



Quarterly Performance Review & Attribution

Swan Defined Risk U.S. Large Cap
Q3 2023 Review

For Financial Professional Use Only

2023 Third Quarter Review

Since bottoming out in October 2022, market gains were predicated on the idea of a “soft landing.” Under this hopeful scenario inflation would be crushed, employment would stay healthy, corporate earnings would not suffer, the economy would grow, and the Fed would soon revert to rate cuts. If any one of these factors did not occur, the whole case for a soft landing would be questionable.

During the third quarter, the narrative changed from “soft landing” to “higher and longer.” As the labor market remained tight and the embers of inflation continued to burn, investors had to re-adjust their expectations. If the Fed was unwilling or unable to provide the manna of rate cuts, equity and bond prices had to adjust downwards.

The third quarter of 2023 felt eerily similar to 2022, when high rates led to losses across asset classes and diversification offered few benefits.

The S&P 500 had a -3.3% return during the quarter. Bonds matched this downturn as the Bloomberg US Aggregate Bond index posted a -3.2% return. There was little difference between value and growth; each had returns of about -3.1%. Small cap stocks, foreign developed stocks, and emerging market stocks all delivered returns in a similar range. Although the S&P 500 and large, US, growth stocks still have healthy year-to-date returns, the third quarter splashed cold water on the “soft landing” narrative.

Swan Global Investments has always believed that hedging is a useful way to manage portfolio risk. This is especially true when the constituents of a portfolio are highly correlated and diversification is unable to mitigate risk. We saw this scenario play out in 2022 and it happened again during the third quarter. This is why Swan follows the mantra “Always Invested, Always Hedged.”

2023 Returns as of 9/30/2023

	Q3	YTD		Jul	Aug	Sep
S&P 500	-3.27%	13.07%		3.21%	-1.59%	-4.77%
Russell 2000	-5.13%	2.54%		6.12%	-5.00%	-5.89%
MSCI EAFE	-4.05%	7.59%		3.25%	-3.82%	-3.37%
MSCI EM	-2.79%	2.16%		6.29%	-6.13%	-2.57%
Russell 1000 Growth	-3.13%	24.98%		3.37%	-0.90%	-5.44%
Russell 1000 Value	-3.16%	1.79%		3.52%	-2.70%	-3.86%
Bloomberg US Agg Bond	-3.23%	-1.21%		-0.07%	-0.64%	-2.54%

Source: Morningstar Direct

Swan Defined Risk U.S. Large Cap

Performance Attribution & Summary

The S&P 500 peaked on the last day of July, having gained 30.0% off its low point in October 2022 and 20.7% year-to-date. However, during August and September the S&P 500 shed 6.3%. The idea of a soft landing required a “Goldilocks” economic picture- not too hot and not too cold. However, an uptick in energy costs and continued pressures in the labor market led investors to conclude that rates would stay “higher, longer.” Contributing to upside pressure on rates was the ongoing reduction of the Fed’s balance sheet and increasing interest costs as the debt and deficit problems show no sign of slowing down.

The Swan DRS U.S. Large Cap strategy performed as intended during the third quarter. With the markets surrendering some of its early-year gains the hedge stepped in and helped offset over half of the third quarter losses. The strategy posted a -1.4% return versus -3.3% for the index. Year-to-date the strategy and S&P 500 returns are 5.9% and 13.1%, respectively. The capture ratio of 45% is within expectations. Moreover, the strategy re-hedged its portfolio in mid-September near market highs, a benefit of its active management approach.

Core Equity: the ETFs that track the S&P 500 had a -2.9% return during the quarter, as expected. Given the large run-up in the value of these ETFs during the first eight months of the year, the strategy re-hedged its entire portfolio in September. This helped as the markets sold off during the last two weeks of the quarter.

Hedge: during the third quarter the put options used to hedge the strategy contributed in two ways. First, all the put options bought earlier in the year were traded in for new puts at higher market levels in mid-September. This re-hedge process is simply an example of the old adage, “sell high, buy low.” After the re-hedge, markets sold off during the last two weeks of September. The newly purchased put options were in a much better position to offset losses. As a result, the hedge portion had a 1.7% gain during the quarter. Year-to-date the hedge is still down -4.7%, within expectations.

