

Frequently Asked Questions

Structured Outcome Strategies™
SOS Shield™

For Financial Professional Use Only

FAQ

WHAT IS A STRUCTURED OUTCOME STRATEGY™ (SOS Shield™)?

Swan SOS Shield™ are Separately Managed Accounts (SMA) that seek to provide a structured range of investment outcomes* over a specified 12-month time period by combining three components:

1. Equity exposure
2. Downside shield
3. Upside cap

The structured outcome may only be realized for investors who remain invested throughout their specified 12-month period, referred to as the “Outcome Period.”

HOW DO THE STRUCTURED OUTCOME STRATEGIES™ (SOS Shield™) DELIVER A STRUCTURED OUTCOME?*

The SOS Shield™ is comprised of 3 components in a separately managed account (SMA):

First, the equity exposure is established with a long call option to replicate a long position in the price return of the underlying index. Next, the downside SOS Shield™ seeks to limit losses in time of market distress and in outcomes of larger negative return. And finally, the Upside Cap allow investors to participate in equity market appreciation up to a predetermined performance cap.

We offer three SOS Shield™ investment options, all of which provide participation with the upside index price return to a preset cap and a downside shield, which may be suitable for a range of investor needs:

1. **SOS Shield™ Flex** – SOS Shield™ insulates investors from the first -20% of losses, then offers decreasing insulation from -20% down to -40%, after which investors participate fully with any further underlying index losses, at the end of the outcome period, providing investors with higher upside capture potential.
2. **SOS Shield™ Moderate** – SOS Shield™ insulates investors from the first -15% of losses, should the underlying index experience a loss at the end of the outcome period.
3. **SOS Shield™ Conservative** – SOS Shield™ insulates investors from losses between -5% to -30%, with the investors accepting the first -5% of losses and anything beyond 30%, should the underlying index experience a loss at the end of the outcome period.

**The structured outcome may only be realized if the account is held until the last day of the 12-month outcome period. If redeemed at any other time, outcome and performance can vary. There is no guarantee that the SOS Shield™ may be able to achieve the desired results.*

WHAT ARE THE SMA UNDERLYING HOLDINGS?

The SMAs will hold FLEX Options on the underlying index (S&P 500). The particular SOS Shield™ price and potential outcome will be set for a predetermined date of 12 months from the date of trade initiation.

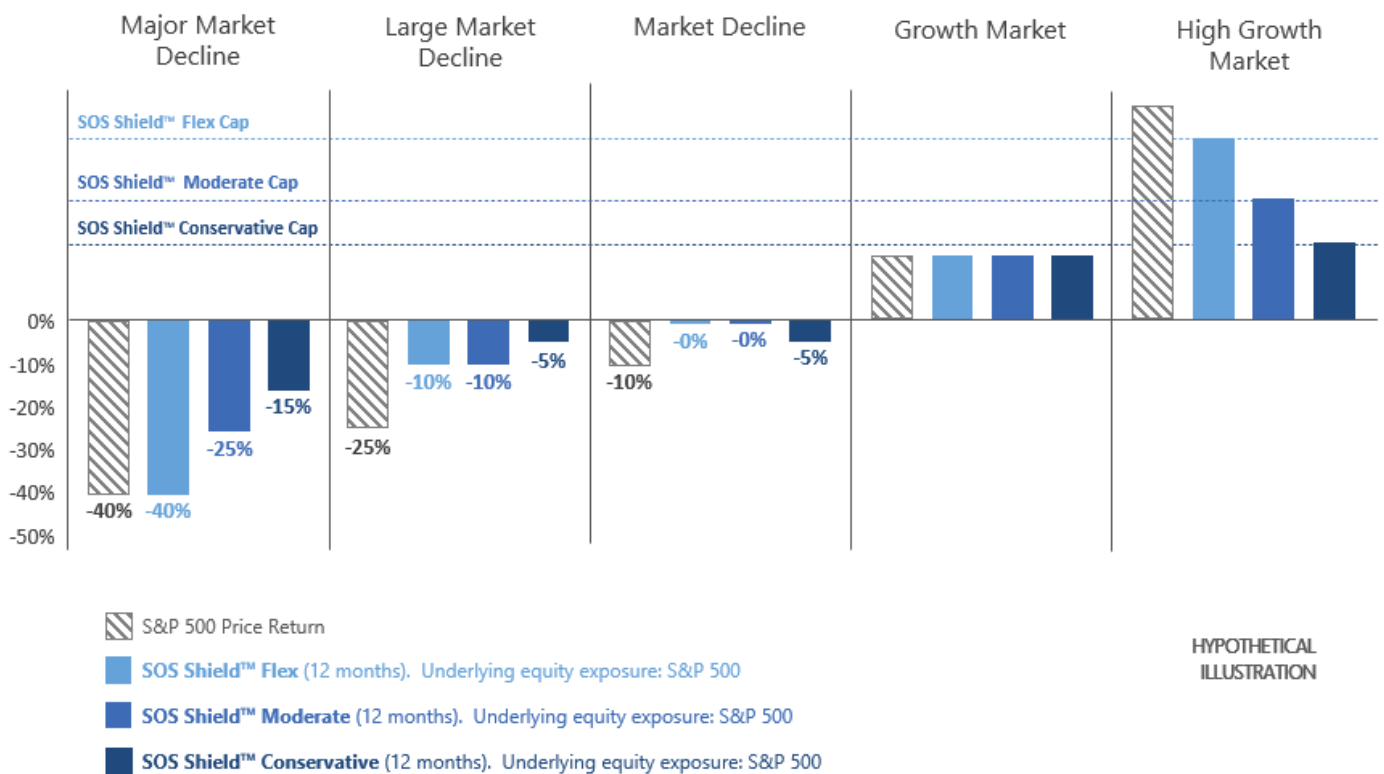
HOW DOES THE SOS Shield™ WORK?

