

Quarterly Round-Up

Portfolio Management Team

July 26th, 2023

Define Risk, Seek Improved Outcomes – Investing Redefined[®]

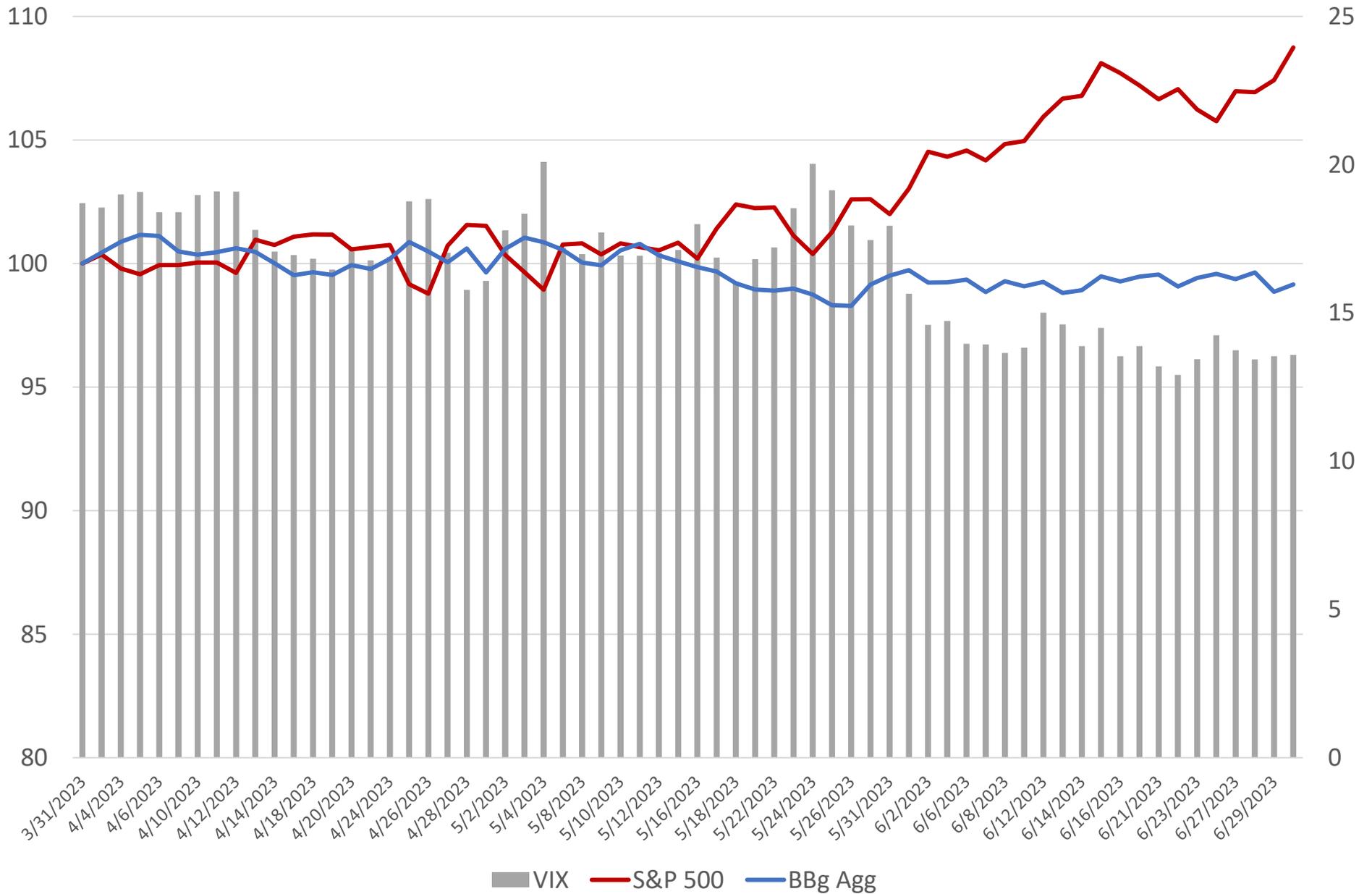
- Markets finally broke out in mid June
- “Soft landing”/“No landing” being discussed again
- Crisis avoided in Q2 (debt default, further bank closures)

	Q1	Q2	Q3	Q4	YTD
S&P 500	7.50%	8.74%			16.89%
Russell 2000	2.74%	5.21%			8.09%
MSCI EAFE	8.62%	3.22%			12.13%
MSCI EM	4.02%	1.04%			5.10%
Russell 1000 Growth	14.37%	12.81%			29.02%
Russell 1000 Value	1.01%	4.07%			5.12%
Bloomberg US Agg	2.96%	-0.84%			2.09%



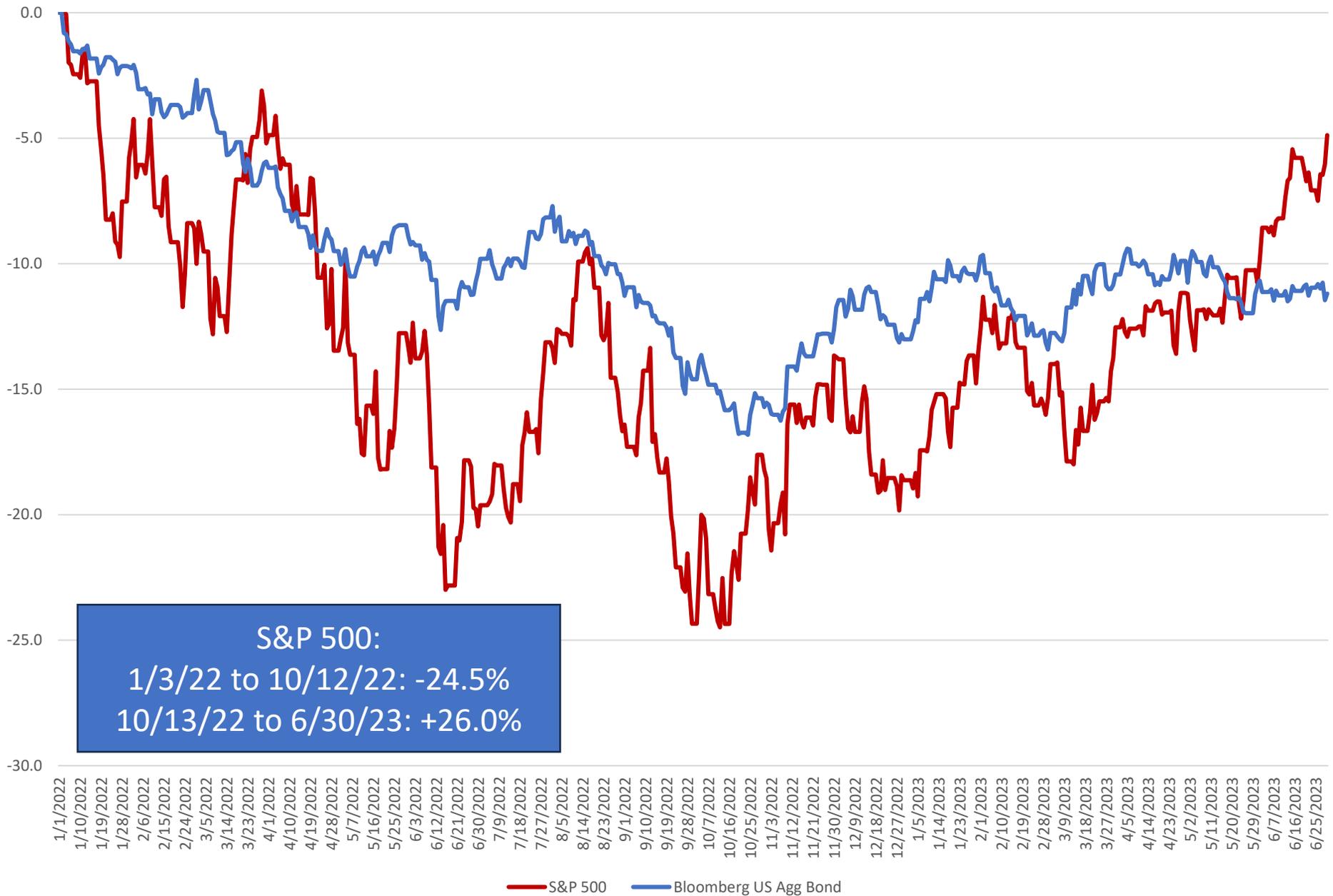
Market Environment

S&P 500, Bloomberg Agg, and VIX



Is the Bear Dead?