**Swan Defined Risk U.S. Large Cap Strategy
as of 9/30/23**

	Q1	Q2	Q3	Q4	YTD
Core Equity	6.61%	7.84%	-2.91%		11.62%
Hedge	-3.30%	-3.06%	1.70%		-4.66%
Additional Return Trades	0.00%	0.00%	0.00%		0.00%
Fees/Other	-0.15%	-0.15%	-0.15%		-0.45%
Total Portfolio (Net)	2.94%	4.38%	-1.41%		5.94%
S&P 500	7.50%	8.74%	-3.27%		13.07%
Over / Under Performance	-4.56%	-4.36%	1.86%		-7.13%

Sources: Swan Global Investments and Zephyr StyleADVISOR; Indices are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results. DRS results are from the Swan Defined Risk U.S. Large Cap Composite, net of fees.

IMPORTANT DISCLOSURES:

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The Swan Defined Risk Strategy Contribution data is derived from the performance data of the applicable Swan Defined Risk U.S. Large Cap Composite only. The derivation process includes allocating the monthly total portfolio return (plus a management fee) to each Defined Risk Strategy (DRS) component (core equity, hedge and options trades) based on each component’s gains/losses for the period relative to the total portfolio’s gains/losses for the period. The resulting attribution is what Swan feels is a fair representation of how the Strategy components performed. Using and comparing the contribution data may be of limited use and is presented for illustrative purposes only. Total portfolio performance information is presented net of management fees, ETF expenses, trading costs, dividends and distributions.

There are nine DRS Composites offered: 1) The DRS U.S. Large Cap Composite which combines non-qualified and qualified separately managed accounts with a moderate risk tolerance invested in S&P 500 equities. 2) The DRS U.S. Large Cap Growth Composite which includes separately managed accounts with a higher risk tolerance invested in S&P 500 equities; 3) The DRS U.S. Large Cap Prime Composite which includes portfolios with a conservative risk tolerance invested in S&P 500 equities; 4) The DRS Emerging Markets Composite which includes separately managed account(s) and mutual fund accounts invested in emerging market equities; 5) The DRS Foreign Developed Markets Composite which includes separately managed account(s) and mutual fund accounts invested in foreign developed market equities; 6) The DRS U.S. Small Cap Composite which includes separately managed account(s) and mutual fund accounts invested in U.S. small cap equities. 7) The DRS U.S. Large Cap Institutional Composite which includes high net-worth, non-qualified separately managed accounts and mutual fund accounts invested in S&P 500 equities that utilize cash-settled, index-based options held at custodians that allow participation in Clearing Member Trade Agreement (CMTA) trades; 8) The DRS U.S. Large Cap Institutional Growth Composite which includes high net-worth, qualified and non-qualified separately managed accounts and mutual fund accounts with a higher risk tolerance invested in S&P 500 equities that utilize cash-settled, index-based options held at custodians that allow participation in Clearing Member Trade Agreement (CMTA) trades; 9) The Pacer Swan Structured Outcome Strategies (SOS) ETF Series Composite which includes investors in the Pacer Swan SOS ETF products. Additional information regarding Swan’s Policies and Procedures used for valuing investments, calculating performance, and preparing GIPS reports are available upon request. There are three composites that have been terminated: 1) The DRS U.S. Large Cap Sectors Select Composite which includes non-qualified separately managed accounts invested in S&P 500 equities terminated on 1/1/2020. 2) The DRS U.S. Large Cap IRA Composite which includes qualified separately managed accounts invested in S&P 500 equities terminated on 1/1/2020. 3) The DRS Solutions Growth Composite which includes all separately managed accounts invested in multiple hedged asset classes and diversified into other asset classes with target allocations guided by a growth-oriented risk tolerance terminated in May 2020. Additional information regarding Swan’s Policies and Procedures used for valuing investments, calculating performance, and preparing GIPS reports are available upon request.

All Swan products utilize the Swan 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. 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.

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 shorter-term options trade component of the portfolio is actively managed to seek additional return. Both the equity and options trading 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. Investments involve risk, including possible loss of principal. There is no guarantee the fund will meet its objective.