The SOS Shield™ are comprised of three distinct components:

- 1. Equity Exposure** - The portfolio will purchase a low strike call option (near zero), replicating a long position in the price returns of an underlying equity ETF, such as the S&P 500.
- 2. Downside Shield** - The portfolio will buy a put option on the S&P 500 and then simultaneously write (sell) a put option at a price below that is equal to the predetermined shield levels for each strategy. The purchased put option provides a downside shield, while the written put option will stop the shield at the predetermined level.
- 3. Upside Cap** - The portfolio will write (sell) call options with strike prices at the capped level, generating the premium to help pay for the downside shield. Writing (selling) a call gives the seller the obligation to sell shares of the underlying asset at a strike price that is set above the current market price. If S&P 500 increases to the strike price of the written call option by expiration, the strategy will hit its cap and no longer participate in any further gains.

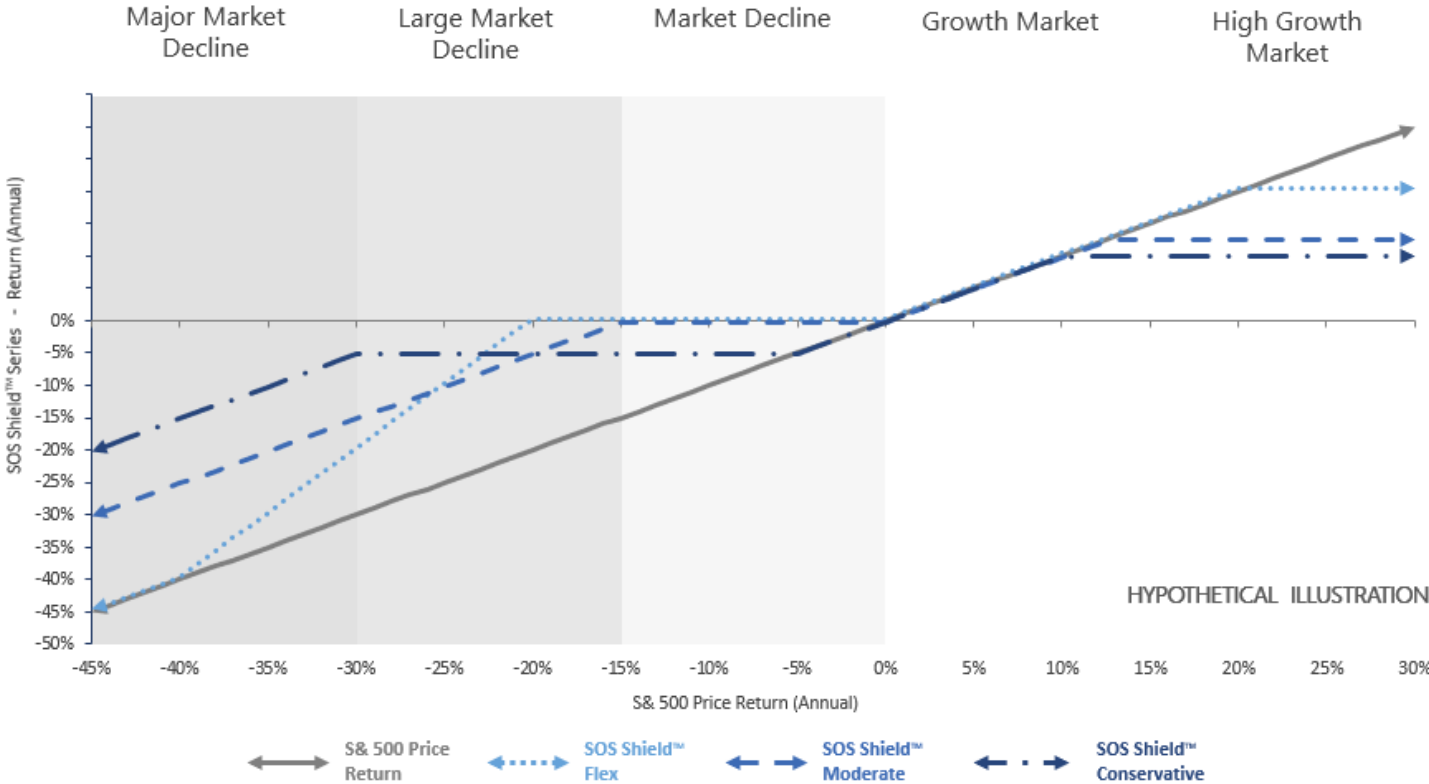
For example, potential return scenarios of the SOS Shield™ Series relative to the underlying equity index, if held for the full outcome period, are illustrated below.