Bear Market



S&P 500:
1/3/22 to 10/12/22: -24.5%
10/13/22 to 6/30/23: +26.0%



Always Invested, Always Hedged



Equity

for Portfolio
Growth



Hedge

for Portfolio
Preservation



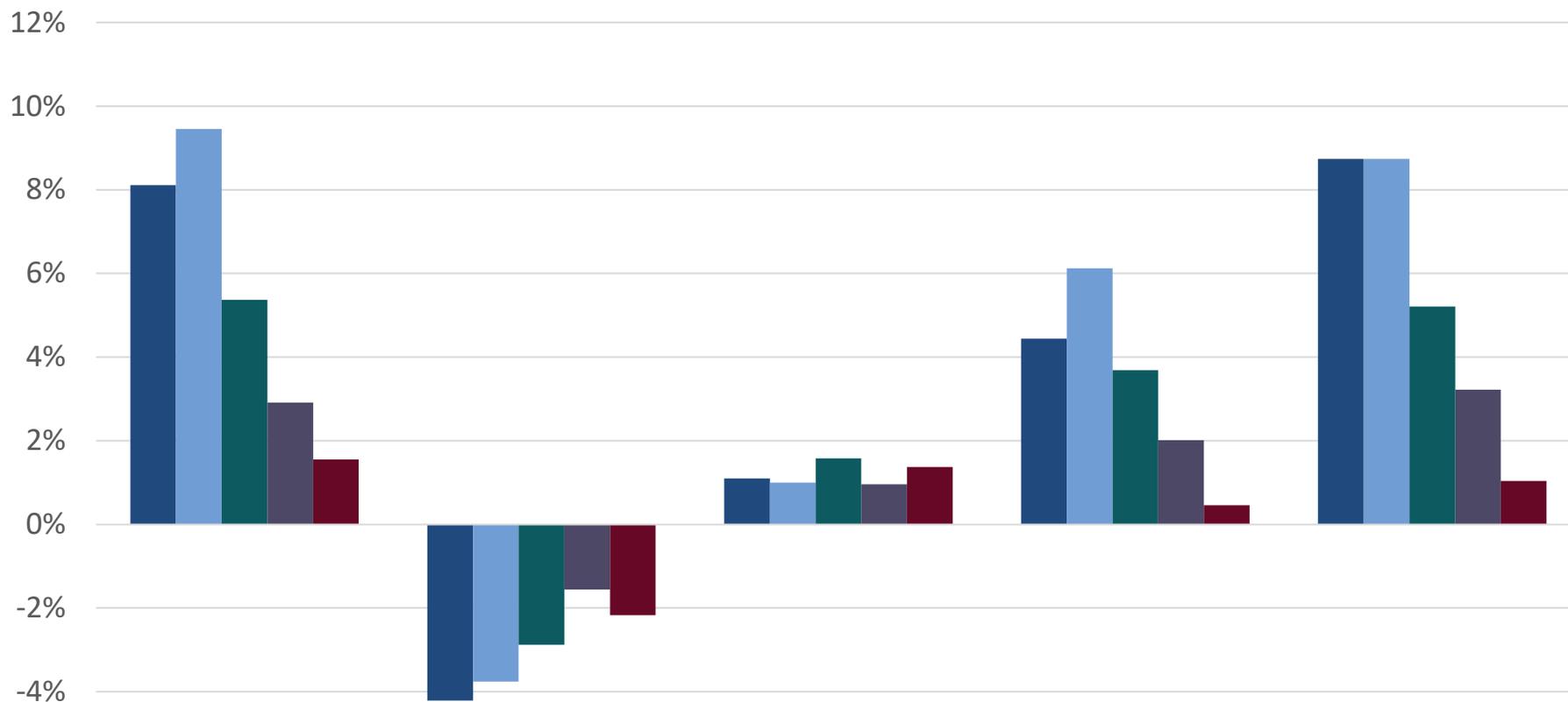
Options

Offset Hedge Cost

A HEDGE IS NOT INSURANCE AGAINST LOSSES



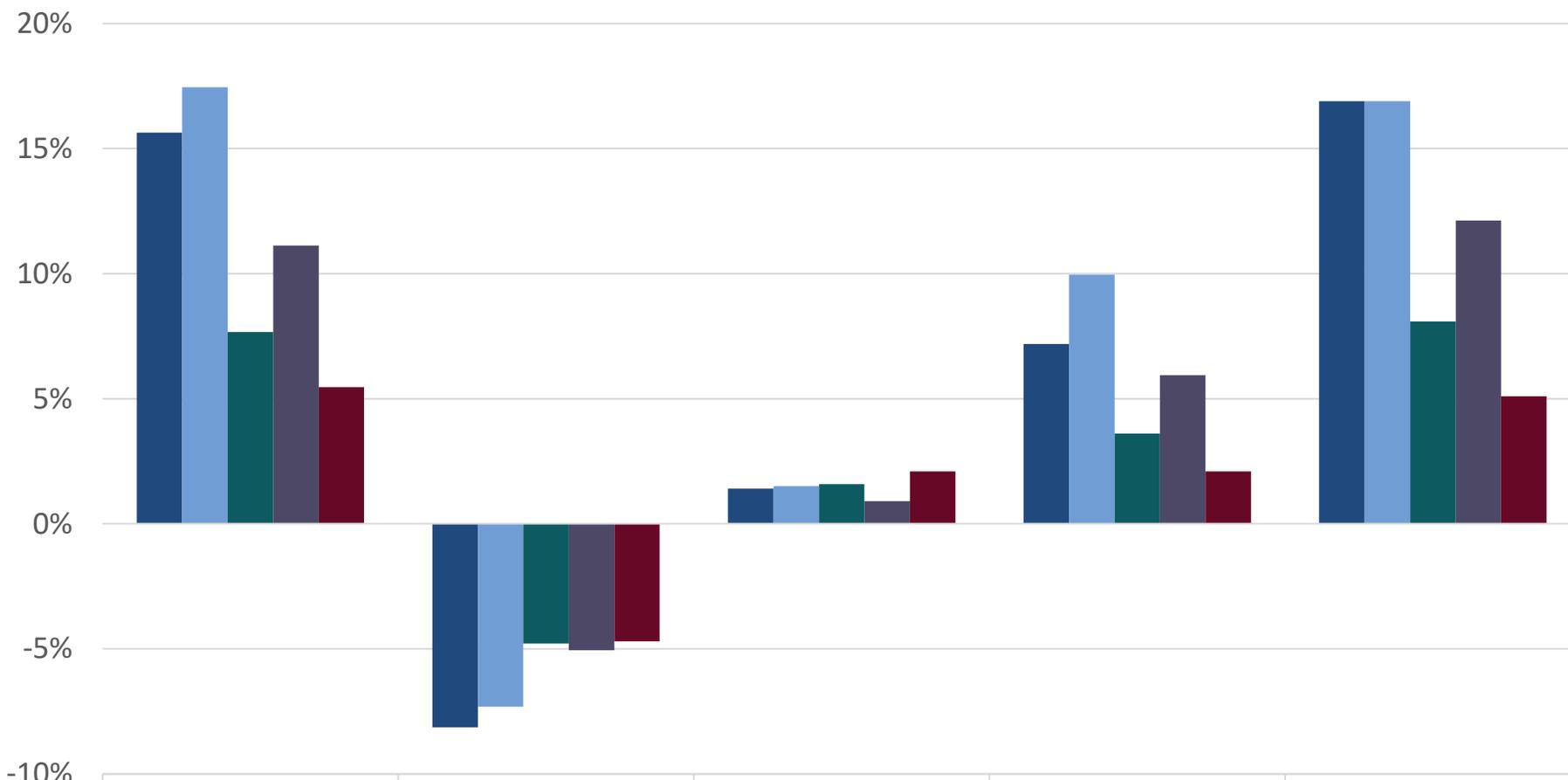
Attribution: Second Quarter



	Core Equity	Hedge	Income	Total	BM
■ SDRIX	8.11%	-4.21%	1.10%	4.44%	8.74%
■ SDAIX	9.45%	-3.76%	1.00%	6.12%	8.74%
■ SDCIX	5.37%	-2.88%	1.58%	3.69%	5.21%
■ SDJIX	2.91%	-1.56%	0.96%	2.01%	3.22%
■ SDFIX	1.55%	-2.17%	1.37%	0.46%	1.04%



Attribution: Year-to-Date



	Core Equity	Hedge	Income	Total	BM
■ SDRIX	15.64%	-8.13%	1.40%	7.19%	16.89%
■ SDAIX	17.45%	-7.31%	1.51%	9.96%	16.89%
■ SDCIX	7.67%	-4.79%	1.58%	3.61%	8.09%
■ SDJIX	11.12%	-5.05%	0.91%	5.94%	12.13%
■ SDFIX	5.46%	-4.70%	2.10%	2.10%	5.10%