IMPORTANT DISCLOSURES:

The performance benchmark used for the Swan Defined Risk U.S. Large Cap Composite is the S&P 500 Index comprised of 500 large-capitalization stocks, and which does not charge fees. Purchased put options may expire worthless and may have imperfect correlation to the value of the Fund's sector ETFs. Written call and put options may limit the Fund's participation in equity market gains and may amplify losses in market declines. The Fund's losses are potentially large in a written put or call transaction. If un-hedged, written calls expose the Fund to potentially unlimited losses.

Year	Swan Global Investments, LLC DRS U.S. Large Cap Composite										S&P 500 ("The Benchmark")				
	Net-of-Fee Return	Net-of-Fee Cumulative Return	Net-of-Fee Annualized Return	Beta (Net of Fees)	Standard Deviation (External) Net of Fees	Sharpe Ratio (Net of Fees)	# of Accts / Assets in Millions	Total Firm Assets (\$MM)	Dispersion (Internal) Gross of Fees	Return	Cumulative Return	Annualized Return	Standard Deviation (External)	Sharpe Ratio	
1997+	18.94%	18.94%	18.94%	N/A	N/A	N/A	1 / .22	0.22	<6	10.58%	10.58%	10.58%	N/A	N/A	
1998	11.22%	32.28%	20.50%	N/A	N/A	N/A	1 / .32	0.32	<6	28.58%	42.18%	26.44%	N/A	N/A	
1999	12.20%	48.42%	17.11%	N/A	N/A	N/A	1 / .72	0.72	<6	21.04%	72.09%	24.25%	N/A	N/A	
2000	3.17%	53.13%	12.95%	N/A	N/A	N/A	1 / .90	0.90	<6	-9.10%	56.43%	13.64%	N/A	N/A	
2001	7.46%	64.56%	11.70%	0.35	7.24%	0.50	3 / 1.66	1.66	<6	-11.89%	37.83%	7.39%	16.71%	0.13	
2002	12.22%	84.67%	11.80%	0.20	10.20%	0.55	3 / 1.97	1.97	<6	-22.10%	7.37%	1.30%	18.55%	-0.17	
2003	-0.73%	83.32%	9.77%	0.16	10.11%	0.46	6 / 3.74	3.74	5.68%	28.68%	38.17%	5.10%	18.07%	0.07	
2004	11.66%	104.71%	10.02%	0.17	9.89%	0.54	8 / 4.66	4.66	5.80%	10.88%	53.21%	5.85%	14.86%	0.14	
2005	6.62%	118.25%	9.62%	0.17	6.11%	0.54	8 / 4.98	4.98	2.66%	4.91%	60.73%	5.74%	9.04%	0.14	
2006	17.13%	155.63%	10.38%	0.17	4.52%	0.62	12 / 7.69	7.69	3.71%	15.79%	86.12%	6.76%	6.82%	0.21	
2007	8.21%	176.63%	10.18%	0.18	5.92%	0.61	14 / 9.40	9.40	3.79%	5.49%	96.34%	6.64%	7.68%	0.20	
2008	-4.57%	163.97%	8.81%	0.23	9.33%	0.48	17 / 15.65	15.65	5.00%	-37.00%	23.70%	1.87%	15.08%	-0.11	
2009	22.47%	223.29%	9.84%	0.25	10.71%	0.61	73 / 55.78	55.78	4.18%	26.46%	56.44%	3.64%	19.63%	0.02	
2010	7.88%	248.77%	9.70%	0.27	10.58%	0.63	105 / 97.90	97.90	2.21%	15.06%	80.00%	4.45%	21.85%	0.09	
2011	-5.20%	230.63%	8.60%	0.27	9.21%	0.55	146 / 59.44	59.44	3.16%	2.11%	83.80%	4.29%	18.71%	0.09	
2012	8.29%	258.03%	8.58%	0.27	7.42%	0.58	436 / 129.08	386.76	1.44%	16.00%	113.22%	5.01%	15.09%	0.15	
2013	14.16%	308.71%	8.91%	0.28	6.58%	0.64	423 / 309.7	1,052.99	1.56%	32.39%	182.28%	6.49%	11.94%	0.25	
2014	6.11%	333.67%	8.74%	0.28	4.75%	0.65	599 / 434.3	1,810.04	0.65%	13.69%	220.92%	6.89%	8.97%	0.29	
2015	-2.23%	323.99%	8.12%	0.29	5.79%	0.61	766 / 473.21	2,446.11	1.36%	1.38%	225.36%	6.58%	10.47%	0.28	
2016	8.90%	361.71%	8.16%	0.29	5.38%	0.64	1,207 / 675.64	3,620.08	0.90%	11.96%	264.27%	6.85%	10.59%	0.31	
2017	11.29%	413.84%	8.31%	0.29	4.98%	0.67	1,630 / 982.45	4,975.33	0.78%	21.83%	343.79%	7.54%	9.92%	0.37	
2018	-7.01%	377.83%	7.55%	0.31	6.23%	0.59	1,292 / 756.36	4,063.88	1.13%	-4.38%	324.34%	6.95%	10.80%	0.33	
2019	14.69%	448.01%	7.85%	0.31	7.01%	0.63	1,144 / 638.36	3,065.24	1.15%	31.49%	457.95%	7.94%	11.93%	0.40	
2020	2.82%	463.45%	7.63%	0.32	9.17%	0.61	893 / 501.09	2,236.86	1.75%	18.40%	560.60%	8.37%	18.53%	0.41	
2021	15.38%	550.10%	7.94%	0.33	8.07%	0.66	1,026 / 546.44	2,571.77	0.24%	28.71%	750.23%	9.13%	17.17%	0.47	
2022	-10.98%	478.71%	7.13%	0.33	8.76%	0.57	818 / 414.59	2,202.24	0.40%	-18.11%	596.25%	7.91%	20.87%	0.38	