Potential outcomes for SOS Shield™ variations, if held for the entire 12-month outcome period.



Disclosures: SMAs charge fees and expenses. No such fees or expenses were deducted from the hypothetical return scenarios shown. Actual returns would be lower. The upside cap shown is for illustration purposes only. The upside cap for any SOS Shield™ strategy is determined at the inception date of the outcome period in each calendar year. The cap investors will experience may be different than what is illustrated herein. There is no performance guarantee.

The overall return profiles and return scenarios of the SOS Shield™ Series, if held for the full outcome period, relative to the underlying equity index are illustrated below.



HYPOTHETICAL ILLUSTRATION

Disclosures: SMAs charge fees and expenses. No such fees or expenses were deducted from the hypothetical return scenarios shown. Actual returns would be lower. The upside cap shown is for illustration purposes only. The upside cap for any SOS Shield™ strategy is determined at the inception date of the outcome period in each calendar year. The cap investors will experience may be different than what is illustrated herein. There is no performance guarantee.

FOR WHICH CLIENTS MIGHT THE SOS Shield™ BE SUITABLE?

Given the SOS Shield™ seeks to deliver a structured outcome over a defined period, the SOS Shield™ may be suitable for investors looking for:

- Upside participation of equity markets, yet with defined downside risk mitigation
- Entry point in uncertain market conditions - short-term focus of investment time period

HOW MIGHT THE SOS Shield™ FIT INTO A PORTFOLIO?

We see advisors utilizing these strategies in a range of behavioral and asset allocation applications.

1. Behavioral Applications

- The structured nature of the SOS Shield™ may help investors remain allocated during periods of market stress.
- The SOS Shield™ may also help investors avoid timing the market or reacting emotionally to swings in the equity markets, potentially creating more peace of mind.

2. Allocation Applications

- *Equity complement (mitigate risk)*: While going to cash and reducing allocation to equities may reduce risk, this creates the risk of missing out on potential upside and creates reentry timing risk. The SOS Shield™ offer a way to seek potential upside in equities with reduced downside risk, allowing investors to remain fully invested.
 - Timely Applications:
 - COVID-19 uncertainty
 - Potential monetary policy changes
 - Geo-political uncertainty
 - *Fixed Income Complement*: With the predetermined downside shield, the SOS Shield™ may provide non-correlated returns to equities and fixed income securities over the full Structured Outcome Period. The SOS Shield™ may also reduce interest rate risk as there are no underlying fixed income investments or exposures.
 - *Structured Investment Alternative*: While the risk/return profile and structured outcome over a defined period is similar to structured notes, the SOS Shield™ offers more liquidity at lower fees than many other structured investments.

IS THERE COUNTERPARTY OR CREDIT RISK?