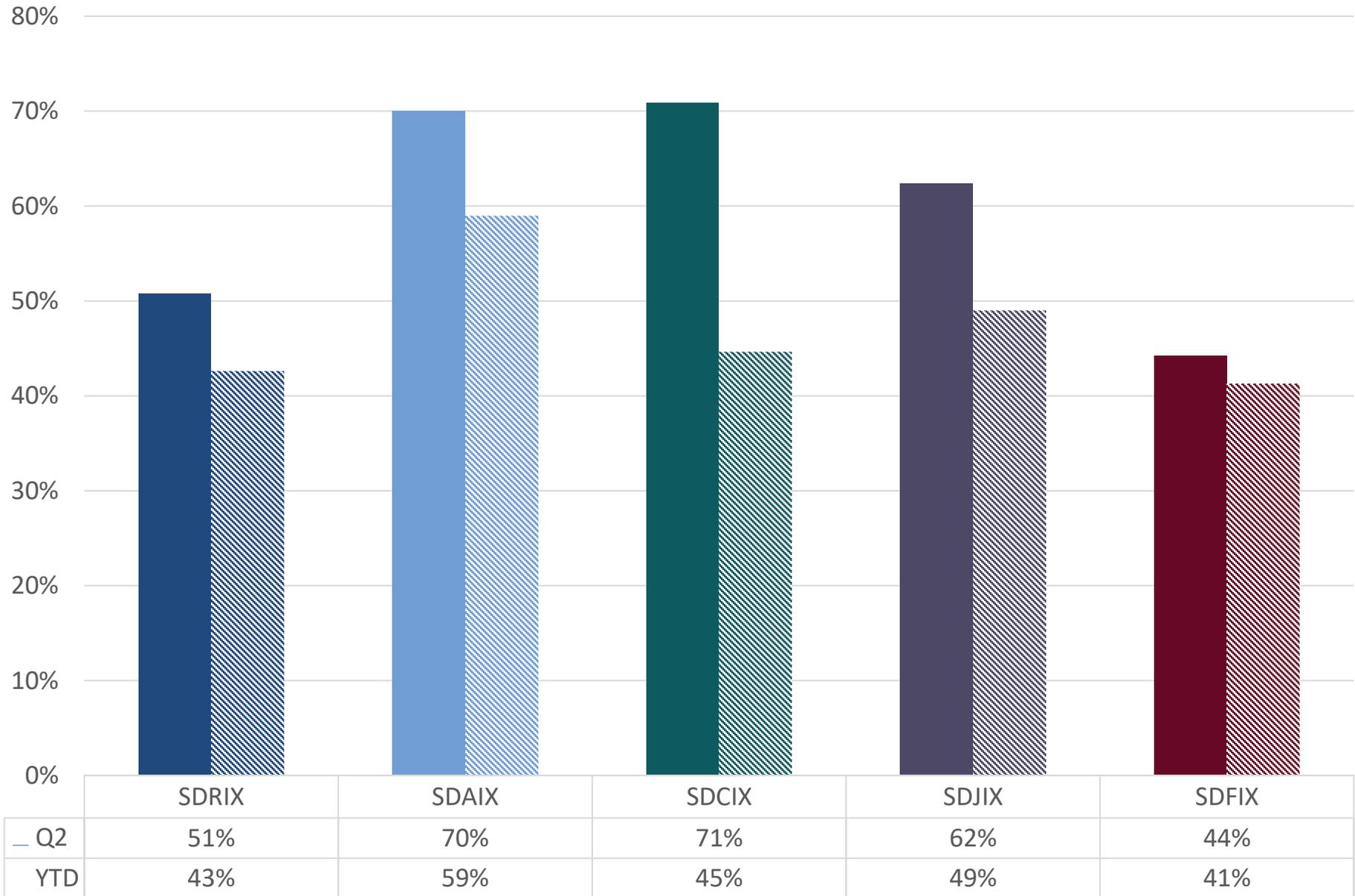


- Broad asset classes posted gains
- Capture ratios within expectations and improved over second quarter
- Income positive across line-up, both in Q2 and YTD



The Good: Capture Ratios

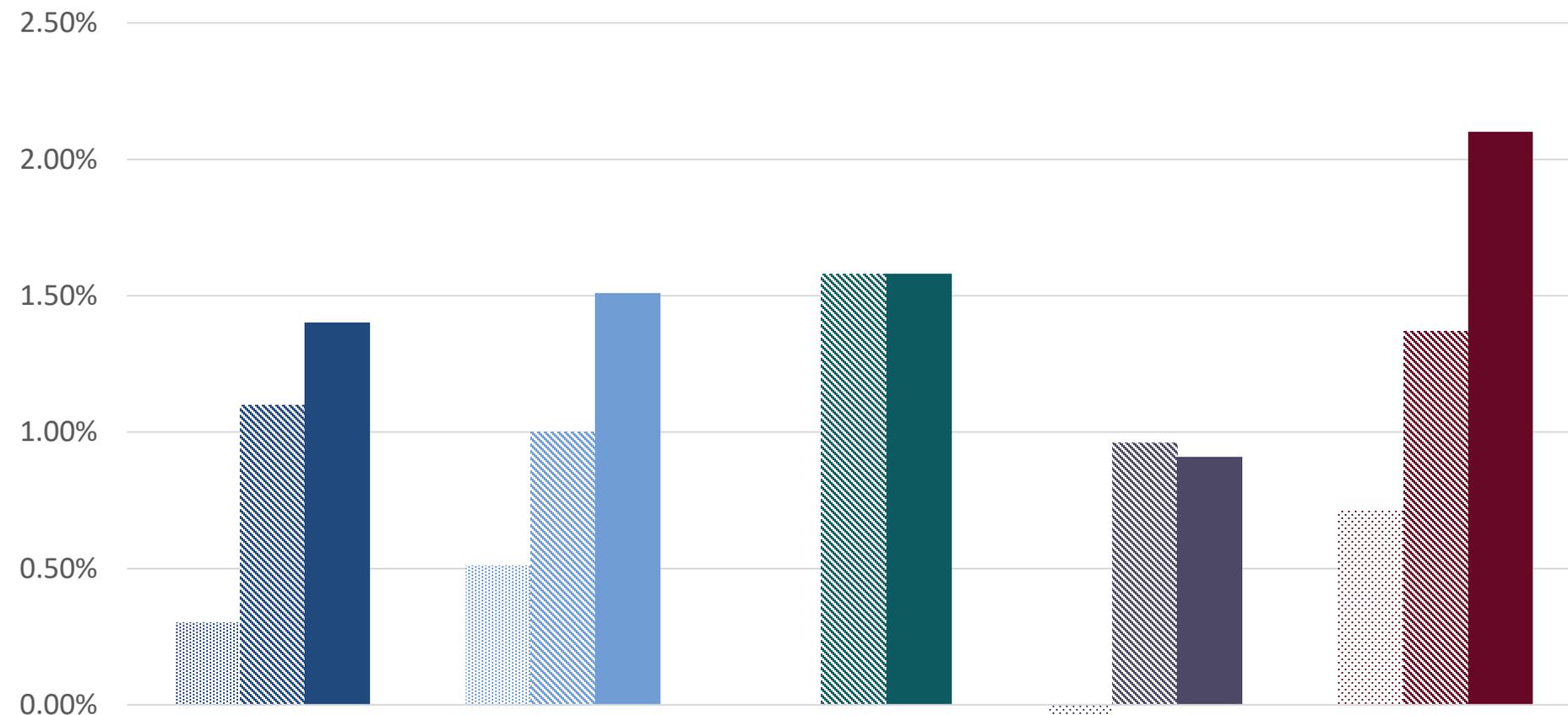
Capture Ratios



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Supplemental Trades



	SDRIX	SDAIX	SDCIX	SDJIX	SDFIX
Q1	0.30%	0.51%	0.00%	-0.05%	0.71%
Q2	1.10%	1.00%	1.58%	0.96%	1.37%
YTD	1.40%	1.51%	1.58%	0.91%	2.10%

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Why does the strategy have this component?

- The goal is to offset the carrying cost of the hedge.

What do these trades look like?

- The trades involve buying and selling shorter-term calls and puts with the intent of generating additional gains.

What if I simply don't want exposure to short volatility trades?

- Swan has variations of its "always invested, always hedged" strategy that have alternative ways of trying to offset the carrying cost of the hedge. This is our ETF "HEGD" and our "Prime" SMA.

