SWAN GLOBAL INVESTMENTS

Long-Term Hedge for Long-Term Investing

Unpredictable markets can make growing wealth and avoiding losses difficult.

Incorporating an investment approach that utilizes put option LEAPS as a long-term hedge, like our Defined Risk Strategy and other Swan hedged equity strategies, may provide the long-term defense investors need to reach their goals.

What are LEAPS?

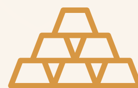
Long-term Equity Anticipation Securities, also known as LEAPS, are options with expiration dates longer than 12 months. Put option LEAPS offer risk mitigation for a longer time horizon without capping potential upside.

Benefits of Long-Term Hedging for Long-Term Investors

Defense
Direct way to mitigate market risk, which by definition is undiversifiable.

Keep Calm
Helps investors reduce volatility and mitigate big losses and emotional reactions.

Reliable Hedge
A put option is inversely correlated to the underlying equity, gaining value when the equity losses value.



Acquire More Equity
During a market selloff, a put option LEAPS rises in value, so it can be sold at a profit to buy more equity at a market low.

Long-Term Defense with Long-Term LEAPS

Shorter-term methods to hedge a portfolio may leave investors unhedged when they need it most.

A long-term put option, with a one-to-two year expiration, may offer investors portfolio defense by mitigating risk before, during, and after a bear market.

Hedging with a LEAPS may allow investors to remain always invested and always hedged.

On average, bear markets:

- ***last over 10 months***
- ***require 3.5 years to recover***

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

A HEDGE IS NOT INSURANCE, MAY LOSE VALUE

Why the Long Hedge?

For long-term investors there are distinct benefits to using a strategy or a fund with a long-term hedge instead of a short-term hedge.

Long-Term Hedging

- Duration may be longer than bear markets, keeping investors always hedged
- Not under duress to rehedge during crisis
- Opportunity to acquire more equity during major market sell-offs
- Less frequent adjustments, less market timing risk

Short-Term Hedging

- May expire during a bear market leaving investors unhedged
- Possibly cost prohibitive during crisis
- Generally unable to monetize the hedge to buy more equity when market sells off
- Shorter adjustment periods increases timing risk

The Defined Risk Strategy

The Defined Risk Strategy is a time-tested hedged equity approach that is always hedged with one-to-two year put option LEAPS. We believe this is one of the best ways to manage risk against unpredictable, life-altering losses.

Losing less money and acquiring more equity during market crises may better position investors when the market rebounds. This may reduce recovery time and increase long-term return potential.

→ Read more about the strategy at swanglobalinvestments.com

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Swan uses options in the DRS strategy. Options carry additional risks and are not suitable for all clients. Clients must read and understand the current options risk disclosure documents prior to entering into any options or other derivatives transactions. Prior to implementing a call writing program or any of the strategies described herein, a client should further discuss this investment process with other financial, legal and/or tax advisors. The options risk disclosure document is located at: http://optionsclearing.com/about/publications/character-risks.jsp 135-SGI-031519 LEAP-1PS-19