

Why the Time is Now for Hedged Equity

Strategic Solution to Mitigate Market Risk and Address Long-Term Challenges to Traditional Portfolio Construction

2022 - Nowhere to Hide for Investors?

There were precious few places for investors to hide last year. Looking back to 1999, never have all 14 of the major asset classes (see chart) been down simultaneously, as they were in 2022.

A shift in global monetary policy to combat inflation is triggering heightened volatility, bank failures, and fears of more market sell-offs and global recession. Meanwhile, a “higher-for-longer” interest rate regime presents challenges for traditional asset classes.

A strategic portfolio solution is necessary to address these risks and potentially long-lasting ramifications.

Asset Class Return (Cumulative): 1/1/2022 – 12/31/2022

Asset Class	Index	Return (Cumulative)	Max Drawdown
US Large Cap	S&P 500	-18.11	-24.49
US Small Cap	Russell 2000	-20.44	-26.97
US Growth	Russell 1000 Growth	-29.14	-32.28
US Value	Russell 1000 Value	-7.54	-19.00
Foreign Developed	MSCI EAFE GR	-14.01	-28.26
Emerging Markets	MSCI EM GR	-19.74	-31.59
Investment Grade Bonds	Bloomberg US Agg Bond	-13.01	-16.82
Short Term Bonds	Bloomberg US Treasury Bill 1-3 M	1.52	-0.02
Long Term Bonds	Bloomberg US Treasury 20+ Year	-31.09	-36.87
High Yield Bonds	Bloomberg High Yield Corporate	-11.19	-14.90
Balanced	60% S&P 500-40% Barclays Agg	-15.79	-20.61
REITS	FTSE Nareit All REITs	-25.10	-31.89
Gold	LBMA Gold Price PM	0.44	-20.12
Commodities	S&P GSCI	25.99	-23.86

Source: Swan Global Investments and Morningstar Direct, using available data from the specific time period stated above for all indices.

Why Hedged Equity is a Strategic Portfolio Solution



Remain Always Invested & On Track

Large losses and emotional reactions can impact long-term outcomes. Mitigating losses can help investors stay on track.



Take Advantage of Bear Markets

Investors often lack the capital or discipline to “buy low”. Active management of a hedge during major selloffs can position investors for market recovery.



Market Timing Is Unreliable

Bear markets are often unpredictable yet inevitable. Trying to time an exit, call the bottom, or predict their outcome is a fool’s errand.



Alternative to Bonds

Rising interest rates and inflation, coupled with higher correlations to stocks, render many bond categories less attractive going forward.

Hedged Equity – Helping Investors Address Current & Long-Term Challenges

- Provide an alternative to bond categories like high yield, with credit and duration risks.
- Pursue growth and reduce volatility by reallocating portions of an equity-heavy portfolio.
- Serve investors looking for an entry point while providing downside risk mitigation.
- Provide some diversification and low-correlated returns within liquid alternatives sleeve.

Are You Hedged? We Are. **Always.**

The Defined Risk Strategy

Always Invested passively for long-term growth.
Always Hedged to actively mitigate market crises.

Since 1997, our Defined Risk Strategy has been uniquely **Always Invested, Always Hedged.**

Our time-tested hedged equity approach has successfully navigated black swans and bear markets, helping investors grow and preserve wealth through market cycles.

A Time-Tested Approach

Our distinct, three-step investment process combines passive low-cost investing with active risk management.

1

Invest in Equites

To participate in equity markets.

ALWAYS INVESTED
in equity index ETFs

No stock picking or
market timing.

2

Hedge the Equites

To mitigate impacts of bear markets.

ALWAYS HEDGED using
long-term put options
(LEAPS) to mitigate market
risk and take advantage of
full market cycles.

3

Seek Additional Return

To offset hedging cost and provide alpha.

Actively managing
shorter-term options,
utilizing a disciplined,
time-tested approach.

Define risk to seek improved outcomes—that's Investing Redefined®.

Now Is the Time for Hedged Equity - Contact Swan Global Investments

970.382.8901 | swanglobalinvestments.com

Important Disclosures: *Availability of certain DRS variations or structures may be unavailable for qualified accounts or at certain custodians. Swan Global Investments, LLC is an 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 offers and manages the DRS for investors including individuals, institutions and other investment advisor firms.

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 due to offering differences and comparing results among the Swan products and composites 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 Swan Defined Risk Strategy 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. Further information is available upon request by contacting the company directly at 970-382-8901 or swanglobalinvestments.com. 120-SGI-052323

HDGNOW-BRO-23

Swan Global Investments | swanglobalinvestments.com | 970.382.8901