatory offering type, etc. Accordingly, all Swan DRS product offerings will have different performance results, and comparing results among the Swan products and composites may be of limited use. Economic factors, market conditions, and investment strategies will affect the performance of any portfolio and there are no assurances that it will match or outperform any particular benchmark. The S&P 500 Index is a market cap weighted index of 500 widely held stocks often used as a proxy for the overall U.S. equity market. Indexes are unmanaged and have no fees or expenses. An investment cannot be made directly in an index. Swan's investments may consist of securities which vary significantly from those in the benchmark indexes listed above and performance calculation methods may not be entirely comparable. Accordingly, comparing results shown to those of such indexes may be of limited use. The equity portion of portfolio is hedged using put options and the option income portion of the portfolio is actively managed to seek additional income. Both the equity and income portion of the strategy may experience losses in a market downturn, but may be defined and mitigated by the hedge. The extent of potential losses will vary depending on many factors including, but not limited to; the options used, option strategy, expiration, prices, actions taken by portfolio manager.

Swan Global Investments, LLC ("Swan") is an independent Investment Advisory company headquartered in Durango, CO. Swan is registered with the US Securities and Exchange Commission under the Investment Advisers Act of 1940. Note that being an SEC registered Investment Adviser does not denote any special qualification or training. Swan offers and manages The Defined Risk Strategy ("DRS") for its clients including individuals, institutions and other investment advisor firms. Swan Global Investments has affiliated advisers including Swan Global Management, LLC and Swan Capital Management, LLC. There are eight DRS Composites offered: 1) The DRS Select Composite which includes non-qualified accounts; 2) The DRS IRA Composite which includes qualified accounts; 3) The DRS Composite which combines the DRS Select and DRS IRA Composites; 4) The DRS Institutional Composite which includes high net-worth, non-qualified accounts that utilize cash-settled, index-based options held at custodians that allow participation in Clearing Member Trade Agreement (CMTA) trades; 5) The Defined Risk Fund Composite which includes mutual fund accounts invested in the S&P 500; 6) The DRS Emerging Markets Composite which includes mutual fund accounts invested in emerging markets; 7) The DRS Foreign Developed Composite which includes all research and development account(s), and mutual fund accounts invested in foreign developed markets; 8) The DRS U.S. Small Cap Composite which includes all research and development account(s), and mutual fund accounts invested in U.S. small cap issues. Additional information regarding Swan's policies and procedures for calculating and reporting performance returns is available upon request.

Swan claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with GIPS. Swan's compliance with GIPS has been independently verified for the periods July 1, 1997 through December 31, 2016. The Spaulding Group conducted Swan's verification. A copy of the verification report is available upon request. To receive copies of the report, please call (970) 382-8901 or email operations@swanglobalinvestments.com. Verification assesses whether (1) the firm has complied with all the composite construction requirements of GIPS on a firm-wide basis, and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with GIPS. Verification does not ensure the accuracy of any specific composite presentation. The benchmarks used for the DRS Select Composite are the S&P 500 Index, which consists of approximately 500 large cap stocks, and a 60/40 blended composite, weighted 60% in the aforementioned S&P 500 Index and 40% in the Barclays US Aggregate Bond Index. The 60/40 is rebalanced monthly. The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency). 092-SGI-021218

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