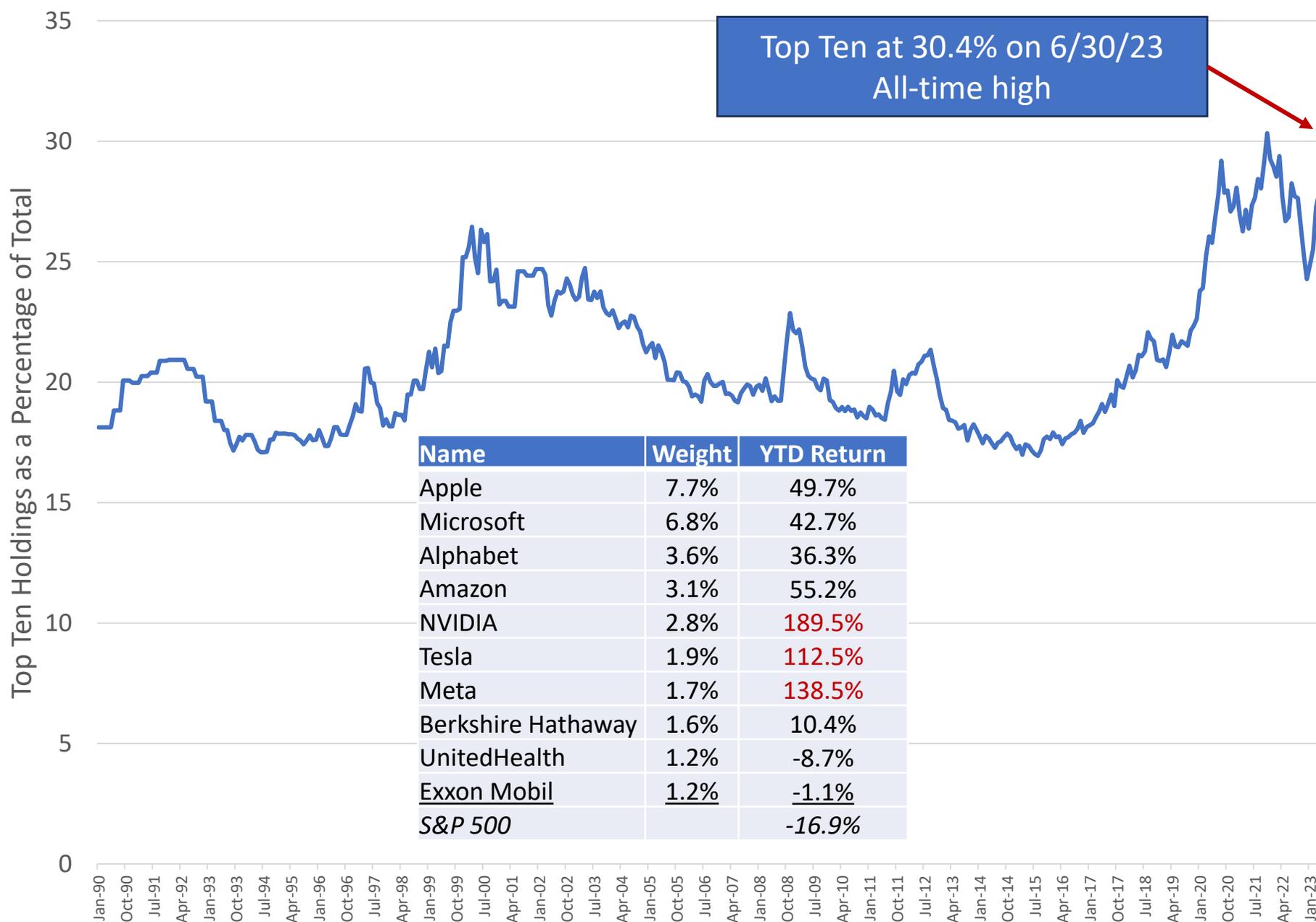


- Narrowness of market rally
- Valuations being stretched
- Decline in the volatility premium detracted from the value of the long-term put options



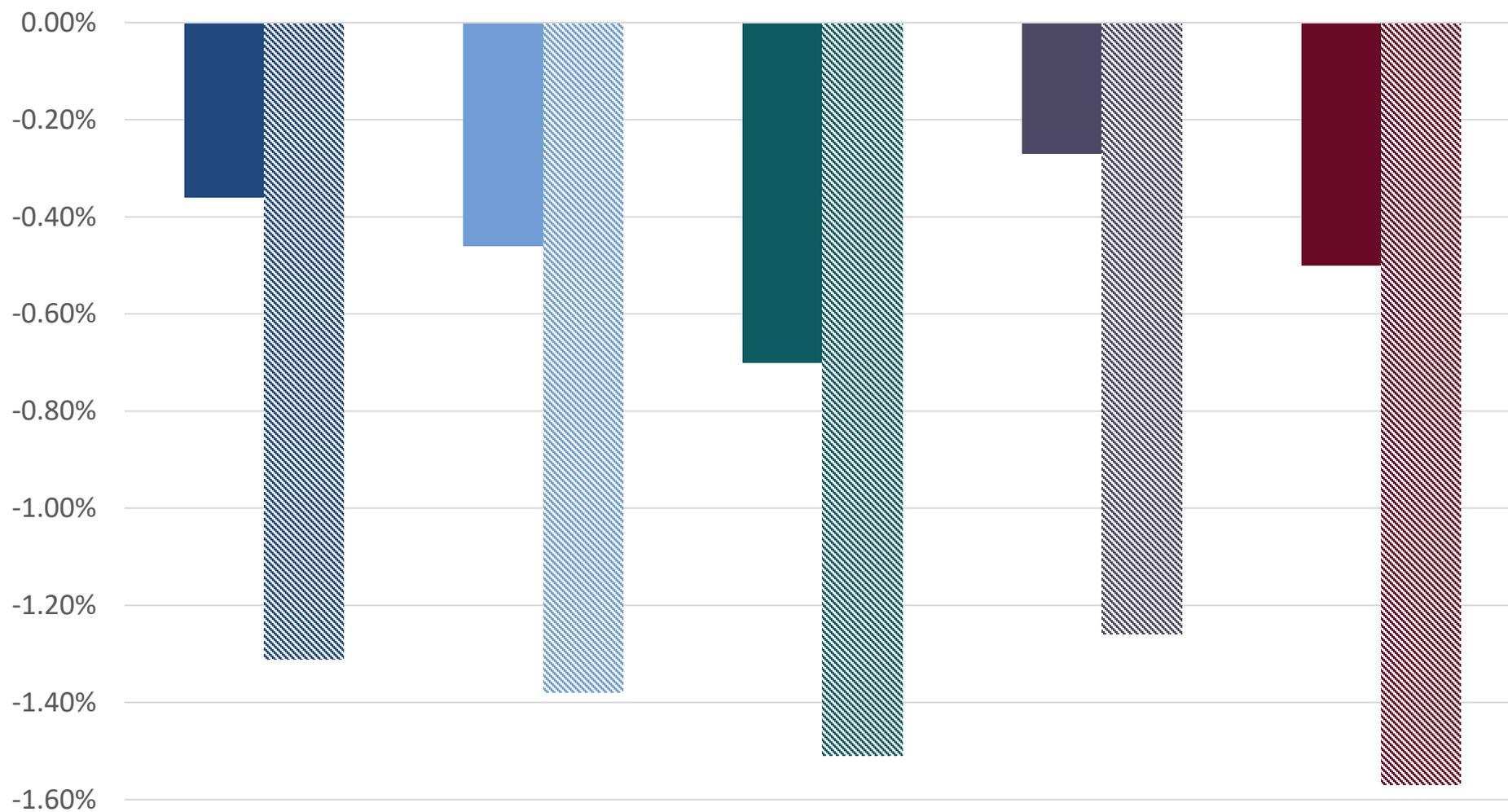
The Bad: Narrow Leadership in Market

Top Ten Holdings of S&P 500



The Bad: Volatility Decline Diminishes Put Options

Decrease in Hedge Value Due to Declining Volatility



	SDRIX	SDAIX	SDCIX	SDJIX	SDFIX
■ Q2	-0.36%	-0.46%	-0.70%	-0.27%	-0.50%
■ YTD	-1.31%	-1.38%	-1.51%	-1.26%	-1.57%



Where Do We Go From Here?



	Bull Case	Bear Case
Market	<ul style="list-style-type: none">• Market up 26% off bottom• Corporate earnings have held up	<ul style="list-style-type: none">• Market leadership narrow• Valuations being stretched
Economy	<ul style="list-style-type: none">• Inflation coming down• Employment at record lows• Recession not materializing• No new bank failures• Debt default avoided	<ul style="list-style-type: none">• Fed committed to future rate hikes• Wage inflation sticky• Consumer sentiment poor• Uncertainty about hidden losses• Debt still being piled up



Market Conditions and Options Review

- S&P 500 range broken topside
- Next upside targets March 2022 highs at 4600-4635
- Support at 4325 then 4200 (previously strong resistance)
- Bear market stages: sharp move lower, reflexive rebound, prolonged downtrend

S&P 500 Index



Market Conditions and Options Review

- Market breadth can be viewed in multiple ways
- Index versus Index, Advancers versus Decliners, etc.
- Few names leading the way
- Percentage of members trading > a major moving average

S&P 500 Index % of Stocks > 50 DMA



Market Conditions and Options Review

- Volatility can be subdivided into “raw” volatility, skew, and tail risk.
- Nations TailDex (TDEX): Measures market’s expectations for a 3 standard deviation move lower.
- Nations SkewDex (SDEX): Measures a downside OTM put 1 standard deviation from the ATM.

TDEX versus SDEX



- Low volatility and rising markets have forced risk control and volatility targeting strategies to be in “risk-on” mode and now may contribute to future corrections.

S&P 500 Daily Risk Control 10% Exposure Level Index



Always Invested, Always Hedged

1 Invest in Equities

WHY?

To participate in equity markets.

- Always Invested: Passively invest¹ (Buy and Hold) in S&P 500 index ETFs

2 Hedge the Equities

WHY?

To mitigate risks of bear markets.

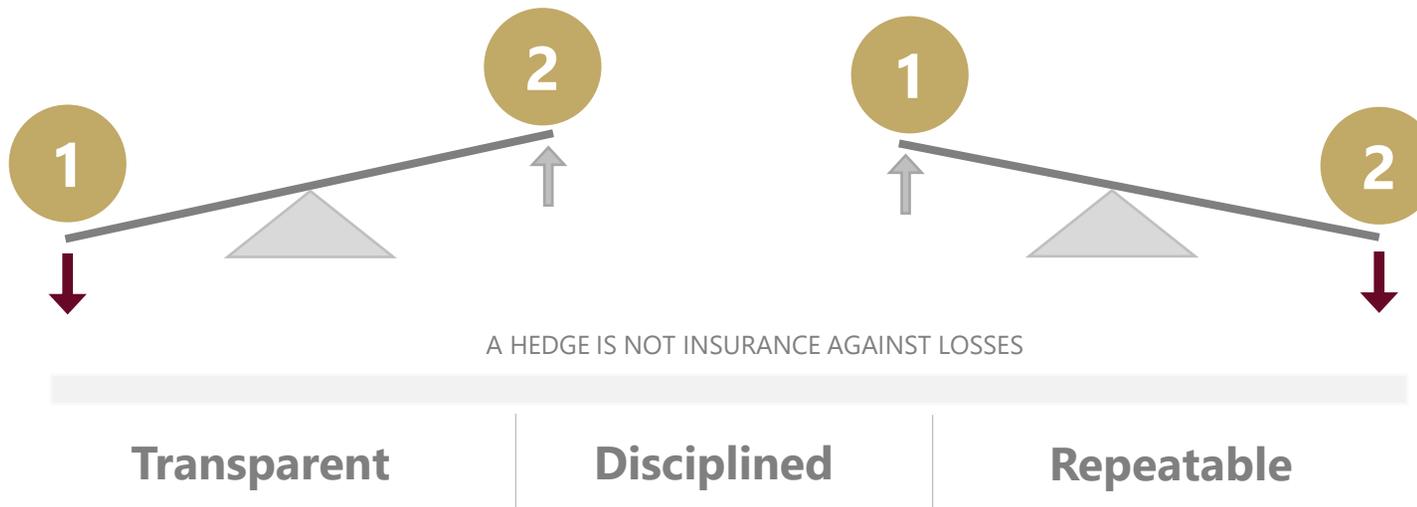
- Always Hedged: Actively manage long-term put options purchased at, or near-the-money.

