

# The Defined Risk Strategy

“Managing investments is more about risk management,  
than return management”

– BENJAMIN GRAHAM





# EVERY INVESTOR BEGINS WITH CERTAIN GOALS.

## YOUR GOALS:

- Build your retirement account
- Avoid outliving your money
- Cover higher education costs for your children
- Care for your parents
- Donate to your charities

## YOUR CHALLENGES:

- Low interest rates creating difficulty for fixed income
- Bull markets in both stocks and bonds; what if they end simultaneously?
- Global economic, political, and other risks add more uncertainty



REACHING YOUR GOALS  
IS IMPORTANT.

SWAN CAN HELP GET YOU THERE.

# The Defined Risk Strategy



# WHAT KEEPS YOU UP AT NIGHT?

You face unique challenges in pursuing your investment goals.

Stock market near all time highs

**After an historic run upward, another major bear market in stocks would cause large losses, long recovery times, and missed goals.**

THE S&P 500 INDEX 1981-2017



Source: Morningstar Direct

Interest rates & bond yields near all time lows

**Falling interest rates drove bond prices up for over 35 years. When rates rise, bond prices will fall.**

BULL RUN IN BONDS MAY BE OVER 1981-2017



Source: Swan Global Investments

Major events will occur. Even the best made plan can be disrupted.

**Do you remember the Dot-Com Crash? Or the Financial Crisis? How did these major events impact your life, portfolio, and goals? Do you wish your portfolio had been better protected?**

MAJOR EVENT	MARKET HEADED DOWN ON...	MARKET BOTTOMED OUT ON...	THE MARKET LOST	A \$1,000,000 PORTFOLIO WOULD HAVE FALLEN TO	THAT PORTFOLIO WOULDN'T HAVE RECOVERED UNTIL
Dot-Com Crash	Sept 2000	Sept 2002	-44.73%	\$552,700	October 2006
Financial Crisis	Nov 2007	Feb 2009	-50.95%	\$490,500	March 2012

Source: Zephyr StyleADVISOR, Based on monthly index close.

Did you know?

Since 1929, the S&P 500 data shows that, on average, bear markets:



Source: Bank of America Merrill Lynch, Global Research, Bloomberg; Returns based on S&P 500

## HOW ARE YOU PREPARED TO DEAL WITH THESE CHALLENGES?

Investors cannot directly invest in an index and unmanaged index returns do not reflect any fees expenses or sales charges. Overall securities market risks will affect the value of individual instruments in which the strategy invests. Past performance does not guarantee future results.

# SEEKING STEADY PERFORMANCE PLANNING DESIRED OUTCOMES

Many believe an investment in an S&P 500 Index product is a core holding.

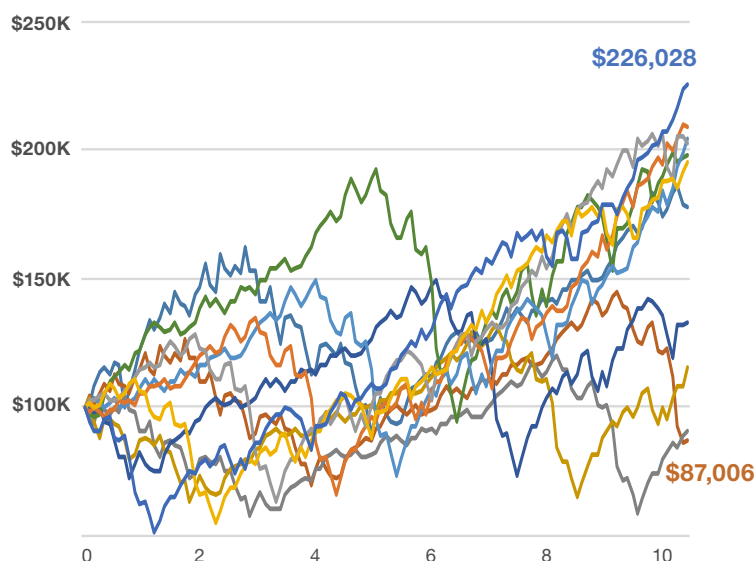
A core holding is defined as an investment bought with the express purpose of being held for a very long time, and is often a high quality security with a history of fairly steady performance (Source: investorwords.com).

The charts below show returns for successive 10-year periods, from 1998 to 2017. In the chart on the left you can see the performance of the S&P 500 Index has been anything but steady...