The underlying FLEX Options held within the SMAs are guaranteed for settlement by the Options Clearing Corporation. In the unlikely event that the Options Clearing Corporation becomes insolvent or is otherwise unable to meet its settlement obligations, the options could realize significant losses. For more information on how the OCC seeks to ensure meeting obligations, [click here](#).

IF AN INVESTMENT IS MADE ON DAY 1, WHAT OUTCOME CAN BE EXPECTED IF HELD TO THE LAST DAY OF THE 12-MONTH OUTCOME PERIOD?

SOS Shield™ are structured to provide point-to-point exposures to the price return of the S&P 500. If held throughout the full outcome period, investment results will likely fall within the return profile outlined per the respective SOS Shield™ selected, less management fees and expenses. Due to the optionality of the underlying portfolio, the SOS Shield™ will NOT move precisely as the S&P 500 moves during the interim period. Note: there is no assurance that the strategy will meet its investment objective.

DOES ANY INSTITUTION GUARANTEE MY RESULTS?

No. Unlike certain insurance products and structured products, SMAs are not backed by the faith and credit of an issuing institution like an insurance company or a bank.

HOW LIQUID ARE SOS Shield™ ASSETS?

SOS Shield™ accounts have daily liquidity. However, if one chooses to liquidate the holdings in an SOS Shield™ account before 12-month duration, the returns might fall outside those described as the initial range. In addition, only the full account can be liquidated; there are no partial liquidations.

WHERE IS THIS AVAILABLE?

The SOS Shield™ is available at Schwab and Pershing currently.

WHAT ARE THE MINIMUMS TO GET STARTED?

Account minimums vary based on market levels at time of account creation and individual custodian minimums and trade requirements.

Schwab – Aggregate minimum is S&P 500 price level x 1,000. Schwab allows for the aggregate to be comprised of a single account or multiple accounts. Schwab individual account minimum is \$250,000.

Pershing – The individual account minimum is \$1,000,000 (no aggregate minimums required).

For example, for a Schwab account, if the S&P 500 index price (SPY) level is at 3440, then the minimum individual account, under this specific example would need to be \$3,440,000, or an aggregate of multiple accounts each with a 250k minimum amount (approximately within 1-2%).

NOTE – For a custom SOS Shield™ based on a specific investment mandate, consult your Swan investment professional for information and account minimum detail.

CAN I MAKE AN ADDITIONAL INVESTMENT IN THE ACCOUNT?

Yes; however, the amount still must meet account minimum unit requirements (see above). In addition, any additional new money would only go into the same original positions and the returns and outcome on the new money will differ from the original invested amount. Each series will be updated monthly on the Swan website, where a tool shows detailed information on each series and their current remaining cap or shield levels in relation to those set at the initial outcome period. These should be consulted before investing any new amounts to understand potential new outcomes. If it is desired that the new invested amount have a new SOS Shield™ outcome, then a new account would need to be opened.

HOW DO I GET STARTED? (SIMPLE ONBOARDING PROCESS OUTLINE)

Step 1: Request access from your firm to use Schwab or Fidelity as your custodian.

Step 2: Have your firm's principal sign a sub-advisor agreement and disclosure.

Step 3: Open an account equipped with margin and options approval at your custodian.

Step 4: Notify operations@swanglobalinvestments of your pending investment date and selected SOS Shield™ product.

WHAT IS THE CAPITAL GAINS TREATMENT?

If a traded security is held 365 days from the day after purchase, it is taxed as long-term capital gains. The SOS Shield™ positions are custom set to an expiration 365+1 day from date of purchase/establishment and thus any gains should be treated as long-term capital gains. This is not tax advice; please consult your tax advisor.

CAN THIS BE DONE IN AN IRA OR A QUALIFIED ACCOUNT?

The SOS Shield™ may be available for some retirement accounts, depending on the custodian of the retirement account and the types of trades they allow within qualified accounts. Typically, these types of strategies usually are not utilized in IRAs, because retirement accounts usually have a longer investment horizon than a 12-month period.

WHAT TYPE OF OPTIONS ARE USED?

Index FLEX Options on the S&P 500. FLEX Options allow for setting customized terms of an option, including underlying reference asset, strike prices, and expiration dates. The Options Clearing Corporation (OCC) issues and guarantees settlement of the FLEX Options, as the “buyer for every seller and the seller for every buyer,” which helps to avoid counterparty risk.

DOES THE SOS Shield™ STRATEGY MATURE (WHAT HAPPENS AT THE CLOSE OF THE OUTCOME PERIOD)?