3 Seek Additional Return

WHY?

Help offset the cost of the hedge.

- Actively manage options trades utilizing a disciplined, time-tested approach

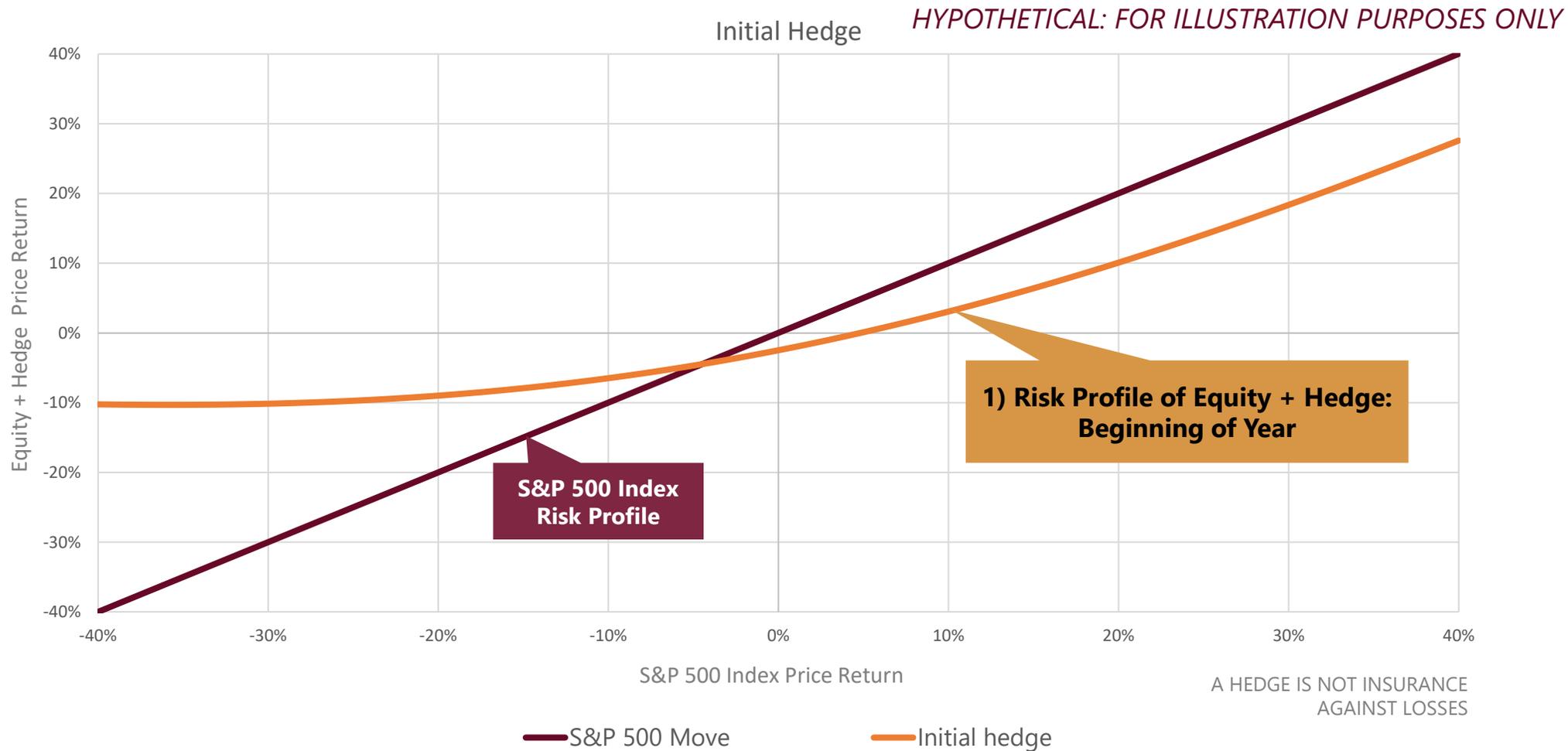


For Financial Professional Use Only ¹ - Although the Fund is actively managed, the Fund intends to passively invest (buy and hold) at least 80% of its assets directly or indirectly through one or more ETFs in equity securities of large cap U.S. companies. The investment process involves purchase of long-term put options, publicly traded options contracts with expiration dates that are typically longer than one year. A put option is an option contract that gives the buyer the right, but not the obligation, to sell the underlying security at a specified price (also known as strike price) before or at a predetermined expiration date.. Note - The effectiveness of the hedge and degree of downside risk mitigation varies with market conditions. The strategy can and does have periods of losses.



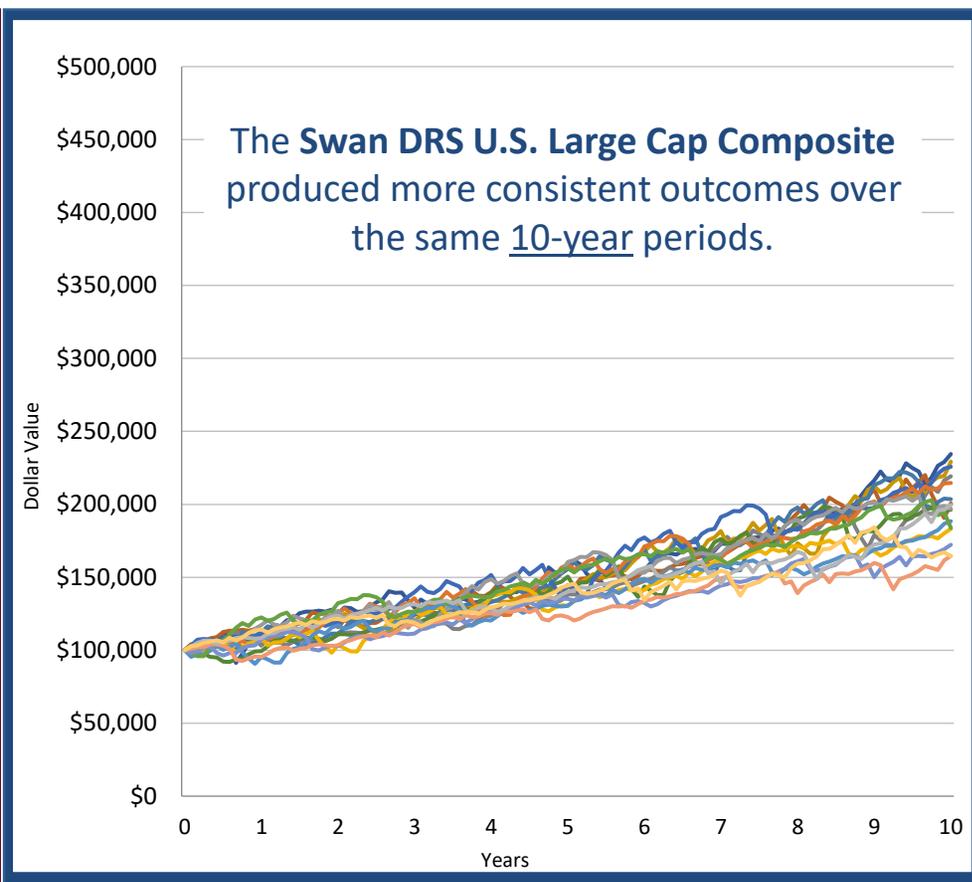
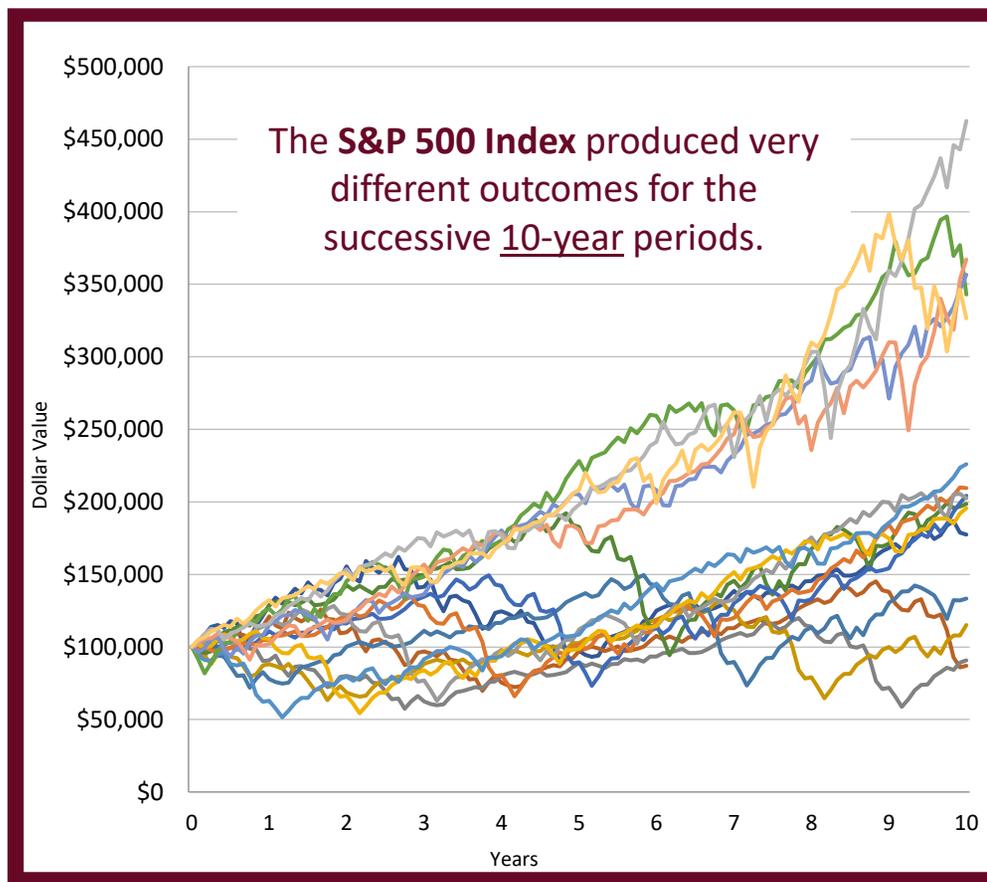
Active Risk Management: Impact of Longer-Term Hedge on Portfolio