Composite Description: The Defined Risk U.S. Large Cap Composite demonstrates the performance of non-qualified and qualified assets managed by Swan Global Investments, LLC since inception. It includes discretionary individual accounts whose account holders seek the upside potential of owning stock, and the desire to eliminate most of the risk associated with owning stock. The Composite relies on LEAPS and other options to manage this risk. Individual accounts own S&P 500 exchange traded funds and LEAPS associated with the exchange traded funds as well as multiple other option spreads that represent other indices that are widely traded. The Defined Risk Strategy is a hedged equity investment approach designed to benefit from long-term market appreciation, while mitigating overall market risk. Stock and options are the primary components of the strategy. Portfolios in the composite may include non-DRS securities (securities that are not part of the Swan Defined Risk Strategy) that are excluded from composite performance.

Performance results are presented for both gross and net returns and reflect the reinvestment of income, deduction of transaction costs, and are net of withholding taxes where applicable. All returns are expressed in U.S. dollars. Gross returns do not reflect the deduction of investment advisory fees or any other expenses that may be incurred in the management of the account. Net-of-fees returns are calculated by deducting a model management fee from the monthly gross composite return on a monthly basis. The model fee is either the highest tier of the fee schedule in effect for the period, or a higher value, whichever is required to ensure the composite model net of fee return is lower than or equal to the composite net of fee return calculated using actual fees. As of December 31, 2022, the annual model fee applied for sub-advised clients is 60 basis points. The composite includes portfolios that pay zero commissions on certain securities in the portfolio (e.g., exchange traded funds (ETFs)).

Additional information regarding Swan's Policies and Procedures used for valuing investments, calculating performance, and preparing GIPS reports are 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, 2021. The Spaulding Group conducted Swan's verification. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

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About Swan Global Investments

Investing Redefined® - Since 1997, our distinct investment approach has been redefining investing by directly addressing the biggest threat long-term investors face: market risk.

Market risk is too big a threat to investors to be dealt with passively. So we hedge it.

Swan Global Investments is a leader in hedged and options strategies, providing goals-based investment solutions built on an "Always Invested, Always Hedged" philosophy that seek capital appreciation, while mitigating market risk.

Our simple, yet innovative Defined Risk Strategy is a time-tested, goals-based investment approach that seeks consistent long-term returns by combining the benefits of passive investing with active risk management to mitigate risks to irreplaceable capital.



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