No. Upon the conclusion of the 12-month outcome period, if no further instructions are received from the investor, the “outcome” will be settled in cash to the account. The options utilized are European-style options, which cannot be exercised early and are only cash settled. If instructed within two business days of the outcome period date, the account can be reset into new SOS Shield™ positions with the new current account balance at the end of the 12-month period. This “reset” would be into another term of the same SOS Shield™ level, with a new upside cap that would be determined based on market conditions. If instructions to establish a new SOS Shield™ for another 12-month period are not received, the investor can still start another SOS Shield™ in the account at the next series start date. Additional cash may be necessary to begin another SOS Shield™ if markets have risen over the outcome period.

CAN WITHDRAWALS BE MADE DURING THE OUTCOME PERIOD?

Yes, withdrawals can be made at any time during the outcome period, however only for the full account value – no partial redemptions for accounts under \$250k. For accounts over \$250k, partial redemptions of amounts more than the account minimum unit size (see details on account minimum for the calculation of a unit size) can be made at any time. However, it is important that the investor understand that any redemptions or withdrawals at any time not on the day of the 12-month outcome period can and will mean varied outcomes from the desired structure. The purpose of the Structured Outcome Strategies™ is the creation of desired outcomes, not as a withdrawal tool vehicle.

WHAT IF THE ACCOUNT IS CLOSED BEFORE THE END OF THE OUTCOME PERIOD?

If the account is redeemed/closed before the end of the outcome period, the positions will be closed out at current market value (which can vary based on numerous factors related to option pricing). Any gains at that point will be realized as short-term gains/losses.

COULD OTHER INVESTORS REDEMPTIONS IMPACT EXISTING SOS Shield™ INVESTORS OUTCOMES?

No. SOS Shield™ is not a commingled product like ETFs or annuities. Each SOS Shield™ investor has their own separately managed account (SMA) with an individualized SOS Shield™ Shield and cap for a specific 12-month term. Therefore, an individual’s SMA value will NOT be impacted by the actions of other SOS Shield™ investors.

HOW ARE DIVIDENDS ACCOUNTED FOR?

No dividends are received; SOS Shield™ targets outcomes based on S&P 500 Price Return. Other approaches could include holding securities that receive dividends, but this would also mean lower caps. Generally speaking, there is a tradeoff of receiving a dividend versus a higher cap. Some years favor one approach, some years favor the other. However, if considering tax implications, having a higher cap can be seen as potentially more favorable than receiving dividends.

ARE THERE BENEFITS TO THE SMA STRUCTURE VERSUS STRUCTURED PRODUCTS, NOTES, AND ANNUITIES?

Swan Structured Outcome Strategies™ (SOS Shield™) seek to address several issues often related with other structures that seek to provide a similar return profile. First, the SMA structure provides an individualized structured period, with personalized start date and outcome period, shield, and cap—providing more certainty about the investment and potential outcome given market movements. In contrast, pooled products provide varying results for investors depending upon product release dates, NAV or trading conditions, or other variables that might also impact the final value at the end of the period. In addition, other structured products and notes tend to have much higher expenses and counterparty risk, as well as liquidity restrictions (i.e., penalties for early redemption, or no redemption allowed, etc).

WHAT ARE THE FEES ASSOCIATED WITH OPENING AN SOS Shield™ ACCOUNT AND HOW ARE THEY BILLED?

Swan Structured Outcome Strategies™ are billed upfront when the account is funded to minimize cash drag, establish the most appropriate and cost-effective outcome as possible, and to encourage investors to remain invested for the entire outcome period. Swan's upfront fee is 50 bps on the final amount invested. If an investor liquidates early, there is no adjustment to the fee. However, if the investor liquidates early and decides to "roll" into another SOS Shield™ series, the fee is adjusted to remain 50 bps annualized. For example, if after 6 months an investor decides to close out one SOS Shield™ series and move into a new one, there would be a 50 bps fee at opening, but only 25 bps on the opening of the new series (thus, 25 bps for 6 months, 50 bps for the one year outcome on the new series).

WHAT ARE RISKS TO CONSIDER?

There are liquidity and systematic risks in SMAs, as in other structures. SOS Shield™ provides daily liquidity and full transparency. The risks are provided in a detailed summary below. Please read carefully.