GOAL: Always Invested: Positive returns in up markets
Always Hedged: Risk mitigation in down markets



A Proven Hedged Equity Approach – Through Market Cycles

Define Risk, Improve Outcomes – Investing Redefined®



The graphs above show an investment of \$100,000 over fifteen successive, 10-year investment periods. The first period is 1/1998 to 12/2007; the last period is 1/2013 to 12/2022.

All but two of these periods contain at least one bull market and one bear market (1/2009 to 12/2018 and 1/2010 to 12/2019).



- Deal to avoid debt default simply kicks the can down the road
- Short-term fixes don't solve long-term problems
- Deficits, debt, and demographics continue unsustainable trends
- Inefficient government spending squeezing private sector



Waking Up to the Problem

atest Newsletters

The Atlantic

Saved St

IDEAS

It Turns Out That the Debt Matters After All

America's deficit could soon become a drag on the economy.

By Annie Lowrey

The Washington Post
Democracy Dies in Darkness

Opinions Editorials Columns Guest opinions Cartoons Submit a guest opinion Today's Opinions newsletter

THE POST'S VIEW

Opinion | We've seen how hard it is to fix the federal debt. But it's necessary.

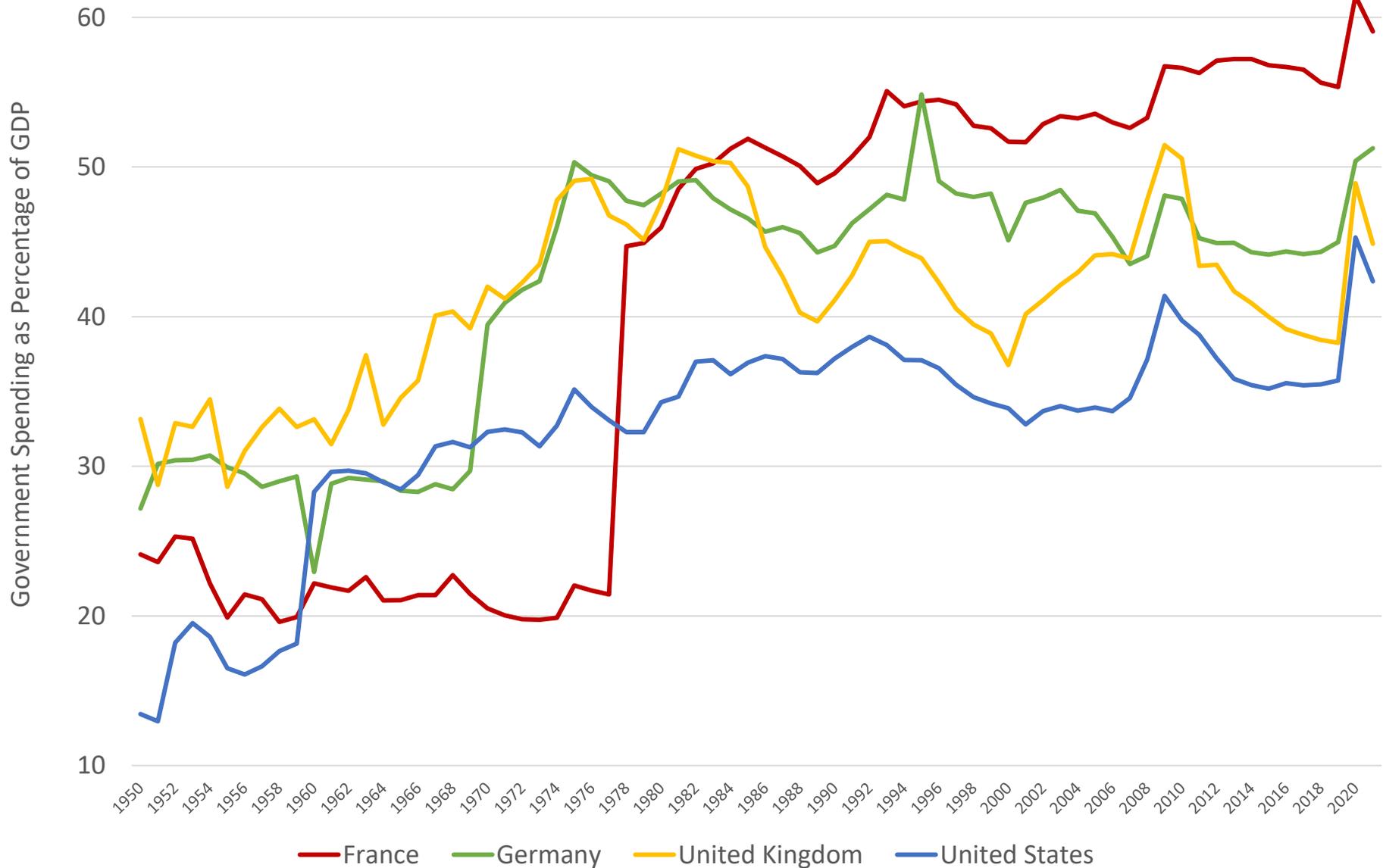


By the [Editorial Board](#)
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July 11, 2023 at 9:00 a.m. EDT



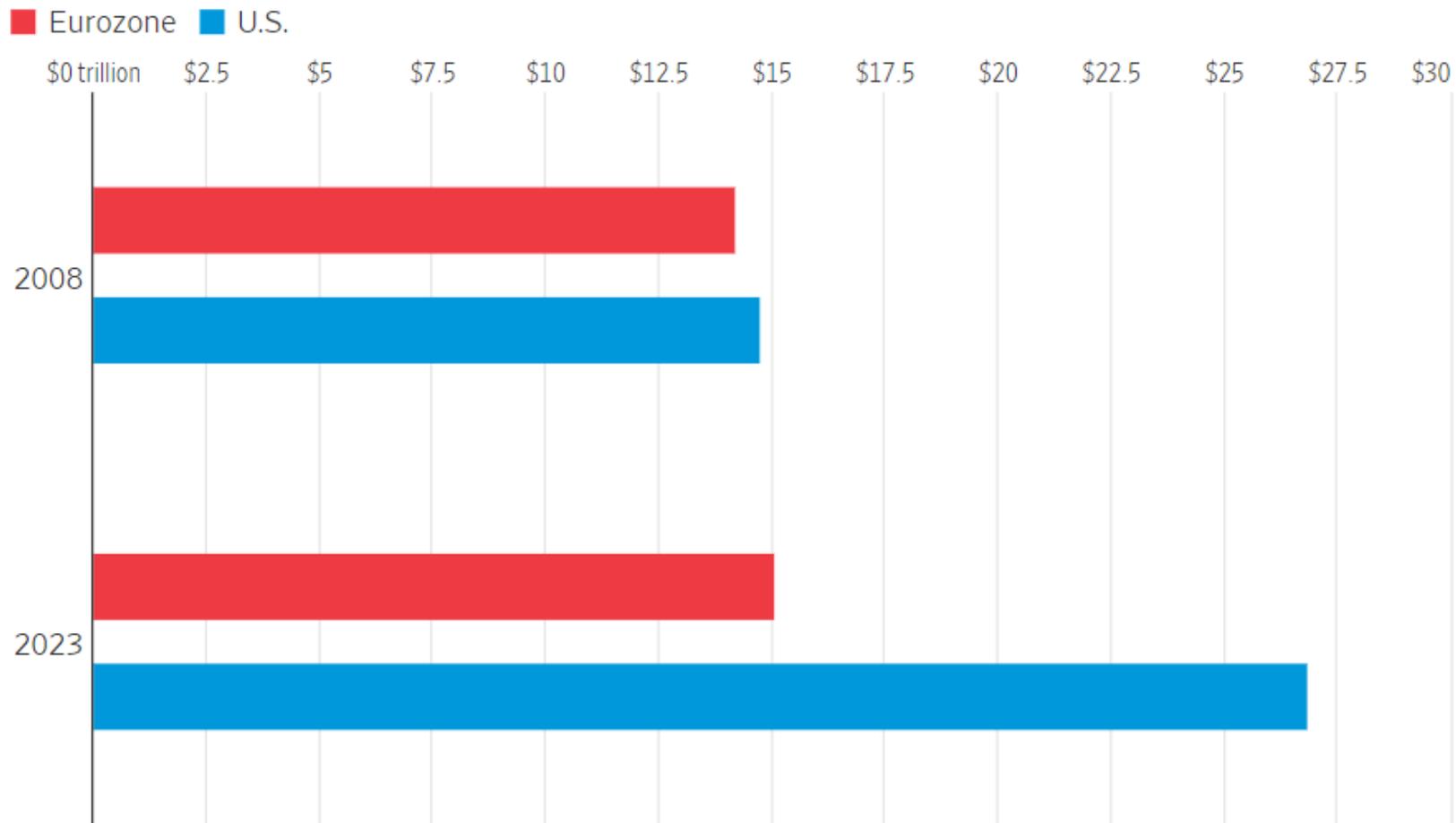
Government Spending as Percentage of GDP, Post-War