## Unsteady Returns - Outcome Uncertainty

S&P 500 INDEX: SUCCESSIVE 10-YEAR RETURNS

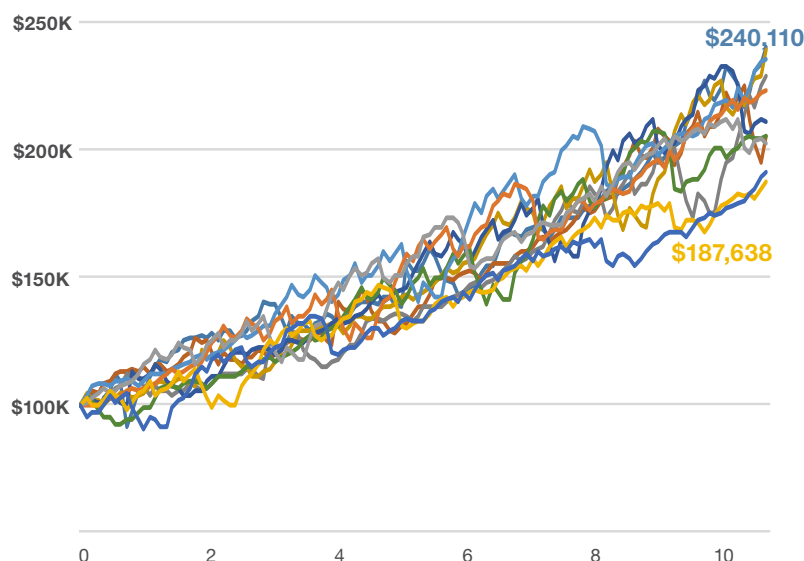
The S&P 500 Index produced very different outcomes for the successive 10-year investment periods.



## Seeking Steady Returns - Consistent Outcomes

SWAN DRS: SUCCESSIVE 10-YEAR RETURNS

The Swan Defined Risk Strategy produced more consistent outcomes over the same 10-year periods.



Source: Zephyr StyleADVISOR and Swan Global Investments. Performance based on Swan Defined Risk Select Composite. Past performance does not guarantee future results.

Investment Results after 10-years	S&P 500 Index	Swan DRS
January 2008 - December 2017:	\$226,028	\$191,123
January 2007 - December 2016:	\$195,717	\$187,638
January 2006 - December 2015:	\$202,420	\$202,273
January 2005 - December 2014:	\$209,464	\$223,932
January 2004 - December 2013:	\$204,293	\$236,040
January 2003 - December 2012:	\$198,578	\$205,106
January 2002 - December 2011:	\$133,351	\$211,150
January 2001 - December 2010:	\$115,072	\$239,823
January 2000 - December 2009:	\$90,902	\$228,900
January 1999 - December 2008:	\$87,006	\$205,562
January 1998 - December 2007:	\$177,565	\$240,110

## Pursuing Peace of Mind

Fewer surprises may lead to consistent returns and more predictable outcomes.

The Swan Defined Risk Strategy (DRS) is designed to seek consistent returns, with a performance record since 1997.

Consider making the Swan DRS a core component of your financial plan.

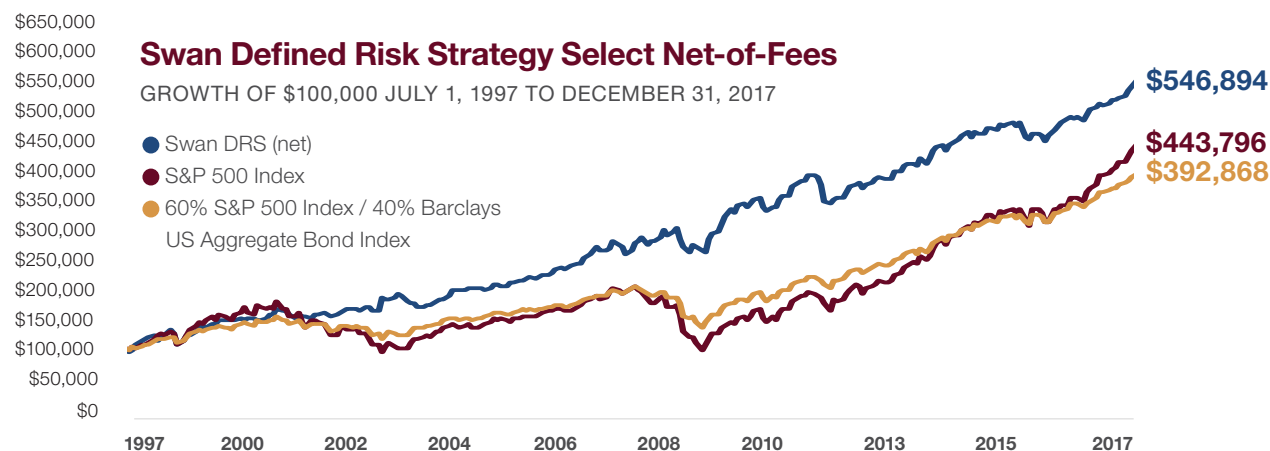
**WHICH STRATEGY DESERVES TO BE YOUR CORE HOLDING?**



# SWAN'S PHILOSOPHY & PERFORMANCE

“By actively seeking to not lose big, we believe that investors will be better off in the long run.”