- 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 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>
- The Structured Outcome Strategies™ (SOS Shield™) have characteristics unlike many other traditional investment products and may not be suitable for all investors. Investors in the SOS Shield™ will bear all index losses exceeding the downside shield. Changes in market volatility can impact the performance cap from one defined outcome period to the next. The SOS Shield™ are designed to provide point-to-point exposure to the price return of an index via a basket of Flex Options. As a result, any given SOS Shield™ is not expected to move directly in line with the index during the interim period. Additionally, FLEX Options may be less liquid than standard options. In a less liquid market for the FLEX Options, the SOS Shield™ may have difficulty closing out certain FLEX Options positions at desired times and prices. The performance cap, downside shield, and FLEX options should be considered before investing in the SOS Shield™.
- The strategy may not be able to achieve the hypothetical returns set forth in illustrations. Charts are intended to illustrate potential outcomes at the end of the outcome period and are based on hypothetical reference asset returns. The charts do not account for payment of fees and expenses.

Swan Global Investments, LLC (“Swan”) is an independent Investment Advisory company headquartered in Durango, CO. Swan is registered with the US Securities and Exchange Commission under the Investment Advisers Act of 1940. Note that being an SEC registered Investment Adviser does not denote any special qualification or training. Swan offers and manages The Defined Risk Strategy (“DRS”) for its clients including individuals, institutions and other investment advisor firms. Swan Global Investments has affiliated advisers including Swan Global Management, LLC, Swan Capital Management, LLC, and Swan Wealth Advisors, LLC. The charts and graphs contained herein should not serve as the sole determining factor for making investment decisions. To the extent that you have any questions regarding the applicability of any specific issue presented or discussed, you are encouraged to consult with Swan Global Investments. All information, including that used to compile charts, is obtained from sources believed to be reliable, but Swan Global Investments does not guarantee its reliability.

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 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>

SOS Shield™ Disclosures: The Structured Outcome Strategies™ (SOS Shield™) have characteristics unlike many other traditional investment products and may not be suitable for all investors. The SOS Shield™ seek to produce a pre-determined structured investment outcome based on the performance of the underlying reference asset. The SOS Shield™ only seek to provide investors that remain invested for the entire Outcome Period (approximately 12-months beginning on the SOS Shield™ inception date) with their respective downside shield level against Index losses during the Outcome Period. Investors in the SOS Shield™ will bear all index losses exceeding the downside shield. SOS Shield™ investors are subject to an upside return cap (the “Cap”) that represents the maximum percentage return an investor can achieve from an investment in the SOS Shield™ for the Outcome Period, before fees and expenses. The upside cap for a strategy is determined at the inception date of the Outcome Period in each calendar year, based on market volatility and other factors. The cap investors will experience may be different than what is referenced herein.

The SOS Shield™ are offered as separately managed accounts (SMA). SMAs charge fees and expenses. No such fees or expenses were deducted from the hypothetical return scenarios shown herein. Actual returns would be lower.

The SOS Shield™ are designed to provide point-to-point exposure to the price return of an index via a basket of Flex Options. As a result, any given SOS Shield™ is not expected to move directly in line with the index during the interim period. The SOS Shield™ is reset annually, after the end of the previous Outcome Period by investing in a new set of FLEX Options that provide the same SOS Shield™ Shield and a new cap for the new Outcome Period.

FLEX Options Risk: The SOS Shield™ will utilize FLEX Options issued and guaranteed for settlement by the Options Clearing Corporation (OCC). In the unlikely event that the OCC becomes insolvent or is otherwise unable to meet its settlement obligations, the SOS Shield™ could suffer significant losses. Additionally, FLEX Options may be less liquid than standard options. In a less liquid market for the FLEX Options, the SOS v may have difficulty closing out certain FLEX Options positions at desired times and prices. The values of FLEX Options do not increase or decrease at the same rate as the reference asset and may vary due to factors other than the price of reference asset. The Cap, and the SOS Shield™ position relative to it, should be considered before investing in the SOS Shield™.

FLEX Options may be less liquid than standard options. In a less liquid market for the FLEX Options, the SOS Shield™ may have difficulty closing out certain FLEX Options positions at desired times and prices. The performance cap, downside shield, and FLEX options should be considered before investing in the SOS Shield™.

About Swan Global Investments

Randy Swan started Swan Global Investments in 1997 looking to supply investment management services that were not available to most investors. Early in his financial career, Randy saw that options provided an opportunity to minimize investment risk.

His innovative solution was the proprietary Swan Defined Risk Strategy, which has provided market leading, risk-adjusted return opportunities through a combination of techniques that seek to hedge the market and generate market-neutral income.



SWAN GLOBAL
INVESTMENTS

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