Europeans Are Becoming Poorer. ‘Yes, We’re All Worse Off’

America’s economy is nearly twice the size of the eurozone’s. They were similar in 2008.

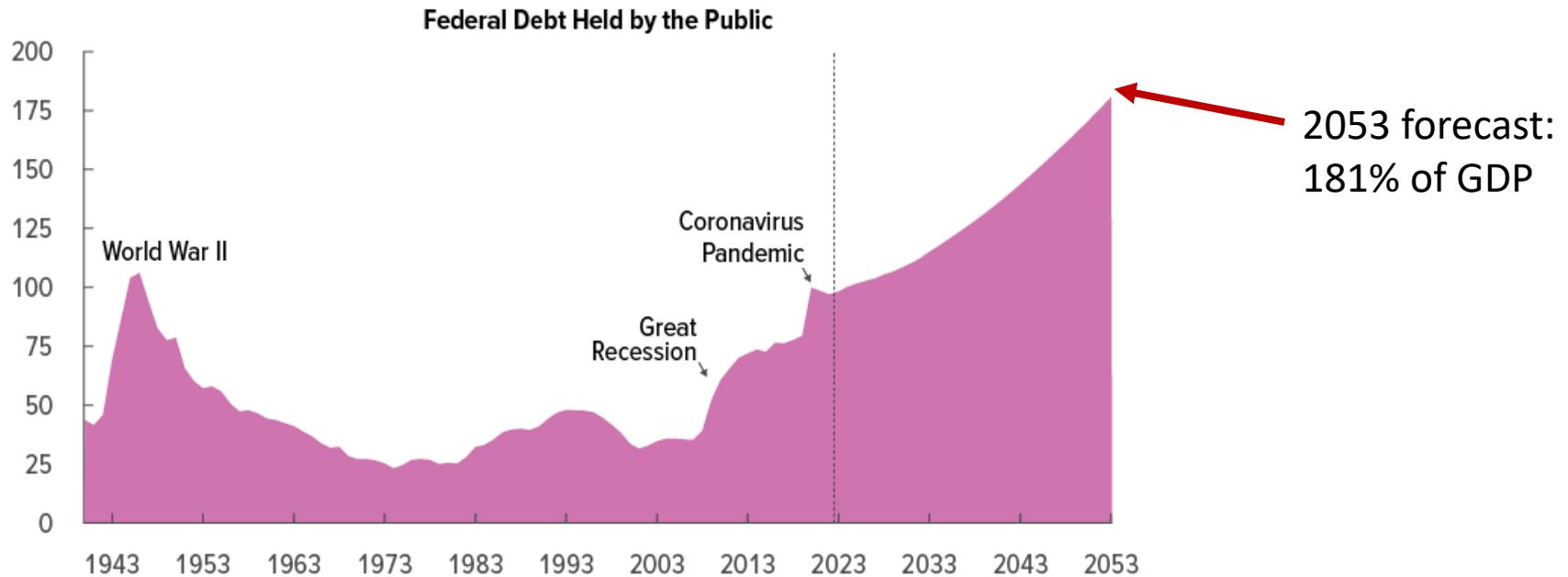
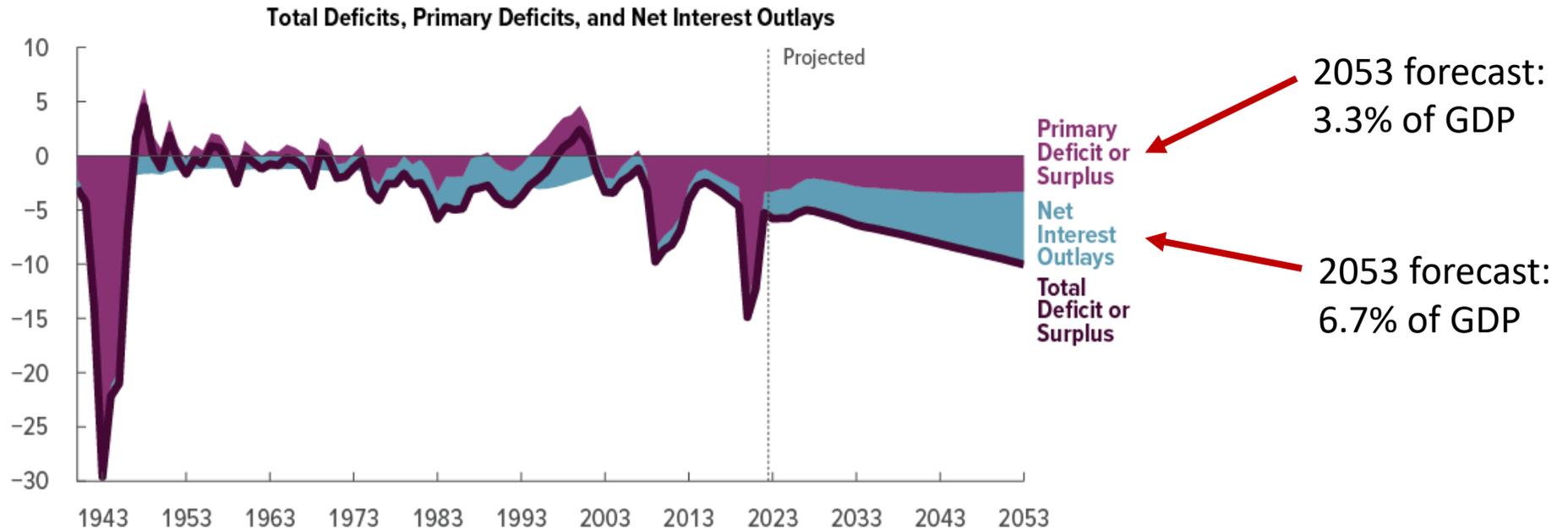
Gross domestic product, current prices



Source: International Monetary Fund



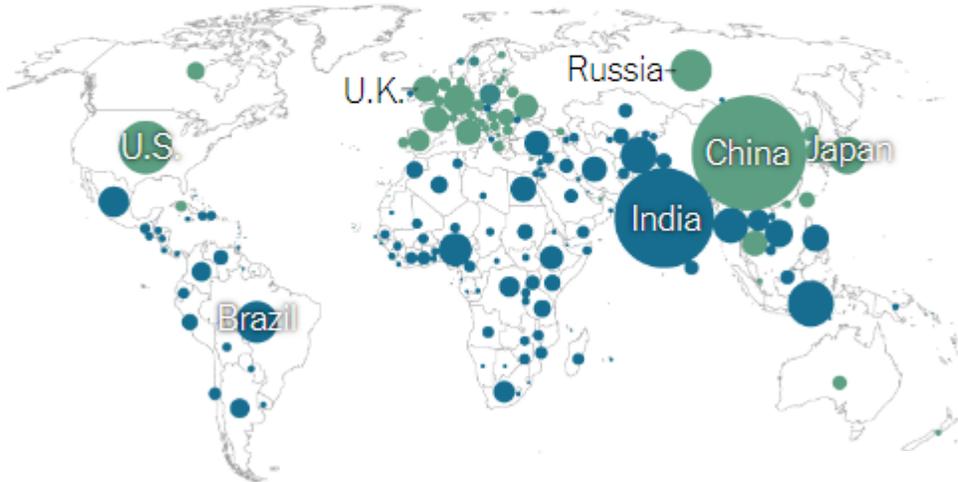
The Ugly: Deficits, Debt...