- RANDY SWAN, CEO AND PORTFOLIO MANAGER OF SWAN GLOBAL INVESTMENTS



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Swan DRS (net)</b>	19.17%	11.55%	12.26%	3.17%	7.46%	12.22%	-0.65%	12.28%	7.47%	18.14%	8.81%
<b>60% S&amp;P / 40% Agg</b>	9.01%	20.98%	12.00%	-0.99%	-3.71%	-9.82%	18.48%	8.30%	4.00%	11.12%	6.22%
<b>S&amp;P 500 Index</b>	10.58%	28.58%	21.04%	-9.10%	-11.89%	-22.10%	28.68%	10.88%	4.91%	15.79%	5.49%
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
<b>Swan DRS (net)</b>	-4.50%	25.00%	8.10%	-5.38%	9.01%	14.34%	6.52%	-2.93%	9.59%	10.83%	
<b>60% S&amp;P / 40% Agg</b>	-22.06%	18.40%	12.13%	4.69%	11.31%	17.56%	10.62%	1.28%	8.31%	14.21%	
<b>S&amp;P 500 Index</b>	-37.00%	26.46%	15.06%	2.11%	16.00%	32.39%	13.69%	1.38%	11.96%	21.83%	

**Average Annual Return:**  
 Defined Risk Strategy: 8.64%  
 S&P 500 Index: 7.54%  
 60% S&P / 40% Agg: 6.90%

Source: Zephyr StyleADVISOR and Swan Global Investments. Performance based on Swan Defined Risk Select Composite. Past performance does not guarantee future results.

## Achieving long-term goals requires time and a sound strategy.

At Swan, we believe investment gains are irrelevant if you lose most of the gains in the next bear market. Gains are only relevant if you keep them. If you can avoid or minimize the affect of large market losses, you increase the probability of reaching your goals.

**The Swan Defined Risk Strategy (DRS) is designed to do just that, and that has been our goal since 1997.**

**DOES YOUR LONG-TERM PLAN INCLUDE SUCH A STRATEGY?**

# THE DEFINED RISK STRATEGY

## SEEKING A BETTER WAY TO INVEST

Launched in 1997, the Swan Defined Risk Strategy is designed to seek consistency of returns, downside protection, and sustainability of assets.

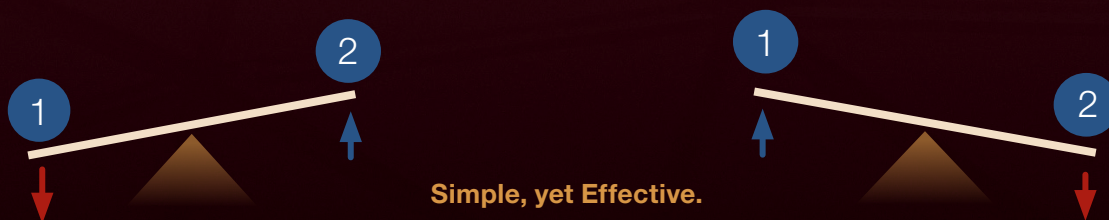
Most industry experts define a 20% drop in the value of the market as a bear market. Such major declines often require multi-year recoveries.

By lowering portfolio volatility, thereby limiting the damage caused by bear markets, the Defined Risk Strategy has historically reduced the portfolio recovery time from years to months, thereby making it easier to stay invested and more likely on track towards achieving your investment goals.

### How It Works



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.



**We believe large portfolio losses and multi-year recoveries are not the consequences investors must accept in order to achieve long-term portfolio growth.**

**Our track record since 1997 has shown it.**

Learn more at [swanglobalinvestments.com](http://swanglobalinvestments.com)



**CONSIDER ADDING THE DEFINED RISK STRATEGY TO YOUR PORTFOLIO**



# The Defined Risk Strategy

Talk with your financial professional today about how the Defined Risk Strategy can help you reach your financial goals.

**The Defined Risk Strategy is available in separately managed accounts, mutual funds and CITs.**

**For more information, visit [swanglobalinvestments.com](http://swanglobalinvestments.com)**

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## **Important Disclosures:**

Swan Global Investments, LLC is a SEC registered Investment Advisor that specializes in managing money using the proprietary Defined Risk Strategy ("DRS"). SEC registration does not denote any special training or qualification conferred by the SEC. Swan Global Investments offers and manages the Defined Risk Strategy for investors including individuals, institutions and other investment advisor firms. Swan claims compliance with the Global Investment Performance Standards (GIPS®). Any historical numbers, awards and recognitions presented are based on the performance of a (GIPS®) composite, Swan's DRS Select Composite, which includes nonqualified discretionary accounts invested in since inception, July 1997 and are net of fees and expenses.

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. All data used herein; including the statistical information, verification and performance reports are available upon request. 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 adviser's dependence on its DRS process and judgments about the attractiveness, value and potential appreciation of particular ETFs and options in which the adviser invests or writes may prove to be incorrect and may not produce the desired results. There is no guarantee any investment or the DRS will meet its objectives. All investments involve the risk of potential investment losses as well as the potential for investment gains. Prior performance is not a guarantee of future results and there can be no assurance, and investors should not assume, that future performance will be comparable to past performance. All investment strategies have the potential for profit or loss. Further information is available upon request by contacting the company directly at 970.382.8901 or visit [swanglobalinvestments.com](http://swanglobalinvestments.com) 365-SGI-092018