The Ugly: ...and Demographics

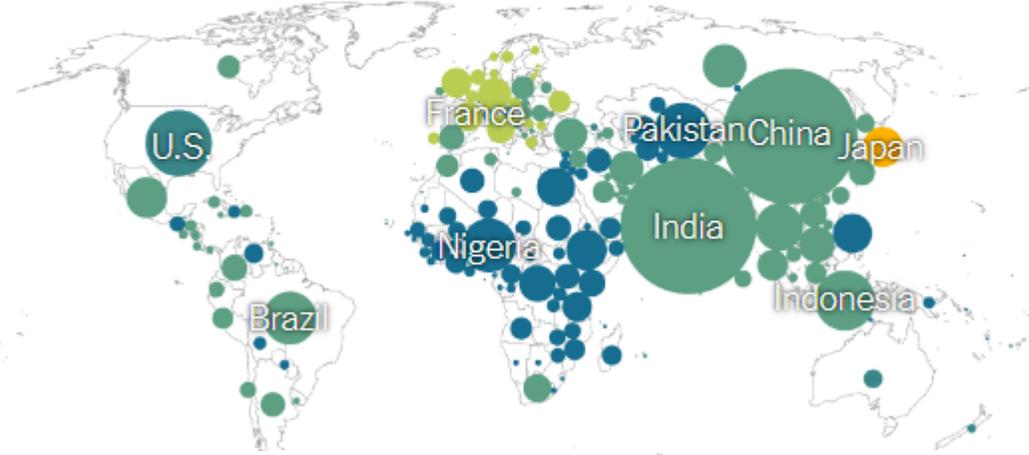
1990

The world's dominant powers had large **working-age** populations in the 1990s. Others were still very **young**.



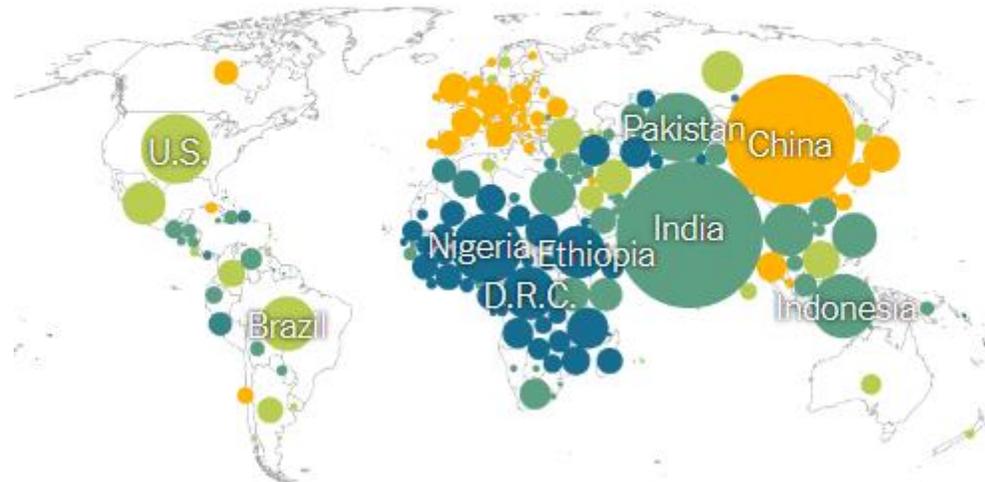
2023

Today, much of Europe is **aging**, and Japan is particularly **old**.



2050

In 2050, most of today's richest countries will be **old**. Others will have huge **working-age** populations for the first time.



“There is nothing natural about measuring prices in dollars when the quantity, and value of those dollars has been highly unstable.”

Robert Shiller
Irrational Exuberance, 2000

DJIA as measured by:

1. Nominal dollars
2. Producer prices (PPI)
3. Commodities (CRB index)
4. Gold



- Swan's line-up performed **within expectations**
- Income trades **contributed to returns** across the board
- **Hedges reset** at end of 2022
- We believe we are **well positioned** whether markets go up or down from here



ETF Second Quarter 2023 Review



Performance: HEGD

Returns as of 6/30/2023	Cumulative					Annualized		Calendar Returns			
	1 Mo.	3 Mo.	6 Mo.	YTD	Since Inception (12/22/20)	1 Yr.	Since Inception (12/22/20)	2021	2022	2023 YTD	
HEGD (NAV return)	3.76%	4.87%	7.61%	7.61%	13.49%	9.25%	5.15%	HEGD (NAV return)	16.87%	-10.84%	7.61%
HEGD (Price return)	3.61%	5.17%	7.80%	7.80%	13.55%	9.54%	5.17%	Cboe S&P 500 95-110 Collar Index (CLL)	17.67%	-15.05%	11.45%
Cboe S&P 500 95-110 Collar Index (CLL)	6.13%	7.50%	11.45%	11.45%	12.21%	8.46%	4.68%	S&P 500 TR Index	28.71%	-18.11%	16.89%
S&P 500 TR Index	6.61%	8.74%	16.89%	16.89%	25.54%	19.59%	9.44%				

Investors should carefully consider the investment objectives, risks, charges and expenses of the Swan Hedged Equity US Large Cap ETF (HEGD) before investing. To obtain the ETF's prospectus containing this and other important information, please call (855) 772-8488, or visit efs.swanglobalinvestments.com. Please read the prospectus carefully before you invest. An investment in the fund involves risk, including possible loss of principal. Past performance does not guarantee future results.

The fund's investment objective is to seek long term capital appreciation while mitigating overall market risk. The fund is new and has a limited operating history.

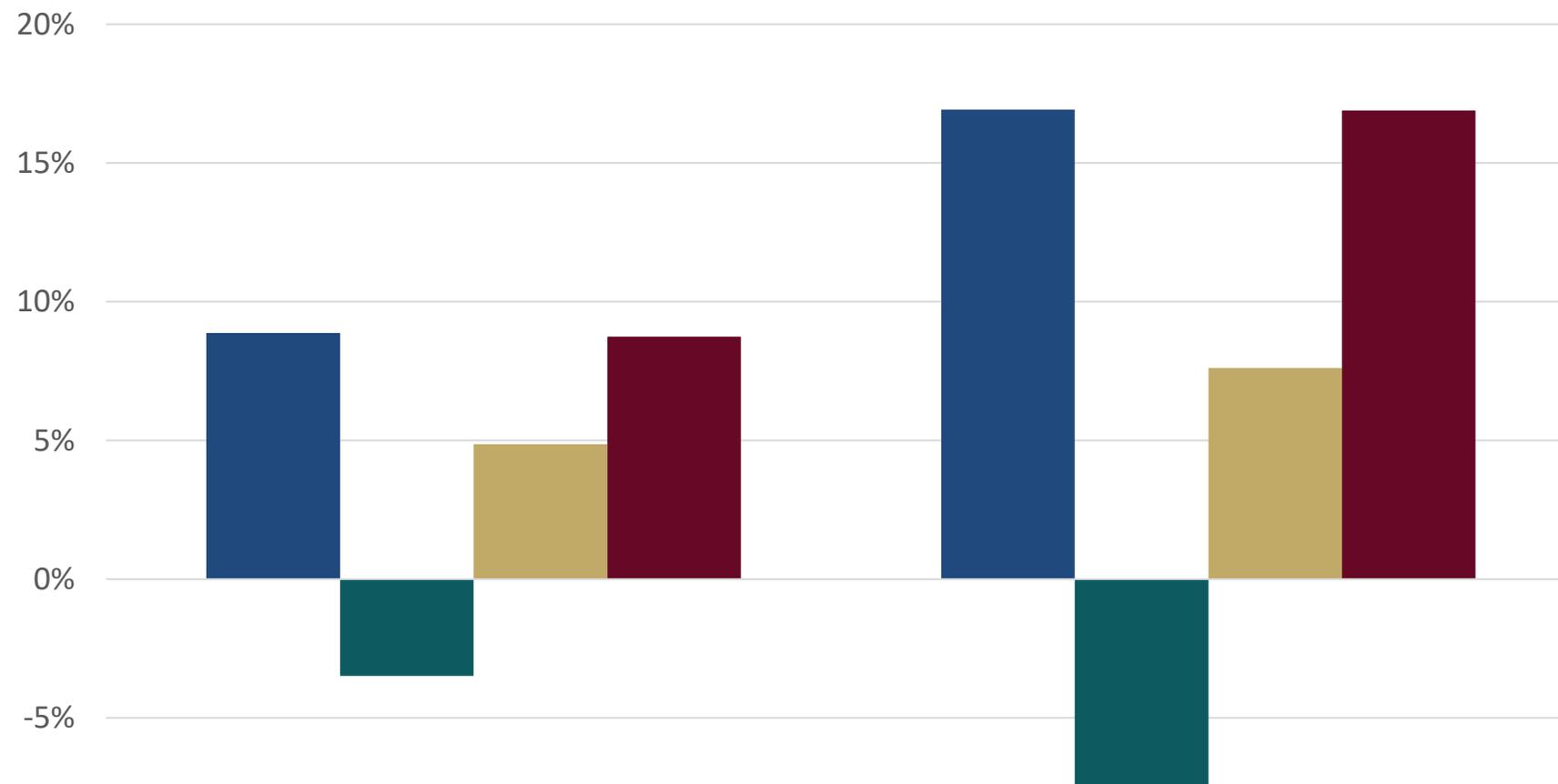
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The Fund is distributed by Foreside Fund Services, LLC member FINRA / SIPC. Foreside Fund Services, LLC and Swan Capital Management, LLC & Swan Global Investments, LLC are not affiliated.

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HEGD Attribution



	Q2	YTD
Core Equity	8.87%	16.92%
Hedge	-3.49%	-7.49%
Total	4.87%	7.61%
S&P 500	8.74%	16.89%

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Questions from the Audience



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